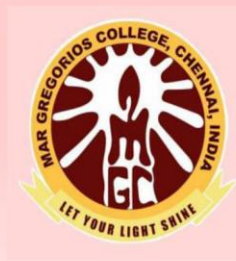


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Affiliated to the University of Madras
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PG DEPARTMENT OF COMMERCE

SUBJECT NAME: CONSUMER BEHAVIOUR

SUBJECT CODE: KDACB

SEMESTER: II

PREPARED BY: PROF. S. LEENA RANI

CONSUMER BEHAVIOUR

Objective: To develop knowledge and skill in the application of marketing research tools and techniques and to develop an understanding of consumer behavior

Unit I

The consumer behavior - Meeting Changes and Challenges – Perspectives towards the study of consumer behavior – Understanding about the dark side of the consumer – various consumer behavior models - Consumer behavior and marketing strategy

Unit II

Internal influences on Consumer behavior – Personality – self image and Life style – Consumer motivation – Consumer involvement – Consumer perception – Consumer Learning and knowledge – Consumer attitude and change

Unit III

External influences on consumer behavior - The Influences of Culture on Consumer Behaviour - Subcultures and Consumer Behaviour- Social Class and Consumer Behaviour- Reference Groups and Family- Consumer Influence and the Diffusion of Innovations

Unit IV

The consumer decision process, prospect theory, heuristics, persuasion- – Consumer decision making processes – Need recognition – Information search – Consumer Evaluation process – Purchase decision – Post purchase decision – Marketing strategies involved in each stage of the process

Unit V

Family and Household Decision making - The role of Reference group in purchase decisions – Word of Mouth (WOM) – Demographics and psychographics in consumer purchase decision of the Consumer- Global consumer and diffusion and innovations – Consumer behavior and social marketing - Consumer and public policy

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- A CUSTOMER IS THE MOST IMPORTANT VISITOR ON OUR PREMISES,
- HE IS NOT DEPENDENT ON US, WE ARE DEPENDENT ON HIM.
- HE IS NOT AN INTERRUPTION ON OUR WORK, HE IS THE PURPOSE OF IT.
- HE IS NOT AN OUTSIDER IN OUR BUSINESSHE IS A PART OF IT.
- WE ARE NOT DOING HIM A FAVOUR BY SERVINGHIM,HE IS DOING US A FAVOUR BY
- GIVING US THE OPPORTUNITY TO DO SO.

-Mahatma Gandhi

UNIT-I

Consumer Behaviour

The behavior that consumers display in searching for, purchasing, using, evaluating, and disposing of products and services that they expect will satisfy their needs.

Changes or Evolution of Consumer Behaviour

a. Production Orientation

Time period from the 1850- 1920's;

focus on manufacturing as many products as possible nevertheless, demand always exceed
The supply.

b. Sales Orientation

1930's- 1950's

Eventually manufacturing was able to improve so much that they were able to produce more than the demand; so to get rid of products companies developed aggressive sales techniques.

c. Marketing Orientation:

1950's- now.

The era where marketers determine the wants and needs of the customers better than the competition and any profits are a reflection of progress.

ex. Colonel Sanders started a roadside business coupled with motels and re-positioned the "traditional" motel; and the "franchising" business model.

d. Societal Marketing Concept:

Products that not only satisfy the wants and needs of the customers, but also benefits them and society as a whole(local, regional, or even the world).

e. Consumer Research:

The process and tools used to study consumer behavior; what products to sell to different markets and how to do it.

Challenges in Consumer Behaviour

Customer behavior can affect the sustainable growth of business in following manners:

- a) **High Cost Production** If the behavior of the consumers changes time to time, the new production or services would be needed to meet the demands of the consumers. If a businessman or manufacturer changes its business product, it would lead to high cost of production.

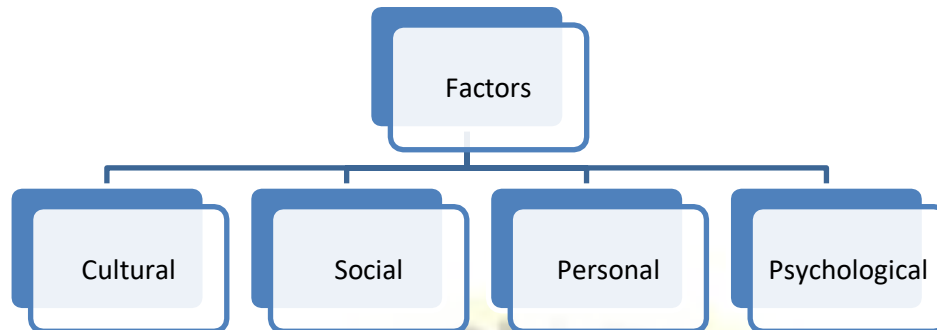
- b) **Attention to Quality, Design Packaging and Distribution:** If the cost of production is the major focus of the business, none of the other activities would more attention. Ultimately, quality of the work, design, packaging and distribution, would get suffered.
- c) **Competitors:** Business organization will not compete with competitors. Because if the organization considers only cost, other parameters are suffered and predetermined goals of the business cannot be achieved.
- d) **Internal Environment:** Business organization gets success only when all the business activities (internal environment) go smoothly. If there is unrest in the internal environment of the organization regarding the „change“, business cannot get success.
- e) **Heavy Capital:** Need to acquire heavy capital funds to cope with change in consumer behavior.
- f) **New Technology:** Requirement of new machinery and recent technology.
- g) **Trained Human Resources:** Trained Human Resource capital is needed to face cut throat competitors.

DARK SIDE OF CONSUMER BEHAVIOUR

<p>Compulsive Consumption</p> <ol style="list-style-type: none"> 1. Behaviour is not done by Choice 2. Gratification is short lived 3. Strong feelings or Regret of Guilt afterwards 	<p>Addictive Consumption</p> <p>Gambling</p>
<p>Illegal Activities</p> <p>Consumer Theft (Shrinkage) Anti-Consumption</p> <ol style="list-style-type: none"> a. Cultural Jamming b. Cultural Resistance 	<p>Consumed Consumers</p> <p>People who are exploited for commercial gain.</p>

FACTORS INFLUENCING CONSUMER BEHAVIOUR

Consumer's buyer behaviour is influenced by four major factors: 1) Cultural, 2) Social, 3) Personal, 4) Psychological



I. Cultural factors:

Culture plays a very vital role in the determining consumer behaviour it is sub divided in

1. Culture

Culture is a very complex belief of human behaviour it includes the human society, the roles that the society plays, the behaviour of the society, its values customs and traditions.

Culture needs to be examined as it is a very important factor that influences consumer behaviour.

2. Sub-Culture:

Sub-culture is the group of people who share the same values, customs and traditions. You can define them as the nation, the religion, racial groups and also groups of people sharing the same geographic location

3. Social Class:

Society possesses social class; in fact every society possesses one. It is important to know

what social class is being targeted as normally the buying behaviour of a social class is quite similar. Remember not just the income but even other factors describe social class of a group of consumers.

II. Social Factors:

1. Reference groups

Under social factors reference groups have a great potential of influencing consumer behaviour.

Of course its impact varies across products and brands. This group often includes an opinion leader.

2. Family

The behaviour of a consumer is not only influenced by their motivations and personalities

but also their families and family members who can two or more people living together either because of blood relationship or marriage.

3. Role and status

People who belong to different organizations, groups or club members, families play roles and have a status to maintain. These roles and status that they have to maintain also influences consumer behaviour as they decide to spend accordingly.

III. Personal factors

1. Age and life cycle stage

Age of a consumer and his life cycle are two most important sub factors under personal factors.

With the age and the life cycle the consumers purchase options and the motive of purchase changes, with his decisions of buying products change. Hence this stage does affect consumer behaviour.

2. Occupation

Occupation of a consumer is affects the goods and services a consumer buys. The occupations group has above average interest in buying different products and services offered by organizations. In fact organizations produce separate products for different occupational groups.

3. Financial or economic situations

Everything can be bought and sold with the help of money. If the economic situation of a consumer is not good or stable it will affect his purchase power, in fact if the consumers or the economy of a nation is suffering a loss it defiantly affects the consumers purchase or spending decisions.

4. Life style:

People originating from different cultures, sub cultures, occupations and even social class have different styles of living. Life style can confirm the interest, opinions and activities of people. Different life styles affect the purchase pattern of consumers.

5. Self concept and personality:

Every individual is different and have different and distinct personalities. Their distinct personalities and distinct physiology effects their buying decisions. Hence purchase of products and services defers from person to person.

IV. Psychological factors

1. Motivation

Motivation is activating the internal needs and requirements of the consumer. It can also be described as goals and needs of the consumers. Motivation arouses and directs the consumers towards certain goals. These needs can be psychological needs, needs of security, social needs, esteem needs and also self actualizing needs.

2. Perception

Perception is sensing the world and the situations around and then taking a decision accordingly.

Every individual look as the world and the situations differently.

3. **Learning and experience:**

Learning is the research of products and services before the consumer takes the decision of buying a product. Learning and self educating these days is done online and also in groups.

Experience is taking a lesson from the past experiences of a product and service. Learning and experience both again play an important role in influencing the consumer's behaviour as it influences their purchase decision.

4. **Attitude and beliefs:**

Attitude is a consumer's favorable and unfavorable emotional condition or emotional feeling,

also its tendency of reaction to certain actions and behaviours. Beliefs of people that are the

belief that people assume the products to be as make the specifications of the products.

Hence attitude and beliefs are also important and need to be taken into consideration while studying human behaviour.

Prospects of Consumer Behaviour

- **Market-Opportunity Analysis:** this involves examining trends and conditions in the marketplace to identify consumers' needs and wants that are not being fully satisfied.
- **Target Market Selection:** this has to do with identifying distinct groupings of consumers who have unique wants and needs and the selection of segment that matches the firm's strength and offer better opportunities.
- **Marketing- Mix Determination:** this involves developing and implementing a strategy for delivering an effective combination of want-satisfying features to consumers within target market.
- **Marketing strategy:** understanding of consumer behaviour is needed in strategic marketing activities. This is because marketing strategies and tactics are based on explicit or implicit beliefs about consumer behaviour.

VARIOUS CONSUMER BEHAVIOR MODELS

Four Models give a general view in terms of the Economic model, Learning model, Psychoanalytic model and the Sociological model.

i. Economic Model:

Under economics, it is assumed that man is a rational human being, who will evaluate all the alternatives in terms of cost and value received and select that product/service which gives

him/her maximum satisfaction (utility). Consumers are assumed to follow the principle of maximum utility based on the law of diminishing marginal utility. It is assumed that with limited purchasing power, and a set of needs and tastes, a consumer will allocate his/her expenditure over different products at given prices so as to maximise utility.

The law of equimarginal utility enables him to secure maximum utility from limited purchasing power. Economic model of consumer behaviour is unidimensional. This means that buying decisions of a person are governed by the concept of utility. Being a rational man he will make his purchase decisions with the intention of maximising the utility/benefits. Economic model is based on certain predictions of buying behaviour.

1. Price effect – Lesser the price of the product, more will be the quantity purchased.
2. Substitution effect – Lesser the price of the substitute product, lesser will be the quantity of the original product bought.
3. Income effect – More the purchasing power, more will be the quantity purchased

The assumption about the rational behaviour of human beings has been challenged by the behavioural scientists. They are of the opinion that while the predictions are useful, the model only explains how a consumer ought to behave, it does not throw light on how does the consumer actually behave.

Behaviour scientists have opined that broader perspectives need to be adopted while analyzing the buyer behaviour. So apart from economics, even the role played by needs, motives, personality, self-concept and the socio-cultural factors have to be considered for understanding the buyer responses to various stimuli, which in turn could influence their buying behaviour.

ii. Learning Model:

Unlike the economists, classical psychologists have been interested in the formation and satisfaction of needs and tastes. They argued that living beings were influenced by both innate needs such as the primary needs of hunger, thirst, sex, shelter and learned needs like fear and guilt. A drive (internal stimulus) which when directed towards a drive reducing object becomes a motive. The various products or services will act as stimuli to satisfy drives. For instance, a hungry person will be driven towards food, which after consumption will reduce the drive and also provide satisfaction.

According to learning theorists, this response of satisfaction (feeling) reinforces the relationship between drive and the drive reducing stimulus object as well as the related cues.

Further, when consumers learn to associate connection between stimulus and response, it becomes

a habit. There are certain cognitive theorists, who have advocated that human beings not only

learn to link stimulus with response (S-R) but also about the formation of other cognitive processes

such as, attitudes, values, beliefs, motivation etc.

In marketing context, 'learning' will help marketers to understand how consumers learn to respond in new marketing situations, or how they have learned and responded in the past in similar situations. Very often it is observed that consumer's experience with one product from an organisation is likely to be generalised to the other products of the firm.

Conversely, consumers also learn to discriminate and this information will be useful in working out different marketing strategies. Simply stated this learning model will help marketers to promote associations of products with strong drives and cues and positive re-enforcements from the consumers.

iii. Psychoanalytical Model:

This model is based on the work of psychologists who were concerned with personality. They were of the view that human needs and motives operated at the conscious as well as at the subconscious levels. This theory was developed by Sigmund Freud. According to him human behaviour (personality) is the outcome of

- (a) 'id' – the source of all psychic energy which drives to act,
- (b) 'super ego' – the internal representation of what is approved by the society,
- (c) 'ego' – the conscious directing 'id' impulses to find gratification in a socially accepted manner.

Thus, we can say that human behaviour is directed by a complex set of deep-seated motives.

From the marketing point of view this means that buyers will be influenced by symbolic factors in buying a product. Motivational research has been involved in investigating motives

of consumer behaviour so as to develop suitable marketing implications accordingly. Marketers have been using this approach to generate ideas for developing products – design, features, advertising and other promotional techniques.

iv. The Sociological Model:

According to this model the individual buyer is a part of the institution called society.

Since he is living in a society, he gets influenced by it and in turn also influences it in its path of development. He is playing many roles as a part of various formal and informal associations or organisations such as a family member, as an employee of a firm, as a member of a professional forum and as an active member of an informal cultural organisation. Such interactions leave some impressions on him and may play a role in influencing his buying behaviour. Intimate groups comprising of family, friends and close colleagues can exercise a strong influence on the lifestyle and the buying behaviour of an individual member. The peer group plays a very important role in acting as an influencing factor especially in adopting particular lifestyles and buying behaviour patterns. The group generally has an informal opinion leader, whose views are respected by the group. This leader is able to influence the individual member's lifestyle and buying decisions.

Similarly, depending on the income, occupation and place of residence etc., each individual member is recognised as belonging to a certain social class. As a member of a particular class, he may enjoy certain status and prestige. Further, each class has its own standards of lifestyle and buying behaviour pattern. So an individual member will adopt the role suitable to conform to the style and behavioural pattern of the social class to which he/she belongs. The marketers, through a process of market segmentation can work out on the common behaviour patterns of a specific class and group of buyers and try to influence their buying pattern.

2. Contemporary Models:

With the evolution of the consumer behaviour study, newer approaches were used to understand what influences consumer behaviour. These were said to be contemporary models. These contemporary models or views differed from the earlier models mainly because they focused on the decision process adopted by consumers and borrowed concepts from behavioural sciences field. Some of these models have been discussed hereunder.

i. The Howard Sheth Model of Buying Behaviour:

The Howard-Sheth model provides an integrating framework for a very sophisticated comprehensive theory of consumer behaviour. The model tries to represent the rational brand choice behaviour by buyers when faced with situations involving incomplete information and limited abilities.

THE MODEL REFERS TO THREE LEVELS OF DECISION MAKING:

a. Extensive Problem Solving:

The initial stages of decision making when the buyer has little information about brands and has not yet developed a well-defined and structured criteria to make a selection from the various products (choice criteria).

b. Limited Problem Solving:

In a slightly more advanced stage choice criteria which is well defined but the buyer is not clear and undecided on the set of brands which will best serve him. In this situation, the consumer is uncertain on the 'best brand' which will suit him (or her).

c. Routinized Response Behaviour:

The stage when buyers have well defined choice criteria along with strong predispositions towards one brand. In such a situation, there is hardly any confusion in the consumer's mind and he is ready to purchase a particular brand with little evaluation of alternatives.

ii. The Nicosia Model:

This model was developed by Francesco Nicosia, an expert in consumer motivation and behaviour. Nicosia was one of the pioneers, who attempted to bring into focus the more complex decision process undertaken by consumers rather than the act of purchase itself. The Nicosia model tries to explain buyer behavior by establishing a link between the organisation and its (prospective) consumer.

The model suggests that messages from the first influences the predisposition of the consumer towards the product or service. Based on the situation, the consumer will have

a certain attitude towards the product. This may result in a search for the product or an evaluation of the product attributes by the consumer. If the above step satisfies the consumer, it may result in a positive response, with a decision to buy the product otherwise the reverse may occur.

DEFINITION OF MARKETING STRATEGY

Marketing Strategy can be defined as building and planning a long-term and forward-looking approach with a well defined plan to attain the desired goals and objectives of accomplishing higher sales, increased revenue generation for the company, retaining the loyal base of customers, attracting the new set of customers, and gaining a competitive advantage in the market amongst others.

Impact of Technologies on Marketing Strategies

- 1) Able to shop around for a good deal; so offers must match competitors or counteract it with something extra.
- 2) Can easily find product reviews
- 3) Marketers need to add more product options

PROFITABILITY-FOCUSED MARKETING

Tracks costs and revenues of individual customers and categorizes them into tiers.

- 1) Platinum- Not price sensitive, willing to try new offers
- 2) gold - heavy users, more discounts, and buy from several providers
- 3) Iron- Spending volume and profitability do not merit any special treatment other than the company's standards
- 4) Lead- Cost the company money because they demand attention more than what they buy, tie up company resources, and spread negative word of mouth.

UNIT-II

INTERNAL INFLUENCING FACTORS OF CONSUMER BEHAVIOUR

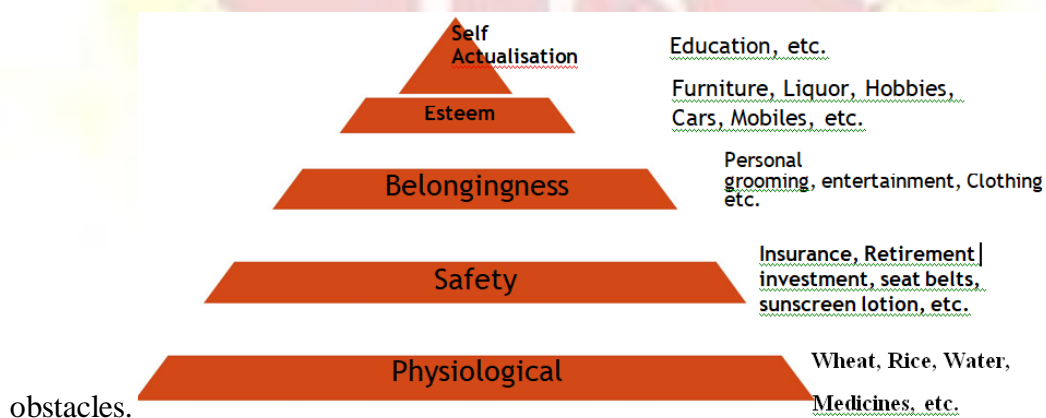
Internal Influences on Consumer Behaviour



I. Motivation

Motivation is the driving force among individual consumers that impel them to action.

Definition: Motivation may be defined as psychological forces that determine the direction of person's behaviour, a person's level of effort, and a person's level of persistence in the face of



II. Involvement:

Involvement is a reflection of strong motivation in the form of high perceived personal relevance of a

product or service in a particular context.

Features

1. Involvement consists of Differences in the intensity of interest with which consumers approach
2. their dealings with the marketplace.
3. Involvement can vary in individuals depending on different situations
4. Involvement is related to some form of arousal. Involvement can be of 3 types

III. Personality :

Personality can be described as the psychological characteristics that both determines and reflect how a person responds to his or her environment.

How Personality is help full in marketing: Because no two people are exactly the same, marketers can look for certain similar personality traits in different consumers. These consumers can then be grouped together based on this identified personality.

Product Personality includes:

- a. Manly, adventurous, sporting, stylish, mature, etc.
- b. Colour can influence our emotions, our actions and how we respond to various people, things and ideas.
- c. Brand personality means assigning human personality traits/characteristics to a brand

Nature/characteristics of Personality:

1. **Personality reflects individual differences:** Because the inner characteristics that constitutes an individuals personality are a unique combination of factors, no two individuals are exactly alike
\Example: Hero Honda- Splender and Hero Honda- Karizma
2. **Personality is consistent and enduring:** Personality is a set of response tendencies that are consistent and endure over time. Consistency means that the characteristics contributing to an individual's personality ten to carry over to a variety of situations.
Examples: Raymonds, Maruti 800.
3. **Personality is subject to change:** Personality is, however, subject to change over time,

in response to situations and events in life and, also, as part of a gradual maturing process.

Examples: Godrej shaving creams, Mc Donald's.

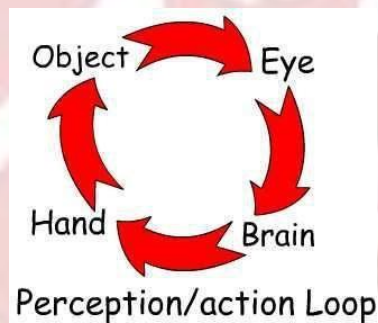
IV. Perception

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

It can be described as “how we see the world around us”. In general, perception is gathering information through our senses, which are seeing, hearing, touching, tasting, smelling and sensing.

Elements of Perception:

1. **Sensation:** Sensation is the immediate and direct response of the sensory organs to stimuli. Examples of stimuli (i.e. sensory inputs) include products, packaging, brand names, advertisement.
2. **Absolute Threshold:** The lowest level at which an individual can experience a sensation is called threshold. The point at which a person can detect and differentiate between something and nothing is that persons absolute threshold for that stimulus. Example : 200gms to 150gms, change in quality.
3. **Subliminal Perception:** Stimuli that are too weak or too brief to be consciously seen or heard may nevertheless be strong enough to be perceived by one or more receptor cells.



V. Learning

- Learning can be viewed as a relatively permanent change in behavior occurring as a result of experience.
- From a marketing perspective, however, consumer learning can be thought of as the process by which individuals acquire the purchase and consumption knowledge and experience that they apply to future related behavior.
- **Consumer learning is a process;** that is, it continually evolves and changes as a result of newly acquired knowledge.
- Both newly acquired knowledge and personal experience serve as feedback to the individual and provide the basis for future behavior in similar situations.

Elements of Learning:

1. **Motivation:** Motivation is based on needs and goals. Motivation acts as a spur to learning. The degree of relevance, or involvement, determines the consumer's level of motivation to search for knowledge or information about a product or service.
2. **Cues:** In the marketplace, price, styling, packaging, advertising, and store displays all serve as cues to help consumers fulfil their needs in product-specific ways. Cues serve to direct consumer drives when they are consistent with consumer expectations. Marketers must be careful to provide cues that do not upset those expectations.
3. **Response:** How individuals react to a drive or cue-how they behave constitutes their response.
4. **Reinforcement:** Reinforcement increases the likelihood that a specific response will occur in the future as the result of particular cues or stimuli

VI. Consumer attitude :

- Consumer attitude is a learned predisposition to respond in a consistently favourable or un-favourable manner with respect to a given object.
- Thus, an attitude is the way we think, feel, and act toward some aspect of our environment.
- Attitude occurs within and are affected by situations. By situations it means events or circumstances that at a particular point in time, influence the relationship between an attitude and behavior.
- By keeping in touch with changing
- consumer attitudes, marketers are better able to appeal to consumers through their marketing messages and appeals.

CONSUMER MOTIVATION

Motivation is an inner drive that reflects goal-directed arousal. In a **consumer** behavior context,

the results is a desire for a product, service, or experience. It is the drive to satisfy needs and wants, both physiological and psychological, through the purchase and use of products and services.

Consumer Involvement

Consumer involvement is **defined** as a state of mind that motivates **consumers** to identify with product/service offerings, their consumption patterns and consumption behavior.

INVOLVEMENT

The two types of involvement are:

- a. Situation
- b. Enduring

A. Situational Involvement

Situational involvement is temporary and refers to emotional feelings of a consumer, experiences in a particular situation when one thinks of a specific product.

Enduring Involvement

B. Enduring involvement

It is persistent over time and refers to feelings experienced toward a product category across different situations. For example, holiday-makers renting a resort for their trip are highly involved in their choice, but their involvement is temporary. Whereas involvement of a person whose hobby is bike racing endures overtime and affects his responses in any situation related to pre-purchase, purchase and post-purchase of sport bikes. It is observed that involvement is triggered by special situation in the case of holiday makers, but in the second case, it comes from, and is a part of the consumer.

CONSUMER LEARNING.

According to Kotler's Definition, learning involves changes in an individual's behavior arising out of the experience. Most of the human behavior is learned over time, out of the experience.

Following are the features of consumer learning

ELEMENTS OF CONSUMER LEARNING

1. Motivation is the driving force of all important things to be learnt. Motives allow individuals to increase their readiness to respond to learning. It also helps in activating the energy to do so. Thus the degree of involvement usually determines the motivation to search information about a product.

For example, showing advertisements for summer products just before summer season or for winter clothes before winters.

Motives encourage learning and cues stimulate the direction to these motives.

2. **Cues** are not strong as motives, but their influence in which the consumer responds to these motives. For example, in a market, the styling, packaging, the store display, prices all serve as cues to help consumers to decide on a particular product, but this can happen only if the consumer has the motive to buy. Thus, marketers need to be careful while providing cues, especially to consumers who have expectations driven by motives.

3. **Response** signifies how a consumer reacts to the motives or even cues. The response can be shown or hidden, but in either of the cases learning takes place. Often marketers may not succeed in stimulating a purchase but the learning takes place over a period of time and then they may succeed in forming a particular image of the brand or product in the consumer's mind.

4. **Reinforcement** is very important as it increases the probability of a particular response in the future driven by motives and cues.

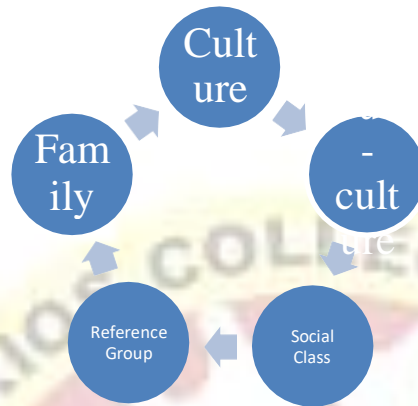
FUNCTIONS OF ATTITUDES.

The following are the functions of attitudes

1. **Adjustment Function** – Attitudes helps people to adjust to different situations and circumstances.
2. **Ego Defensive Function** – Attitudes are formed to protect the ego. We all are bothered about our self-esteem and image so the product boosting our ego is the target of such a kind of attitude.
3. **Value Expression Function** – Attitudes usually represent the values the individual posses. We gain values, though our upbringing and training. Our value system encourages or discourages us to buy certain products. For example, our value system allows or disallows us to purchase products such as cigarettes, alcohol, drugs, etc.
4. **Knowledge Function** – Individuals' continuously seeks knowledge and information.

UNIT-III

EXTERTERNAL INFLUENCES ON CONSUMER BEHAVIOUR



I. Culture

- Culture influences consumers through the norms and values established by the society in which they live.
- It is the broadest environmental factor that influences consumers behavior.
- Culture is inculcated- It is passed down from one generation to another through institutions such as family members and religion.

II. Sub-Culture

- A sub culture is a **segment within a culture** that share a set if meanings, values or activities that differ in certain respects from those of the overall culture.
- Sub culture analysis enables the marketing manager to focus on beliefs, values, and customs shared by member of a specific sub group make them desirable candidates for special marketing attention.
- Sub culture therefore can be defined as a distinct culture group that exists within a layer, complex society as an identifiable segments in terms of its beliefs customs and values.

III. Social Class

- A consumer's social class **refers to his or her standing in society**. It is determined by a number of factors, including education, occupation and income.

- While income is an important indicator of social class, the relationship is far from perfect since social class is also determined by such factors as place of residence, cultural interests and world-view.
- Social Class is “defined as the division of members of a society into a hierarchy of distinct status classes, so that members of each class have relatively the same status and members of all other classes have either more or less status.
- Social Class is often measured on the bases of: relative wealth, Power, prestige

IV. Family

- Family is defined as a group of two or more people related by birth, marriage or adoption and residing together.
- House hold is a family and any unrelated person residing in the same house and consuming food from a common kitchen at least once a day. Eg: Hostel
- All families are households but all households are not families.
- An individual’s immediate family members play an essential role in influencing his/her buying behaviour.
- Family consists of Parent, Siblings, Spouse, Grandparents, Relatives, etc.

V. Reference Group:

A reference group is any person or group that serves as a point of comparison for an individual in forming either general or specific values, attitudes, or a specific guide for behavior.

In marketing prospective, reference group are groups that serve as a frames of reference for individuals in their purchase or consumption decisions.

Often a distinction is made between **group and reference group**.

Group is defined as two or more individuals who share a set of norms, values, or beliefs and have certain implicit and explicit relationship.

Where as reference group is one whose presumed perspective or values are being used by an individual to take decisions.

Examples: Shopping with friends, family, educational decisions.

CULTURE

In terms of **consumer behavior**, Schiffman defines **culture** as “the sum total of learned beliefs, values, and customs that serve to direct the **consumer behavior** of members of a particular society”

1. **Culture is invented:** It cannot be viewed as something that just exists and is waiting to be discovered. People are responsible for inventing their culture.

2. **Culture is learnt:** It is not biological feature or instinctive. The process of learning cultural values begin early in life largely through social interactions among families, friends etc.
3. **Culture is Shared:** Culture by at large is shared by huge group of human beings, generally religion, language, etc.
4. **Culture satisfies needs:** Culture offers order, direction and guides societies in all phases of life by providing tried and trusted ways of meeting physiological, personal and social needs.
5. **Cultures are similar but different :** There are certain similarities among all cultures and many elements are present in all societies such as cooking, dressing, etc.
6. **Culture is not static:** Culture do change gradually and continuously. These change however may be very slow or very fast

FACTORS AFFECTING THE INFLUENCE OF REFERENCE GROUP

What is a Reference Group

A reference group is any person or group that serves as a point of comparison (or reference) for an individual in the formation of either general or specific values, attitudes, or behavior. **Factors that Affect Reference Groups Influence**

1. Information and Experience

An individual who has firsthand experience with a product or service, or can easily obtain full information about it, is less likely to be influenced by the advice or example of others. On the other hand, a person who has little or no firsthand experience with a product or service, and does not expect to have access to objective information about it (e.g., a person who believes that relevant, advertising may be misleading or deceptive), is more likely to seek out the advice or example of others.

2. Credibility, Attractiveness, and Power of the Reference Group

A reference group, which is perceived as credible, attractive, or powerful can induce consumer attitude and behavior change. For example, when consumers are concerned with obtaining accurate information about the performance or quality of a product or service, they are likely to be persuaded by those they consider to be trustworthy and knowledgeable.

3. Conspicuousness of the Product

The potential influence of a reference group varies according to how visually or verbally conspicuous a product is to others. A visually conspicuous product is one that can be seen and identified by others, and that will stand out and be noticed (e.g., a luxury item or novelty product). Even if a product is not visually conspicuous, it may be verbally conspicuous it may be highly interesting or it may be easily described to others.

4. Reference Group Impact on Product and Brand Choice

In some cases, and for some products, reference groups may influence both a person's product category and brand (or type) choices. Such products are called product-plus, brand-plus items

Reference Groups and Consumer Conformity

Marketers are particularly interested in the ability of reference groups to change consumer attitudes and behavior (i.e., to encourage conformity). To be capable of such influence, a reference group must:

1. Inform or make the individual aware of a specific product or brand;
2. Provide the individual with the opportunity to compare his or her own thinking with the attitudes and behavior of the group;
3. Influence the individual to adopt attitudes and behavior that are consistent with the norms of the group;
4. Legitimize an individual's decision to use the same products as the group.

CONSUMER INFLUENCE AND THE DIFFUSION OF INNOVATIONS

The diffusion of innovation is the process by which new products are adopted (or not) by their intended audiences. It allows designers and marketers to examine why it is that some inferior products are successful when some superior products are not.

The idea of diffusion is not new; in fact it was originally examined by Gabriel Tarde, a French sociologist, in the 19th century. However, it wasn't until the 1920s and 1930s that the phenomenon began to be investigated in depth by researchers.

One of the most significant early studies was conducted by Ryan and Gross in 1943. This solidified previous research into the adoption of seeds in agricultural communities and provided a strong basis for diffusion research in the future.

The Process for Diffusion of Innovation

Rogers' draws on Ryan and Gross's work to deliver a 5 stage process for the diffusion of innovation.

1. Knowledge

The first step in the diffusion of innovation is knowledge. This is the point at which the would-be adopter is first exposed to the innovation itself. They do not have enough information to make a decision to purchase on and have not yet been sufficiently inspired to find out more.

At this stage marketers will be looking to increase awareness of the product and provide enough education that the prospective adopter moves to the 2nd stage.

As it was once said (by whom we're not sure); "If the user can't find it, it doesn't exist."

2. Persuasion

Persuasion is the point at which the prospective adopter is open to the idea of purchase.

They are actively seeking information which will inform their eventual decision.

This is the point at which marketers will be seeking to convey the benefits of the product in detail. There will be a conscious effort to sell the product to someone at this stage of the diffusion of innovation.

3. Decision

Eventually the would-be adopter must make a decision. They will weigh up the pros and cons of adoption and either accept the innovation or reject it.

It is worth noting that this is the most opaque part of the process. Rogers cites this as the most difficult phase on which to acquire intelligence. This is, at least in part, due to the fact that people do not make rational decisions in many instances. They make a decision based on their underlying perceptions and feelings and following the decision they attempt to rationalize that decision. Thus, obtaining an understanding of the decision making process is challenging – the reasons given following a decision are not likely to be representative of the actual reasons that a decision was made.

4. Implementation

Once a decision to adopt a product has been made the product will, in most cases, be used by the purchaser. This stage is when the adopter makes a decision as to whether or not the product is actually useful to them. They may also seek out further information to either support the use of the product or to better understand the product in context.

This phase is interesting because it suggests that designers and marketers alike need to consider the ownership process in detail. How can a user obtain useful information in the post-sale environment? The quality of the implementation experience is going to be determined, to a lesser or greater extent, by the ease of access to information and the quality of that information.

5. Confirmation

This is the point at which the user evaluates their decision and decides whether they will keep using the product or abandon use of the product. This phase can only be ended by abandonment of a product otherwise it is continual. (For example, you may buy a new car today – you are highly likely to keep using the car for a number of years – eventually, however, you will probably sell the car and buy a new one).

This phase will normally involve a personal examination of the product and also a social one (the user will seek confirmation from their peers, colleagues, friends, etc.)

UNIT-IV

1. Process of Purchase Decision Making.



1. Need Recognition

When a person has an unsatisfied need, the buying process begins to satisfy the needs. The need may be activated by internal or external factors. The intensity of the want will indicate the speed with which a person will move to fulfill the want. On the basis of need and its urgency, the order of priority is decided. Marketers should provide required information of selling points.

2. Information Search

Identified needs can be satisfied only when desired product is known and also easily available. Different products are available in the market, but consumer must know which product or brand gives him maximum satisfaction. And the person has to search out for relevant information of the product, brand or location. Consumers can use many sources e.g., neighbors, friends and family. Marketers also provide relevant information through advertisements, retailers, dealers, packaging and sales promotion, and window

displaying. Mass media like news papers, radio, and television provide information. Nowadays internet has become an important and reliable source of information. Marketers are expected to provide latest, reliable and adequate information.

3. Evaluation of Alternatives

This is a critical stage in the process of buying. Following are important elements in the process of alternatives evaluation

A product is viewed as a bundle of attributes. These attributes or features are used for evaluating products or brands. For example, in washing machine consumer considers price, capacity, technology, quality, model and size.

Factors like company, brand image, country, and distribution network and after-sales service also become critical in evaluation.

Marketers should understand the importance of these factors with regards to the consumers while manufacturing and marketing their products.

4. Purchase Decision

Outcome of the evaluation develops likes and dislikes about alternative products or brands in consumers. This attitude towards the brand influences a decision as to buy or not to buy. Thus the prospective buyer heads towards final selection. In addition to all the above factors, situational factors like finance options, dealer terms, falling prices etc., are also considered.

5. Post- Purchase Behavior

Post-purchase behavior of consumer is more important as far as marketer is concerned. Consumer gets brand preference only when that brand lives up to his expectation. This brand preference naturally repeats sales of marketer. A satisfied buyer is a silent advertisement. But, if the used brand does not yield desired satisfaction, negative feeling will occur and that will lead to the formation of negative attitude towards brand. This phenomenon is called cognitive dissonance. Marketers try to use this phenomenon to attract users of other brands to their brands. Different promotional-mix elements can help marketers to retain his customers as well as to attract new customers.

PRINCIPLES OF PERSUASION.

1. Reciprocity
2. Consistency
3. Social Proof
4. Sympathy/Like-ability
5. Authority
6. Scarcity

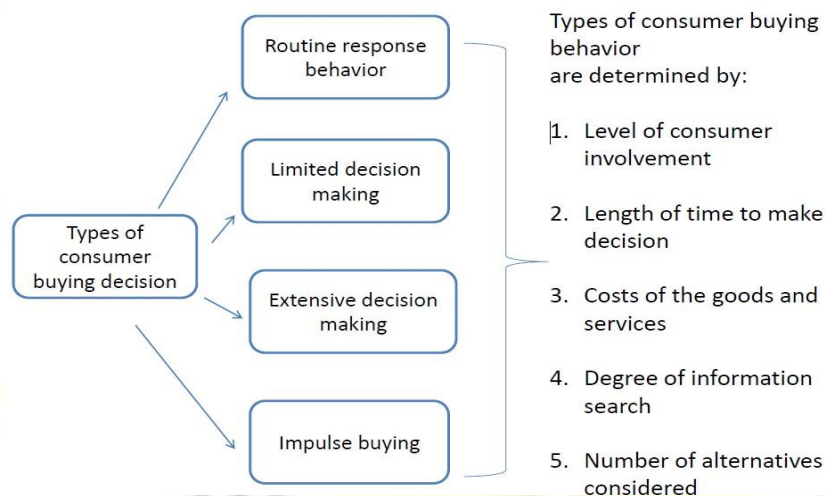
• PURCHASE DECISION

- During the **purchase decision** stage, the consumer may form an intention to buy the most preferred brand or product.
- The **purchase decision** is the fourth stage in the consumer **decision** process and when the **purchase** actually takes place.
- According to Philip Kotler, Keller, Koshy and Jha (2009), the final **purchase decision**, can be disrupted by two factors:
- The **decision** may be disrupted due to a situation that one did not anticipate, such as losing a job or a retail store closing down.
- This is also a time during the which the consumer might decide against making the **purchase decision**.

IMPORTANCE OF UNDERSTANDING THE PURCHASE DECISIONS AND ITS TYPES

THE IMPORTANCE OF UNDERSTANDING CONSUMER BEHAVIOUR

- Consumers' product and service preferences are constantly changing.
- Manager must have thorough knowledge of consumer behavior.
- Consumer behavior describe how consumers make purchase decisions and how they use and dispose of the purchased goods or services.
- It also describes the factor that influence the purchase decision and product use.



POST-PURCHASE BEHAVIOUR

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The Consumer Decision Process

Figure 1 outlines the process a consumer goes through in making a purchase decision. Once the process is started, a potential buyer can withdraw at any stage before making the actual purchase. This six-stage process represents the steps people undergo when they make a conscious effort to learn about the options and select a product—the first time they purchase a product, for instance, or when buying high-priced, long-lasting items they don't purchase frequently. This is called *complex decision making*.

The following section discusses each step of the consumer decision-making process.

Need Recognition

The first step of the consumer decision process is recognizing that there is a problem—or unmet need—and that this need warrants some action. Whether we act to resolve a particular problem depends upon two factors: (1) the magnitude of the difference between what we have and what we need, and (2) the importance of the problem. A man may desire a new Lexus and own a five-year-old Ford Focus. The discrepancy may be fairly large but relatively unimportant compared to the other problems he faces. Conversely, a woman may own a two-year-old car that is running well, but for various reasons she considers it extremely important to purchase another car this year. Consumers do not move on to the next step until they have confirmed that their specific needs are important enough to act on.

Part of need recognition is defining the problem in a way that allows the consumer to take the next step toward finding a solution. In many cases, problem recognition and problem definition occur simultaneously: a consumer runs out of toothpaste, for instance. In other cases, these are separate tasks. Consider a scenario in which you injure your knee. You may know that your knee hurts, and you can't walk very well, but you need to further define the problem before you can take action: Do you need a good night's sleep? A brace? Pain medication? Physical therapy? Surgery? All of these things? As a consumer, you will be able to begin solving your problem once it is adequately defined.

Marketers get involved in the need recognition state at three points:

1. Knowing what problems consumers are facing, so they can develop a marketing mix to address these problems
2. Activating problem recognition, in order to trigger the start of the purchasing process
3. Shaping how consumers define the need or problem, in order to influence their wants as they look for a solution

Marketing interactions through ads, Web sites, salespeople, and any number of other activities create opportunities for marketers to communicate with consumers and become engaged in need recognition. Listening to customers through social media or the customer support team provides insight into the ways consumers perceive the problems they face. A public service announcement espousing the dangers of cigarette smoking helps trigger a sense of needing to do something about cancer prevention. Advertising weekend and evening shopping hours triggers awareness of the problem of limited

weekday shopping opportunities for busy working parents. Once a young man recognizes that he needs a new coat, marketing tries to influence his choices: Should it be a trendy, bargain-priced jacket from Old Navy or the pricey North Face coat he can wear snowboarding (assuming he can scrape together money for a lift pass after buying the coat). In each of these scenarios, marketing plays an active role in facilitating need recognition.

Information Search

After recognizing a need, the prospective consumer may seek information to help identify and evaluate alternative products, services, experiences, and outlets that will meet that need. Information may come from any number of sources: family and friends, search engines, Yelp reviews, personal observation, *Consumer Reports*, salespeople, product samples, and so forth. Which sources are most important depends on the individual and the type of purchase he or she is considering.

The promotion element of the marketing mix should provide information to assist consumers in the decision process. When marketers understand which information sources their target consumers turn to during the search process, they can develop a promotion strategy and tactics that put their offerings and message into the search path. For instance, teen boys rely heavily on peer networks to know what's interesting, cool, and desirable. A social media strategy is essential for virtually any product—video games, fashion, gadgets, sports gear, music, and on—targeting these consumers.

Information search involves both mental and physical activities that consumers must perform in order to make decisions and solve their problems through the marketplace. As anyone who has purchased a car, computer, or pet knows, it takes time, energy, and money to achieve a satisfactory outcome. Often it means foregoing more desirable activities. Eventually most consumers learn that the benefits of information search can outweigh the costs, particularly for bigger-ticket purchases. A thorough information search may save money, improve the quality of selection, or reduce risks.

Evaluation of Alternatives

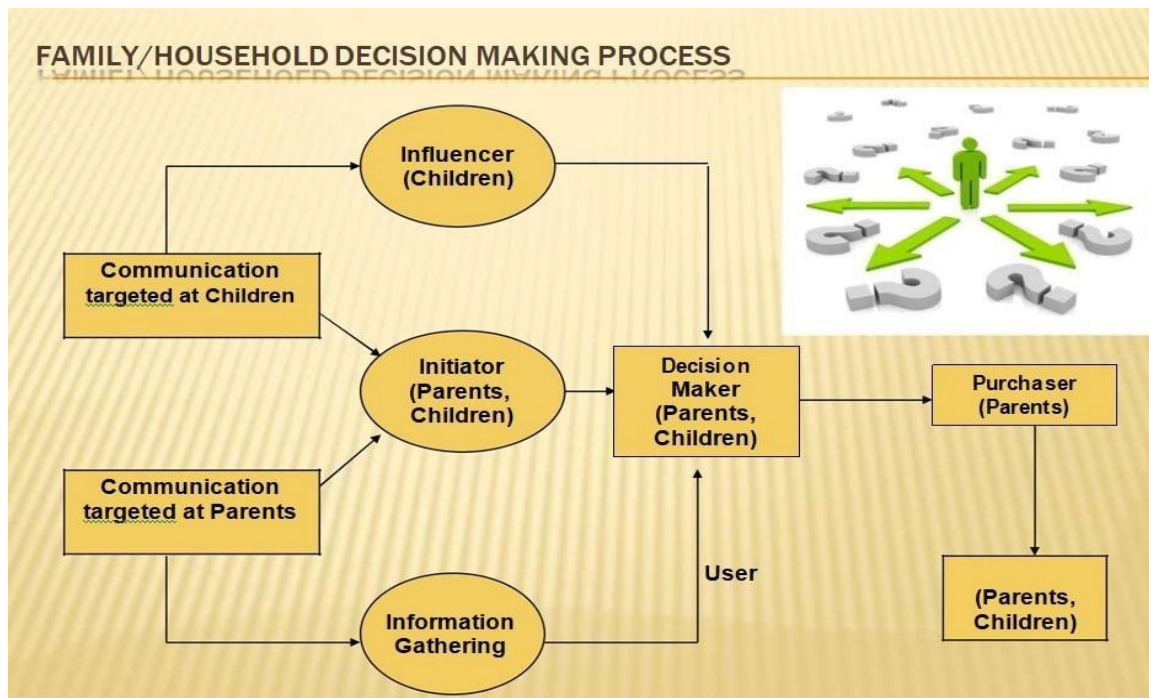
As a consumer finds and processes information about the problem she is trying to solve, she identifies the alternative products, services, and outlets that are viable options. The next step is to evaluate these alternatives and make a choice, assuming a choice is possible that meets the consumer's financial and psychological requirements. Evaluation criteria vary from consumer to consumer and from purchase to purchase, just as the needs and information sources vary. One consumer may consider price most important while another puts more weight on quality or convenience.

Unit-V

PROCESS OF FAMILY/HOUSEHOLD DECISION MAKING

Consumers often play different roles within a family (or household) decision making unit. Your task in this activity is to identify who might be involved in the decisions below and what role that they may play in that decision.

Process of Family/Household Decision making



Family Decision Making Model

In a family decision-making model, it is important to understand how the family members interact with each other in the context of their consumer decision-making. There are different consumption roles played by various members of the family. These roles are as follows:

(i) Influencers

The members who influence the purchase of the product by providing information to the family members, the son in a family may inform the members of a new fast food joint. He can influence the family members to visit the joint for food and entertainment.

(ii) Gate keepers

These members control the flow of information for a product or brand that they favour and influence the family to buy the product of their choice. They provide the information favourable to themselves and, withhold information about other product which they do not favour.

(iii) Deciders

These are the people who have the power or, money and authority to buy. They play a major role in deciding which product to buy.

(iv) Buyers

Buyers are the people who actually buy. A mother buying ration for the house etc. Father buying crayons for his children.

Preparers

Those who prepare the product in the form it is actually consumed. Mother preparing food by adding ingredients to the raw vegetable. Frying an egg for consumption, sewing clothes for the family, etc.

User

The person who actually uses or consumes the product. The product can be consumed individually or jointly by all members of the family. Use of car by the family, use of refrigerator, TV, etc.

The roles that the family members play are different from product to product. Some products do not involve the influence of family members vegetables bought by the house wife.

She can play many roles of a decider, preparer as well as the user. In limited problem solving or extensive problem solving there is usually a joint decision by family members.

FAMILY LIFE STYLE STAGES AND THE CHANGING CONSUMPTION PATTERNS.

Family Life Cycle Characteristics

The traditional FLC describes family patterns as consumers marry, have children, leave home, lose a spouse, and retire. These stages are described in Table along with consumer behaviors associated with each stage. But consumers don't necessarily have to pass through all these stages-thy can skip multiple stages

Stages in Family Life Cycle	Economic Circumstances	Likely Buying Behavior
Bachelorhood (Young, single staying alone)	Earning reasonable good salary, no financial burdens	Buy, basic kitchen equipment basic furniture, two wheeler, vacation with friends
Parenthood (young married just attained parenthood)	Better off financially, though home purchases at peak, less liquid assets, not able to save more.	Buys baby food, toys, diapers, chest & cough medicines
Post parenthood (growing children or grown up children)	Financial position improved with wife working, probability of home ownership on the higher side).	Concentrates on home improvements. Buy more tasteful furniture, car, home appliances, and magazines. Interested in vacation packages.
Dissolution (retired & alone surviving spouse)	Income though good, not interested in spending. At times drastic cut in income is likely.	Buy more medicinal products and other products like the retired people. Seeks more of attention, affection and security conscious.

Types of Reference Groups

1. A **contractual group** is a group in which a person holds membership or has regular face-to-face contact and of whose values, attitudes, and standards he or she approves. Thus a contractual group has a positive influence on an individual's attitudes or behavior.
2. An **aspirational group** is a group in which a person does not hold membership and does not have face-to-face contact, but wants to be a member. Thus it serves as a positive influence on that person's attitudes or behavior.

3. A **disclaimant group** is a group in which a person holds membership or has face-to-face contact but disapproves of the group's values, attitudes, and behavior. Thus the person tends to adopt attitudes and behavior that are in opposition to the norms of the group.
4. An **avoidance group** is a group in which a person does not hold membership and does not have face-to-face contact and disapproves of the group's values, attitudes, and behavior. Thus the person tends to adopt attitudes and behavior that are in opposition to those of the group.

WORD-OF-MOUTH MARKETING

Word-of-mouth marketing (WOM marketing) is when a consumer's interest for a company's product or service is reflected in their daily dialogs. Essentially, it is free advertising triggered by customer experiences — and usually something that goes beyond what they expected.

FORMULATION OF THE STRATEGY FOR CONSUMER BEHAVIOUR

Product Strategy	Standardized Communications	Localized Communications
Standardized Product	Global strategy: Uniform product/ Uniform Message	Mixed strategy: Uniform Product/ Customized Message
Localized Product	Mixed Strategy: Customized Product/ Uniform Message	Local strategy: Customized Product/ Customized Message

CONSUMER BEHAVIOR AND SOCIAL MARKETING

Consumer behavior is the study of consumers and the processes they use to choose, use (consume), and dispose of products and services, including consumers' emotional, mental, and behavioral responses. Consumer behavior incorporates ideas from several sciences including psychology, biology, chemistry, and economics.

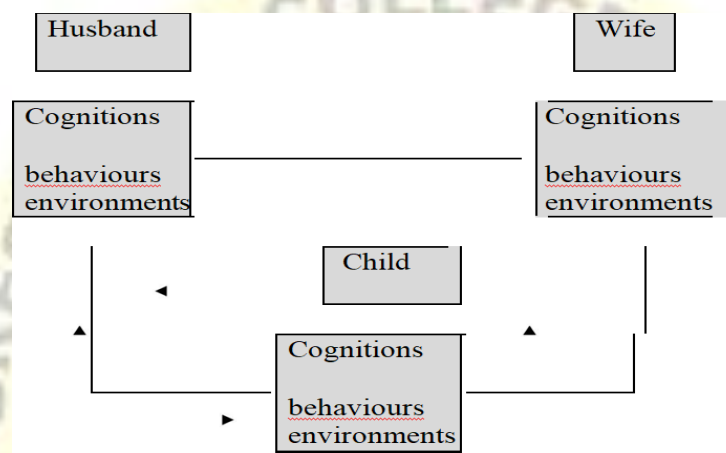
ROLE OF PARENTS IN CONSUMER BEHAVIOR.

Consumer behaviour is influenced not only by consumer personalities and motivations, but also by the relationships within families (family is a familiar social unit). In a family, members must satisfy their individual and shared needs by drawing on a common and shared, relatively fixed supply of sources.

The individual family is a strong, most immediate and most pervasive influence on decision-making.

Parents, The husband, wife and children influence each other and are influenced by others.

A consumer is influenced by many factors as shown below:



CONSUMER PROTECTION

Consumer protection is government regulation to protect the interests of consumers, for example by requiring businesses to disclose detailed information about products, particularly in areas where safety or public health is an issue, such as food. Consumer protection is linked to the idea of **consumer rights** (that consumers have various rights as consumers), and to consumer organizations which help consumers make better choices in the marketplace.

Some of the consumer issues that the Consumer law takes action are on

1. Antitrust
2. Class action
3. Competition policy
4. Competition regulator
5. Extended warranty
6. Fairtrade labelling
7. Food safety
8. Mandatory labelling

SOCIAL MARKETING

Social marketing is the use of commercial marketing principles and techniques to improve the welfare of people and the physical, social and economic environment in which they live. It is a carefully planned, long-term approach to changing human behavior.

REASON FOR SOCIAL MARKETING

- a. **The power of marketing** – The power of marketing principles and techniques in the hands of the commercial sector cannot be denied. Most of us, including very young children, recognise logos and brand names, even for products which we never buy. These symbols occupy our minds and form part of our socio-cultural context
- b. **Track record/evidence** – There are many examples of social marketing applications which have been successful in achieving positive behavioural change. We will look at some of these throughout the course.
- c. **Not an option** – As Kotler and Levy (1969) argue in their article, ‘the choice ... is not whether to market or not to market ... The choice is whether to do it well or poorly’ (p. 15).
- d. **Cost** – Social marketing programmes can cost considerable amounts of money. Criticisms of these expenditures are heightened as they are often financed by public money in times of resource constraints and therefore have a high opportunity cost.
- e. **Misconceptions and negative attitudes about marketing** – As most introductory marketing text books relate, marketing is often equated with selling and persuading people to buy things that they do not really want.

GLOBAL CONSUMER AND DIFFUSION AND INNOVATIONS

INNOVATIONS

In a highly competitive environment, where number of players exist and vie for a share of the market, the introduction of new product and service offerings becomes crucial for existence and long term survival; thus, marketers are always on the move towards introduction of new product and service offerings that would help meet the evolving needs and wants of the consumer segment(s). The products that are offered may be slightly different from the existing alternatives, some may be highly different, and some totally new.

Varying perspectives to defining “Innovation”: The term “innovation” has been described with varying perspectives and orientations, viz., firm-oriented, product-oriented, market-oriented, and consumer-oriented. Let us discuss each one of these:

- a) Firm-oriented: As per this approach, a product or service offering is regarded as “new,” if the company starts manufacturing or marketing it for the first time. In other words, the firm orientation treats the “newness” in terms of the company’s perspective. -the product is “innovative”, if it is “new” for the company. -the existence of the product in the market (as competitor’s offering, or even as

consumers' awareness) is disregarded; as long as it is "new" to the company, it is regarded as an innovation.

- b) Product-oriented: A product and service offering is regarded as an "innovation", if the product changes in terms of form, attributes, features, and overall benefits; such changes have a twofold connotation, one, in terms of technology, and two, in terms of consumption usage and behavioral patterns. -the product is "innovative", if it is "new" in terms of form, attributes and features. -there are changes in technology, as well as impact on consumer consumption behavior. There are two sub-approaches to classify "innovative products" as per the product-oriented
- c) Market-oriented: The market-oriented approach views "innovation" purely from a marketers' perspective, in the sense that a product is regarded as "new", depending on how much exposure the consumers' have about the new product or service offering, and the total sales penetration that has occurred in the specified short period of time. - the product is regarded "new" if the market does not have much exposure of it.

DIFFUSION PROCESS:

"Diffusion" is defined as a macro process that deals with the spread of a new product or service offering amongst the potential market; it relates to the acceptance/rejection of an innovation by the segment(s). "Diffusion of Innovation" is defined as a process by which an innovation spreads amongst and gets the absorbed/accepted or assimilated by the market.

Schiffman defines "diffusion", as "the process by which the acceptance of an innovation (a new product, new service, new idea, or new practice) is spread by communication (mass media, salespeople, or informal conversations) to members of a social system (a target market) over a period of time". The definition comprises four basic elements of the diffusion process:

- innovation: the term "innovation" refers to the newness of the product/service offering.
- channels of communication: this includes i) Marketing communication that takes place between the marketer and the potential market, or the target segment; it could be personal (salesperson and consumer) or impersonal (via print or audio visual media). ii) Interpersonal communication that takes place between the consumers themselves or within members of the target segment(s); it could be word of mouth communication within consumers or through an opinion leader.
- social system: this refers to the social setting in which the diffusion takes place; it actually refers to the market segment(s) or the target market(s). The definition and scope of the social system depends on the product and service in question, its usefulness and its very basis for existence. In a way, it reflects the target market(s) for whom the product and service is designed, and within what segment(s), it would be diffused.

CONSUMER AND PUBLIC POLICY

Traditionally, marketers have focused their attention on the impact of corporate policies upon consumer decision-making and choice behavior. The policies of the government were a given condition external to the consumer decision-making framework. Political scientists and economists, however, have always been interested in the politics and economics of regulation at the aggregate rather than the individual level.

This study was commissioned by the Federal Communications Commission to explore the impact of federal policy making on consumer decisions. For our purpose, 'policy' can be defined as a series of rules affecting the availability of products and services with the express intention of achieving certain objectives. In the case of the government, such objectives have a broad social content and in the case of a corporation they are usually profit oriented. Both government and corporate policies can result in the creation and elimination of products which in turn have a direct impact upon consumers.

