Consumer Behavior

Introduction:

Consumer behavior is comparatively a new field of study which evolved just after the Second World War. The seller's market has disappeared and buyers market has come up. The evaluation of marketing concept from mere selling concept to consumer-oriented marketing has resulted in buyer behavior becoming an independent discipline.

Consumer behavior is a study of how individuals make decision to spend their available resources like time, money and effort or consumption related aspects what they buy? When they buy? How they buy? Etc.

The heterogeneity among people makes understanding consumer behavior a challenging task to marketers. Hence marketers felt the need to obtain an in-depth knowledge of consumers buying behavior. Finally this knowledge acted as an imperative tool in the hands of marketers to forecast the future buying behavior of customers and devise four marketing strategies in order to create long term customer relationship.

Customers versus Consumers:

The term 'customer' is specific in terms of brand, company, or shop. It refers to person who customarily or regularly purchases particular brand, purchases particular company's product, or purchases from particular shop.

Whereas the 'consumer' is a person who generally engages in the activities - search, select, use and dispose of products, services, experience, or ideas.

In simple terms, the term **customer**, which refers to a person who buys the goods or commodity and pays the price for it. Whereas the **consumer** is the one who consumes the goods, i.e. the user of the goods.

Comparison Chart:

BASIS FOR COMPARISON	CUSTOMER	CONSUMER
Meaning	The purchaser of goods or services is known as the Customer.	The end user of goods or services is known as a Consumer.
Resell	A customer can be a business entity, who can purchase it for the purpose of resale.	No
Purchase of goods	Yes	Not necessary
Purpose	Resale or Consumption	Consumption

BASIS FOR COMPARISON	CUSTOMER	CONSUMER
Price of product or service	Paid by the customer	May not be paid by the consumer
Person	Individual or Organization	Individual, Family or Group of people

Consumer Behavior: Definition

It is broadly the study of individuals, or organizations and the processes consumers use to search, select, use and dispose of products, services, experience, or ideas to satisfy needs and study of its impact on the consumer and society.

Consumer behavior is the study of how individual customers, groups or organizations select, buy, use, and dispose ideas, goods, and services to satisfy their needs and wants. It refers to the actions of the consumers in the marketplace and the underlying motives for those actions.

Marketers expect that by understanding what causes the consumers to buy particular goods and services, they will be able to determine—which products are needed in the marketplace, which are obsolete, and how best to present the goods to the consumers.

The study of consumer behavior assumes that the consumers are actors in the marketplace. The perspective of role theory assumes that consumers play various roles in the marketplace. Starting from the information provider, from the user to the payer and to the disposer, consumers play these roles in the decision process.

The roles also vary in different consumption situations; for example, a mother plays the role of an influencer in a child's purchase process, whereas she plays the role of a disposer for the products consumed by the family.

Some definitions of consumer behavior are as follows:

"Consumer behavior is the process involved when individuals or group select, purchase, use, or dispose of products, services, ideas, or experiences to satisfy needs and wants".

Solomon

"Consumer behavior is the decision process and physical activity, which individuals engage in when evaluating, acquiring, using or disposing of goods and services"

Louden and bitta

Characteristics of consumer behavior:

Consumer behavior is a field of psychology that studies the way individuals spend money. Consumer behavior is an important consideration in fields such as economics and marketing, since understanding how consumers make their decisions can help predict how consumers will react to different situations. Consumer behavior often exhibits several common characteristics.

Information Search:

The search for information is a common characteristic of consumer behaviour. Consumers cannot purchase goods and services if they are unaware that a good or service exists. When a consumer decides to buy a certain item, his decision must be based on the information he has gathered about what products or services are available to fulfill his needs. There might be a product available that would be better suited to the consumer's needs, but if he is unaware of the product, he will not buy it. Consumers gather information in many ways. Advertisements and word-of-mouth are common ways consumers find information. A consumer with Internet access can search for reviews of products and product alternatives, which may make him more informed and better able to make decisions.

Brand Loyalty:

Brand loyalty is another characteristic of consumer behavior. Brand loyalty is the tendency of a consumer to buy products or services from a certain company that she likes or equates with having high quality goods and services.

Price Elasticity of Demand:

Price elasticity of demand is an economic concept and an important characteristic of consumer behavior. The price elasticity of demand is the change in consumption that an individual makes due to a change in the price of a certain product. The consumption of products with high elasticity of demand will fall sharply with an increase in price.

Nature of Consumer Behavior:

1. Influenced by various factors:

The various factors that influence the consumer behavior are as follows:

a. Marketing factors such as product design, price, promotion, packaging, positioning and distribution.

b. Personal factors such as age, gender, education and income level.

c. Psychological factors such as buying motives, perception of the product and attitudes towards the product.

d. Situational factors such as physical surroundings at the time of purchase, social surroundings and time factor.

e. Social factors such as social status, reference groups and family.

f. Cultural factors, such as religion, social class—caste and sub-castes.

2. Undergoes a constant change:

Consumer behavior is not static. It undergoes a change over a period of time depending on the nature of products. For example, kids prefer colorful and fancy footwear, but as they grow up as teenagers and young adults, they prefer trendy footwear, and as middle-aged and senior citizens they prefer more sober footwear. The change in buying behavior may take place due to several other factors such as increase in income level, education level and marketing factors.

3. Varies from consumer to consumer:

All consumers do not behave in the same manner. Different consumers behave differently. The differences in consumer behavior are due to individual factors such as the nature of the consumers, lifestyle and culture. For example, some consumers are technoholics. They go on a shopping and spend beyond their means.

They borrow money from friends, relatives, banks, and at times even adopt unethical means to spend on shopping of advance technologies. But there are other consumers who, despite having surplus money, do not go even for the regular purchases and avoid use and purchase of advance technologies.

4. Varies from region to region and country to county:

The consumer behavior varies across states, regions and countries. For example, the behavior of the urban consumers is different from that of the rural consumers. A good number of rural consumers are conservative in their buying behaviors.

The rich rural consumers may think twice to spend on luxuries despite having sufficient funds, whereas the urban consumers may even take bank loans to buy luxury items such as cars and household appliances. The consumer behavior may also varies across the states, regions and countries. It may differ depending on the upbringing, lifestyles and level of development.

5. Information on consumer behavior is important to the marketers:

Marketers need to have a good knowledge of the consumer behavior. They need to study the various factors that influence the consumer behavior of their target customers.

The knowledge of consumer behavior enables them to take appropriate marketing decisions in respect of the following factors:

a. Product design/model

b. Pricing of the product

c. Promotion of the product

d. Packaging

e. Positioning

f. Place of distribution

6. Leads to purchase decision:

Positive consumer behavior leads to a purchase decision. A consumer may take the decision of buying a product on the basis of different buying motives. The purchase decision leads to higher demand, and the sales of the marketers increase. Therefore, marketers need to influence consumer behavior to increase their purchases.

7. Varies from product to product:

Consumer behavior is different for different products. There are some consumers who may buy more quantity of certain items and very low or no quantity of other items. For example, teenagers may spend heavily on products such as cell phones and branded wears for snob appeal, but may not spend on general and academic reading. A middle- aged person may spend less on clothing, but may invest money in savings, insurance schemes, pension schemes, and so on.

8. Improves standard of living:

The buying behavior of the consumers may lead to higher standard of living. The more a person buys the goods and services, the higher is the standard of living. But if a person spends less on goods and services, despite having a good income, they deprive themselves of higher standard of living.

9. Reflects status:

The consumer behavior is not only influenced by the status of a consumer, but it also reflects it. The consumers who own luxury cars, watches and other items are considered belonging to a higher status. The luxury items also give a sense of pride to the owners.

Need for studying consumer behavior:

Buyer behavior is studied to predict buyers' reaction in markets. If a firm understands its customers, it becomes successful in the market place. The success of any business is based on understanding the consumer and providing the kind of products that the consumer wants.

The consumer decides what to buy, when to buy and also what not to buy. One cannot thrust a product on a consumer. A marketer sells what the consumer wants. So, emphasis is placed on knowing what the consumers' wants are.

Studying consumer behavior is very much emphasized for the following reasons.

1. To satisfy need of customers

Consumers respond favorably while evaluating the products that best satisfy their needs. A marketer studies how consumers spend their available resources on the consumption of related items. It includes the study of what they buy, when they buy it, where they buy it and how often they use it. So, a knowledge of consumer behavior will be of immense help to the marketer which will help to satisfy their needs.

2. Helps to understand consumer psychology

The study of consumer behavior **enables the marketer to understand the psychology of consumers**. Consumer psychology is based on his knowledge, attitude, intention and motive.

The psychology of customer develops on the basis of knowledge he has. Sales promotion plays an important role to provide the knowledge of the product to consumers.

Attitude is a state of mind or feeling. Attitude explains behavior. Intention means a desire to do something. A marketing programme is formulated only after understanding the intention of consumers. Motive is the integral state which directs the behavior of a person.

3. Helps to understand consumer motives

A study of the behavior of a consumer is essential to understand his/her buying motives. A motive is an urge for which an individual seeks satisfaction. In the words of R.S. Davar

Consumers have several motives. All these motives may not have the same intensity of purchase. Only a few motives prompt the consumer to buy a product or service. The study of consumer behavior involves both motives and purchases.

4. Helps to understand consumer choices

It is important for the marketer to understand how consumers make their choices. Human beings are usually very rational. They make systematic use of information available to them before they buy. A marketer studies the behavior of the customer and accordingly alters his presentation, enticing the customer to go for the product.

5. Helps to understand consumer preferences

A business firm which is ignorant of consumer preferences cannot succeed in the market place. According to Peter F. Drucker

Adam Smith has stated that consumption is the sole end and purpose of all production. So, a firm must plan its production and distribution to suit the needs of consumers. Thus, the extent of consumer understanding determines the effectiveness of marketing mechanism.

Determinants/Factors effecting consumer behavior:

In a Market, different consumers have different needs. As all consumers are unique they exhibit different behavior while making a purchase decision due to various factors influencing consumer behavior. Therefore it is important to understand the various factors influencing consumer behavior.

Determinants of Consumer Behavior:

Factors influencing consumer behavior can also be classified into Individual Determinants and External Determinants. The individual determinants shape and determine the needs and motives of a consumer and direct him towards a purchase, while the external determinants indirectly influence the purchase process by filtering through individual determinants.

Individual Determinants affecting C B	External Determinants affecting C B
Motivation	Culture
Perception	Sub-culture
Attitude	Social Class
Personality and Self Concept	Social Group
Learning and Memory	Family and Other Influences

Factors Influencing Consumer Behavior:

The Various factors influencing Consumer Behavior can be classified into 4 categories:

Economic Factors
Personal Factors
Psychological Factors
Cultural and Social Factors

Factors Influencing Consumer Behaviour

Economic Factors	Personal Factors	Psycological Factors	Cultural and Social Factors
Personal Income - Discretionary Income, Disposable Income	Age	Motivation	Culture
Family Income	Occupation	Involvement	Subculture
Expectations regarding future income	Life Cycle Stage	Perception	Social Class
Liquid assest & consumer credit	Lifestyle	Learning	Social Groups
Level of Standard of Living	Personality & Self Concept	Lifestyle	Opinion Leaders
		Attitude	Role & Status

Economic Factors influencing consumer behavior:

Personal Income – Total Income of the consumer

Discretionary Income – Income available to a consumer after deducting taxes and basic cost of living.

Disposable Income – Income available with consumer to spend according to his wishes

Family Income – Income of the family. Lower income families have less demand than prosperous families.

Consumer Expectations Regarding Future Income

Availability of Liquid Assets with the consumer

Consumer Credit – Availability of consumer credit, Credit policies

Level of Standard of Living:

A consumer demands more and spends more with increase in his income or expectations of future profits or availability of liquid cash or availability of credit but saves and demands less in its absence. The nature of consumption and buying pattern of a consumer is also affected by the income of the family and the level of standard of living.

Personal Factors influencing Consumer Behavior:

Age – People of different ages have different needs.

Occupation – Professionals, businessman, salaried-workers have different demands.

Life Cycle Stage – Newly born, Teenager, Bachelor, Married, Parent, Grand Parent

Lifestyle – Achievers, Strugglers, Strivers, Makers

Personality – Aggressive, Shy, Introvert, Extrovert, Conservative, Experimental

Self-Concept – One`s perceptions towards themselves.

Psychological Factors affecting Consumer Behavior:

Customers behave differently towards the same marketing mix (product) due to their respective psychological makeup. The psychological factors that affect consumer behavior are:

Motivation – A motive is an internal force that drives a person to do something i.e. fulfill a need, achieve a goal, solve a problem. Different motives of a consumer can be understood through Maslow Hierarchy of needs. All consumers react differently towards a product depending upon their position in the hierarchy. i.e. an individual will first satisfy his basic needs and then move upward in the hierarchy with satisfaction of each want.

Involvement – It refers to the amount of interest or importance a consumers shows towards a product. A consumer may have high or low involvement in a product.

For e.g. a cricketer will give very high importance and will be highly involved while purchasing a cricket bat while he may have very low involvement and interest when purchasing luggage bags.

Perception – It is a process of selecting, organizing, and interpreting information from our internal and external environment to form a meaningful picture. All consumers perceive the same product differently according to their own perceptions.

For e.g. Wrestling is perceived differently by different people, some perceive it a meaningless fighting while some consider it a sport.

Learning – It is a process which brings a permanent change in the behaviour of a person. People generally learn through past experiences and develop a certain behaviour towards a product or service.

Personality – It refers to the total of all physical, mental and moral characteristics of a person. Customers buy products that suit their personality, for example some people prefer wearing formal clothes some like to wear casual clothes depending upon what suits their personality.

Lifestyle – A person`s lifestyle is made up of his activities, opinions and interests. Lifestyle of a person also depends upon his position in the life cycle stage i.e. Teenager, Bachelor, Married etc.

E.g. while teenagers or children are care free and majorly spend on recreation activities and Parents are more money conscious and majorly spend on consumer durables.

Attitude – Attitude is a person`s predisposition to act favorably or unfavorably towards a product, service, event, people etc. It is the way a person thinks or feels about an object. Consumers develop a positive or negative attitude towards a product or service due to a marketing stimuli, situational variables, experience or advertising and then decide upon an intended action for that product or service.

For E.g. entrepreneur's attitude towards risk, some are risk takers some like to play it safe

Cultural Factors affecting Consumer Behavior:

Culture – Culture is basically the way of living and thinking pattern that is followed from generation to generation in a society. It includes knowledge, belief, traditions, morals, values, customs and other such habits that are acquired by people as members of a society.

Eg. Indian culture is entirely different from cultures of other Asian, Arabic and Western countries.

> **Sub-culture** – Sub-culture is a segment of culture which helps a marketer to know another person's culture either psychologically, socially or through mass identification. Sub-culture consists of a group of people within a culture who exhibit similar buying behaviour and have similar believes.

E.g. Within India, buying behaviour of muslims of the north India can be differentiated form the muslims of the south India

> **Social class** – Social class segments the market on the basis income criteria and standard of living. It refers to divisions of members of a society on the basis of education, occupation, income etc. Usually people belonging to the same social class have similar preferences in case of choice of residence, entertainment, luxary products etc.

E.g. Buying behaviour of the upper class can be easily differentiated from the middle and lower class.

Social Factors influencing Consumer Behaviour :

Social Group – A group is any collection of individuals with similar interests, opinions and activities. An individual draws cues regarding consumption and disposal of products from various social groups he belongs to. The various social groups an individual forms a part of are:

> **Reference Group** – It refers to all those people which directly affect the purchase pattern and decision of a consumer as they serve as a point of reference or comparison for the consumer while making a purchase decision.
> **Contractual Group** – It includes friends, family, peers who have a direct and daily face to face interaction with an individual. They are the most important source of influence on consumer behaviour.
> **Avoidance Group** – A group of people that have a negative impact on a consumer. A consumer disassociates himself from such a group and avoid using products and services used, recommended or promoted by the avoidance group.
> **Aspirational Group** – It includes film stars, TV celebrities, Sport stars etc. whom a consumer aspires to be. A consumer wants to associate himself with people he aspires and uses products and services used, recommended and promoted by them.

Opinion Leaders – It refers to a key individual in a group which influences the behaviour of members of the group by providing them relevant information about new trends and products in the market.

Role and Status – Every person plays many roles in the society i.e. employee to his boss, parent to his children, referrer for young ones, advisor to peers etc. and their buying pattern depends

upon the role they play in the society. People also select and buy products according to their status in the society. Social status of a person refers to his/her position in the society depending upon his income, occupation, education etc.

E.g. CEO of a company would prefer to buy branded products from big stores, while a worker in the same company may prefer value for money products from nearby stores.

Consumer Behavior and the Marketing Strategy

Consumer behavior is the study of the way people seek, purchase, use, evaluate and dispose of products and services. It is the psychology of marketing, and it is used to determine why consumers seek one product alternative from the other.

But why do consumers seek and purchase products? This is linked to the ideology of needs and wants. Needs and wants exist if a consumer is unsatisfied, consumers seek and purchase the products that can provide them with maximum satisfaction.

Consumer behavior can be used by marketers to create the marketing strategy; targeting each consumer effectively once they understand their needs and wants through the research of consumer behavior.

What is the marketing strategy?
It is a strategy used to maximize limited resources of an organization to increase its opportunities in sales and achieve a sustainable competitive advantage.

A marketing strategy is created by market research, which the needs, attitudes and competitors products are evaluated, as well as the packaging, sales and distribution of a product.

How to research the consumer

Use primary and secondary research. Marketers must analyse their consumers, as well as using secondary information to make decisions to target their market. They may do this through: surveys, focus groups, observation, interviews and secondary methods such as online researching.

Marketers may also make decisions for their marketing strategy based on the consumer's demographic information. This information includes the consumers: income, educational level, occupation, age, and location. This is known as segmenting the market.

This information is used to predict purchasing habits of the consumer and make key decisions in the product they are selling, such as pricing. For example, marketers targeting consumers will a

low income in a low socio-economic area will have to be particularly price conscious when pricing their items.

Marketers must also understand the values of the consumer; this will provide them with more success in their marketing campaigns. An example of this is quality; when targeting consumers who value quality, marketers must sell them products that deliver and re-enforce their values.

Marketers will be unsuccessful in any marketing campaign that doesn't take into account and reflect the values of the consumer.

Values impacting consumer choices are their knowledge, beliefs, morals and customs, it has a significant impact on the products consumers seek and purchase.

PROFILE OF AN INDIAN CONSUMER:

India being very vast geographically, consumers here are naturally scattered over a vast territory. As the country is also marked by great diversity in climate, religion, language, literacy level, customs and calendars, lifestyles and economies status, here consumers present a complex and bizarre group. The heterogeneity holds many implications for a marketer, especially to those going in for national marketing.

As a first step we will go through certain basic data describing a broad profile of the Indian consumer.

Demographics:

Size of population: According to the Census 2001 the population of India stood at 1,027 million, of which 742 million lived in rural areas and 285 million in urban areas.

Literacy and education: According to the Census 2001, the nationâ€™s average literacy rate is 65.4 percent. There is a rise in growth of literacy rate since 1951 and it has increased substantially in the last decade.

From now onwards there will be a faster progress in checking illiteracy as the proportion of youngsters enrolled in schools is going up and more and more neo-literates are also emerging from the adults, as a result of the National Literacy Program. Over 21 percent of all adults in the country now read some publication or the other. In urban areas, the percentage is over 56. The government has targeted to achieve 80 percent literacy on a nationwide basis in the next 10 years.

A vast educated manpower: It is a paradox; on the one hand, India has the highest concentration of illiterates in the world; and on the other, it has the second highest concentration of literates and third largest pool of educated and technically trained manpower in the world. India has a strong pool of engineers, scientists and technically educated persons. In modern fields like information technology, India has been displaying its strength very clearly in recent years.

Diversity, the Hallmark:

Indian consumers are not a homogeneous lot. They are marked by great diversity. It is this diversity that strikes us first when we look at Indian consumers that is diversity in religion, language, culture, tradition, social customs, and dress and food habits.

Religious diversity:

The one billion people of India belong to seven different religious groupsâ€"Hindus, Muslims, Christians, Sikhs, Buddhists, Jains and Zoroastrians. In addition, there are other persuasions and there are sects, sub-sects, castes and sub-castes. Each religion has its own hierarchic structure, concretized through centuries of practices. Each caste has its own customs established over generations. In birth and death, in marriage and family life, the individual is entangled in the chores of his religion or caste. What is welcome for one religion is taboo for the other; and something totally banned in one religion is an accepted practice in another.

Linguistic diversity:

The same diversity is seen in the matter of language. Sixteen languages have been specified in the Constitution of India as national languages. In addition, there are hundreds of dialects. In several places, many amalgams of languages have been formed as a result of shifting populations. If a marketing man has to approach the entire national market of India, this linguistic diversity is a big challenge.

Diversity in dress and food habits:

As far as dress is concerned, India holds out the picture of widely varying styles. Almost every state, or religious community, has its own traditional styles of dress. The same is the case with ornaments and Jewellery. As regard food, rice is the staple food in the South and wheat in the North. Of course, in several of the southern states people now consume wheat products as co-food items. Likewise, certain southern dishes have become popular in the north. Still the basic difference in food habits remains. There are certain communities, which are strict vegetarians. For meat eaters, there are several restrictions; for the Hindu, beef is taboo, for the Muslim, pork is taboo, for the Christian, both are delicious. Some use coconut oil as the cooking medium, some use groundnut oil, and some others, mustard or gingelly oil**.**

Changing Profile of Indian Consumers:

Owing to its large population size and growing disposable incomes, India offers a profitable investment opportunity to the marketers across the world.

Indian consumer has changed over years and how marketers should react to these changes. Today, the Indian consumer is:

Socially Connected: Recent researches establish that the Indian consumer is no more living in isolation. He has mass presence in social media and is increasingly networked. A recent article in The Economic Times claims that Facebook alone has crossed 65 million users in India. From the marketers' viewpoint, this may act as a signal to concentrate more on promoting their offerings on social media. Social media also leads to effective word-of-mouth publicity.

Environmentally Aware: Indians are now better educated and increasingly aware of their environment. They are also well aware of the dangers of environmental degradation. The lesson for marketers here is to invest in environmental researches and offering an environment-friendly marketing mix to the consumers.

Style-Conscious: A number of recent researches conducted on population aging establish that a larger population of developed countries is aging as compared to that of the developing countries like India. The larger younger Indian population exposed to global media and connected through social networking looks for style. From impulse buying products to the high involvement products like cars and smartphones, the purchases are largely influenced by style. The marketers therefore need to blend utility with style.

Low Brand Loyalty: Indian consumer today is exposed to a large array of brands offering similar products. The competition among brands brings greater discounts and better sales promotion offers for the customers. As a result, the consumers today are full of choices and this leads to lower brand loyalty. Since the products are often similar, the consumers want the best deal no matter which brand offers it. So, the marketers must keep innovating to differentiate from their competitors.

Informed Purchases: Indian consumer no longer depends on whatever information the marketers provide him about the product. Today's consumer explores all possible information sources in order to review, compare and contrast every product alternative available to him before making his purchases. The marketers therefore need to be transparent in their offerings and explicitly provide as much product details as possible on various platforms.

Spends on Leisure: The reduction in family sizes accompanied by increase in family incomes leaves Indian consumers with better incomes at their disposal. An article in The Hindu opined that the new generation of Indian consumers do not mind to borrow from future incomes for holidays. A study conducted by A.T. Kearney predicted that by the year 2020, Indians will be spending 3 times more on hotels. This offers good scope to global marketers for investing into Indian hospitality industry. Other industries that stand to benefit from this trend are entertainment industry and organised retail industry. This can also be understood by the marketers as the need for making consumers' purchases as a complete shopping experience.

Time Poor: Though Indian consumers have improved incomes at their end, they are short of time now due to increased work hours. Dual income families are quite common in India today. The consumers are more conscious about getting value for their time rather than value for their money. The marketers therefore need to offer them speedy delivery with greater convenience. Any loopholes in the supply chain leading to delayed deliveries or stock-outs may prove

disastrous now. Brand promotion needs to be more visual today while the deliveries need to be made at home for the busier Indian consumers.

Health-Conscious: Health is a priority for Indian consumers today. The increasing environmental pollution and growing stress levels have resulted into greater incidences of cardiovascular ailments, obesity, and neurological disorders as well. As such, most of the consumers' purchases are guided by health concerns. The marketers thus need to study the health trends of Indians over recent years; common diseases and the underlying causes. The information so gathered can be utilized for product innovations. Future marketers need to serve Indian consumers with healthier offerings.

UNIT-II

Perception

Introduction:

Perception is the process through which the information from outside environment is selected, received, organized and interpreted to make it meaningful to you. This input of meaningful information results in decisions and actions.

Perception may be defined as a process by which individuals organize and interpret their sensory impressions in order to give meaning to their environment.

Perception is the process of selecting, organizing and interpreting information inputs to produce meaning. The above definition of perception lays emphasis on certain features:

Perception is a mental process, whereby an individual selects data or information from the environment, organizes it and then draws significance or meaning from it.

Perception is basically a cognitive or thinking process and individual activities; emotions, feelings etc. are based on his or her perceptions of their surroundings or environment.

Perception being an intellectual and cognitive process will be subjective in nature.

In simple terms, perception is the process through which the information from outside environment is selected, received, organized and interpreted to make it meaningful to us.

Definition:

"Perception includes all those processes by which an individual receives information about his environment – seeing, hearing, feeling, tasting and smelling"

-Joseph reitz

The Process of Perception has Three Sub Stages

Sensation– Attending to an object/event with one of five senses

Organization – Categorizing by matching sensed stimulus with similar object in memory, e.g. color

Interpretation– Attaching meaning to stimulus, making judgments as to value and liking, e.g. bitter taste

People can emerge with different perceptions of the same object because of three perceptual processes:

Selective attention

Selective distortion and

Selective retention

Selective Attention: People are exposed to a tremendous amount of daily stimuli: the average person may be exposed to over 1500 ads a day. A person cannot possibly attend to all of these; most stimuli will be screened out. Selective attention means that marketers have to work hard to

attract consumers' notice. A stimuli is more likely to be attended to if it is linked to an event, satisfies current needs, intensity of input changes (sharp price drop).

Selective Distortion: Stimuli do not always come across in the way the senders intend. Selective distortion is the tendency to twist information into personal meanings and interpret information in a way that will fit our preconceptions. Unfortunately, there is not much that marketers can do about selective distortion. Advertisers that use comparative advertisements (pitching one product against another), have to be very careful that consumers do not distort the facts and perceive that the advertisement was for the competitor.

Selective retention: People will forget much that they learn but will tend to retain information that supports their attitudes and beliefs. Because of selective retention, we are likely to remember good points mentioned about competing products. Selective retention explains why marketers use drama and repetition in sending messages to their target market. We remember inputs that support our beliefs, forgets those that don't.

Elements of Perception:

We will examine some of the basic concepts that underlie the perception process.

> **Sensation** is the immediate and direct response of the sensory organs to stimuli (an advertisement, a package, and a brand name). A stimulus is any unit of input to any of the senses.
> **Sensory receptors** are the human organs (i.e., the eyes, ears, nose, mouth, and skin) that receive sensory inputs, sight, sound, smell, taste, or touch.
> **Human sensitivity refers to the experience of sensation** Sensitivity to stimuli varies with the quality of an individual's sensory receptors and the amount or intensity of the stimuli to which he/she is exposed.

> **Sensation itself depends on energy change, the difference of input.** Thus, a constant environment, whether very busy and noisy or relatively quiet, would provide little sensation because of the lack of change, the consistent level of stimulation.
> **As sensory input** decreases**, the ability to detect changes** increases**.** This ability of the human organism to accommodate itself to varying levels of sensitivity as external conditions vary not only protects us from damaging, disruptive, or irrelevant bombardment when the input level is high but has important implications for marketers.
> **The Absolute Threshold** - The lowest level at which an individual can experience a sensation is called the absolute threshold. The point at which a person can detect the difference between "something" and "nothing" is that person's absolute threshold for the stimulus. **Sensory adaptation** is a problem that causes many advertisers to change their advertising campaigns regularly. Marketers try to increase sensory input in order to cut through the daily clutter consumers experience in the consumption of advertising. Some increase sensory input in an effort to cut through the advertising "clutter." Other advertisers try to attract attention by decreasing sensory input.

The Differential Threshold: The minimal difference that can be detected between two stimuli is called the difference threshold or the JND (just noticeable difference). A 19th century German scientist named Ernst Weber discovered that the JND between two stimuli was not an absolute amount, but an amount relative to the intensity of the first stimulus. Weber's law states that the stronger the initial stimulus, the greater the additional intensity needed for the second stimulus to be perceived as different. Also, an additional level of stimulus, equivalent to the JND must be added for the majority of people to perceive a difference between the resulting stimulus and the initial stimulus. Weber's law holds for all senses and almost all levels of intensity. Retailers use the principle in reducing prices. Markdowns must amount to at least twenty percent to be noticed by shoppers.

Subliminal Perception: People are motivated below their level of conscious awareness. People are also stimulated below their level of conscious awareness; that is, they can perceive stimuli without being consciously aware that they are doing so. 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. This process is called subliminal perception because the stimulus is beneath the threshold, or "limen" of conscious awareness, though obviously not beneath the absolute threshold of the receptors involved.

Nature of perception:

Intellectual process: Perception is the intellectual process through which a person selects the data from the environment, organizes it, and obtains meaning from it.

Cognitive or Psychological Process: Perception is a psychological process. The manner in which a person perceives the environment affects his behavior. Thus, people actions, emotions, thoughts, or feelings are triggered by the perception of their surroundings.

Subjective process: Perception is a subjective process and different people may perceive the same environment event differently based on what particular aspects of the situation they choose to absorb, how they organize this information and the manner in which they interpret it to obtain the understanding of the situation.

Process of Perception

There is normally a linear flow from exposure to memory.

Exposure – Attention - Interpretation – Memory

Perceptual process

As we can see in the perceptual process in figure there is a linear flow from exposure to memory. But, these processes occur virtually simultaneously and are clearly interactive. It implies that our memory influences the information we are exposed to, attend to, and the interpretation we assign. At the same time, memory itself is being shaped by the information it is receiving. Much of the interpreted information will not be available to active memory when the individual needs to make a purchase decision. The perceptual process consists of many sub processes. We can understand this by taking a note of the input-throughput – output approach. This approach is

based on the fact that there is an input, which when processed gives outputs. That is, the perceptual inputs will comprise of stimuli in the environment.

Perceptual Processes
Perceptual Inputs: The first process in the perceptual processes the presence of stimuli like people, objects, events, information etc.

Perceptual mechanism: We will discuss the mechanism of perception in the next section.

Perceptual outputs: The perceptual outputs will be the behavior or actions of the individuals, i.e., the resultant opinions, feelings attitudes etc.

Perceptual Selection

We as consumers subconsciously exercise selectivity as to the stimuli they perceive. Which stimuli get selected depends on two major factors in addition to the nature of the stimulus itself:

a. Consumers' previous experience as it affects their expectations.
b. Their motives at the time (their needs, desires, interests, and so on).

Each of these factors can serve to increase or decrease the probability that a stimulus will be perceived.

Selective Perception
The consumer's "selection" of stimuli (selective perception) from the environment is based on the interaction of expectations and motives with the stimulus itself. Selective exposure—consumers actively seek out messages they find pleasant or with which they are sympathetic.
   a. Consumers actively avoid painful or threatening messages. Selective attention—consumers have a heightened awareness of the stimuli that meet their needs or interests.

   b. Consumers have a lower awareness of stimuli irrelevant to their needs.

   c. People vary in terms of the kind of information in which they are interested and the form of message and type of medium they prefer.

Perceptual defense—Threatening or otherwise damaging stimuli are less likely to be perceived than are neutral stimuli. Individuals unconsciously may distort information that is not consistent with their needs, values, and beliefs.

Perceptual blocking— consumers screen out enormous amounts of advertising by simply "tuning out."

Perceptual Organization

People do not experience the numerous stimuli they select from the environment as separate and discrete sensations. People tend to organize stimuli into groups and perceive them as unified wholes. Gestalt psychology (Gestalt, in German, means pattern or configuration) is the name of the school of psychology that first developed the basic principles of perceptual organization. Three of the most basic principles of perceptual organization are figure and ground, grouping, and closure.

Perceptual Interpretation:

The interpretation of stimuli is uniquely individual because it is based on what individuals expect to see in light of their previous experience. Stimuli are often highly ambiguous.

Perceptual Distortion:

With respect to perceptual distortion, individuals are subject to a number of influences that tend to distort their perceptions.

Physical Appearances— People tend to attribute the qualities they associate with certain people to others who may resemble them. For example attractive models are more persuasive and have a more positive influence on consumer attitudes and behavior than do average-looking models.

Stereotypes—Individuals tend to carry "pictures" in their minds of the meaning of various kinds of stimuli.

First Impressions—These tend to be lasting but formed while the perceiver does not know which stimuli are relevant, important, or predictive.

Jumping to Conclusions—Many people tend to jump to conclusions before examining all the relevant evidence or hearing the beginning of an ad and drawing the incorrect conclusion.

Halo Effect—Describes situations where the evaluation of a single object or person on a multitude of dimensions is based on the evaluation of just one or a few dimensions.

Consumer imagery - Consumers attempt to preserve or enhance their self-images by buying products they believe agree with that self-image and avoiding products that do not agree. This is called consumer imagery**.** Consumers tend to shop in stores that have images that agree with their own self-images.

Perception and marketing strategy:

Positioning of Services:
Compared with manufacturing firms, service marketers face several unique problems in positioning and promoting their offerings. Services are intangible; image becomes a key factor in differentiating a service from its competition. The marketing objective is to enable the consumer

to link a specific image with a specific brand name. Many service marketers have developed strategies to provide customers with visual images and tangible reminders of their service offerings.

Perceived Price:
How a consumer perceives a price (perceived price)—as high, as low, as fair—has a strong influence on both purchase intentions and purchase satisfaction.

Reference Prices:
A reference price is any price that a consumer uses as a basis for comparison in judging another price. Reference prices can be external or internal. An advertiser generally uses a higher external reference price ("sold elsewhere at...") in an ad in which a lower sales price is being offered, to persuade the consumer that the product advertised is a really good buy.

Perceived Quality:
Consumers often judge the quality of a product (perceived quality) on the basis of a variety of informational cues.
a) Intrinsic cues are physical characteristics of the product itself, such as size, color, flavor, or aroma.

b) Extrinsic cues are such things as price, store image, service environment, brand image, and promotional message.

Perceived Quality of Products:
Intrinsic cues are concerned with physical characteristics of the product itself, size, color, flavor, etc.
a) Consumers like to think that they base quality evaluations on intrinsic cues, but in reality, they are often unable to identify that product in a taste test.
b) In the absence of actual experience with a product, consumers often evaluate quality on the basis of extrinsic cues, price, brand image, store image, etc.
Many consumers use country-of-origin stereotypes to evaluate products.

Perceived Quality of Services:

It is more difficult for consumers to evaluate the quality of services than the quality of products. Service characteristics include—intangibility, variability, perishability, inseparability, simultaneously produced, and consumed. Consumers are unable to compare services side-by-side as they do products, so consumers rely on surrogate or extrinsic cues when purchasing services. Marketers try to standardize their services in order to provide consistency of quality. Service is consumed as it is being produced. As a result, defective services are difficult to correct. Researchers have concluded that the service quality that a customer perceives is a function of the magnitude and direction of the gap between expected service and the customer's assessment of the service actually delivered.

Retail Store Image:

Retail stores have their own images that influence the perception of the quality of the products they carry. Studies show consumers perceive stores with small discounts on a large number of products as having lower-priced items than stores that offer large discounts on a small number of products. The width of product assortment also affects retail store image. The type of product the consumer wishes to buy influences his or her selection of retail outlet, conversely, the consumer's evaluation of a product often is influenced by the knowledge of where it was bought.

Manufacturer's Image:

Consumer imagery extends beyond perceived price and store image to the producers themselves. Manufacturers who enjoy a favorable image generally find that their new products are accepted more readily than those of manufacturers who have a less favorable or even a "neutral" image. Today, companies are using advertising, exhibits, and sponsorship of community events to enhance their images.

Motivation:

The term 'motivation' has been derived from the word 'motive'. Motive may be defined as an inner state of our mind that activates and directs our behaviour. It makes us move to act. It is always internal to us and is externalized via our behaviour. Motivation is one's willingness to exert efforts towards the accomplishment of his/her goal.

Meaning:

Motivation is an important factor which encourages persons to give their best performance and help in reaching enterprise goals. A strong positive motivation will enable the increased output of employees but a negative motivation will reduce their performance. A key element in personnel management is motivation.

Definitions:

"motivation is the willingness to exert high levels of efforts toward organisational goals, conditioned by the effort ability to satisfy some individual need".

- Stephen P. Robbins

"Motivation implies any emotion or desire which so conditions one's will that the individual is properly led into action."   - **Vance**

Motivation Cycle or Process:

As stated earlier, motivation is a process or cycle aimed at accomplishing some goals. The basic elements included in the process are motives, goals and behaviour. A brief mention of these follows:

Motives:

Almost all human behaviour is motivated. It requires no motivation to grow hair, but getting a hair cut does. Motives prompt people to action. Hence, these are at the very heart of motivational process. Motives provide an activating thrust towards reaching a goal. The examples of the needs for food and water are translated into the hunger and thrust drives or motives. Similarly, the need for friends becomes a motive for affiliation.

Goals:

Motives are generally directed towards goals. Motives generally create a state of physiological or psychological imbalance. Attaining goals restores balance. For example, a goal exists when the body of the man is deprived of food or water or one's personality is deprived of friends or companions.

Behaviour:

Behaviour is a series of activities to be undertaken. Behaviour is directed to achieve a goal. For example, the man goes to saloon to cut his hair. Diagrammed simply, the cycle or process of motivation is presented in below figure.
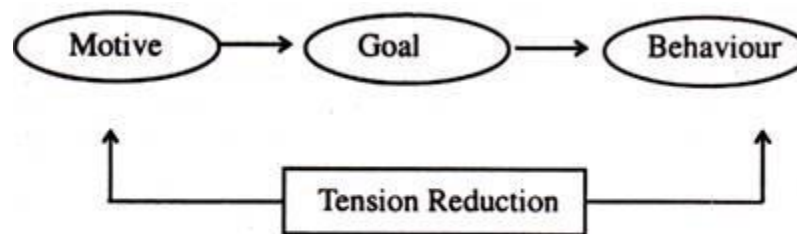

Fig. 17.1: Motivation Process

Nature of Motivation:

Motivation is a psychological phenomena which generates within an individual. A person feels the lack of certain needs, to satisfy which he feels working more. The need satisfying ego motivates a person to do better than he normally does.

From definitions given earlier the following inferences can be derived:

1. Motivation is an inner feeling which energizes a person to work more.

2. The emotions or desires of a person prompt him for doing a particular work.

3. There are unsatisfied needs of a person which disturb his equilibrium.

4. A person moves to fulfill his unsatisfied needs by conditioning his energies.

5. There are dormant energies in a person which are activated by channelizing them into actions.

Types of Motivation:

When a manager wants to get more work from his subordinates then he will have to motivate them for improving their performance. They will either be offered incentive for more work, or may be in the space of rewards, better reports, recognition etc., or he may instill fear in them or use force for getting desired work.

The following are the types of motivation:

1. Positive Motivation:

Positive motivation or incentive motivation is based on reward. The workers are offered incentives for achieving the desired goals. The incentives may be in the shape of more pay, promotion, recognition of work, etc. The employees are offered the incentives and try to improve their performance willingly.

According to Peter Drucker, the real and positive motivators are responsible for placement, high standard of performance, information adequate for self- control and the participation of the worker as a responsible citizen in the plant community. Positive motivation is achieved by the co-operation of employees and they have a feeling of happiness.

2. Negative Motivation:

Negative or fear motivation is based on force or fear. Fear causes employees to act in a certain way. In case, they do not act accordingly then they may be punished with demotions or lay-offs. The fear acts as a push mechanism. The employees do not willingly co-operate, rather they want to avoid the punishment.

Though employees work up-to a level where punishment is avoided but this type of motivation causes anger and frustration. This type of motivation generally becomes a cause of industrial unrest. In spite of the drawbacks of negative motivation, this method is commonly used to achieve desired results. There may be hardly any management which has not used negative motivation at one or the other time.

Motivational Therioes:

Some of the most important theories of motivation are as follows:

1. Maslow's Need Hierarchy Theory

2. Herzberg's Motivation Hygiene Theory

3. McClelland's Need Theory

4. McGregor's Participation Theory

5. Urwick's Theory Z

6. Argyris's Theory

7. Vroom's Expectancy Theory

8. Porter and Lawler's Expectancy Theory.

1. Maslow's Need Hierarchy Theory:

In essence, he believed that once a given level of need is satisfied, it no longer serves to motivate man. Then, the next higher level of need has to be activated in order to motivate the man. Maslow identified five levels in his need hierarchy as shown in figure
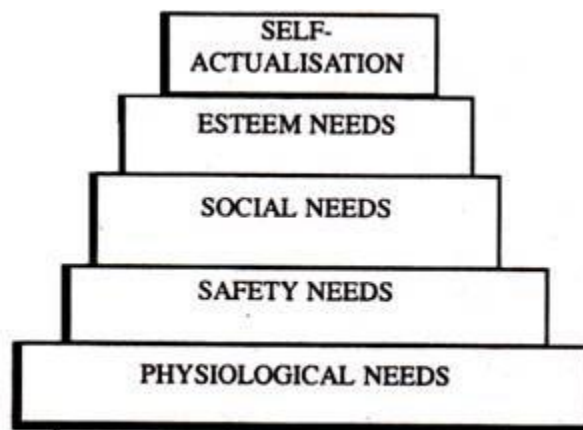

Fig. 17.2: Maslow's Need Hierarchy

1. Physiological Needs:

These needs are basic to human life and, hence, include food, clothing, shelter, air, water and necessities of life. These needs relate to the survival and maintenance of human life. They exert tremendous influence on human behaviour. These needs are to be met first at least partly before higher level needs emerge. Once physiological needs are satisfied, they no longer motivate the man.

2. Safety Needs:

After satisfying the physiological needs, the next needs felt are called safety and security needs. These needs find expression in such desires as economic security and protection from physical

dangers. Meeting these needs requires more money and, hence, the individual is prompted to work more. Like physiological needs, these become inactive once they are satisfied.

3. Social Needs:

Man is a social being. He is, therefore, interested in social interaction, companionship, belongingness, etc. It is this socialising and belongingness why individuals prefer to work in groups and especially older people go to work.

4. Esteem Needs:

These needs refer to self-esteem and self-respect. They include such needs which indicate self-confidence, achievement, competence, knowledge and independence. The fulfillment of esteem needs leads to self-confidence, strength and capability of being useful in the organisation. However, inability to fulfill these needs results in feeling like inferiority, weakness and helplessness.

5. Self-Actualisation Needs:

This level represents the culmination of all the lower, intermediate, and higher needs of human beings. In other words, the final step under the need hierarchy model is the need for self-actualization. This refers to fulfillment.

The term self-actualization was coined by Kurt Goldstein and means to become actualized in what one is potentially good at. In effect, self- actualization is the person's motivation to transform perception of self into reality.

According to Maslow, the human needs follow a definite sequence of domination. The second need does not arise until the first is reasonably satisfied, and the third need does not emerge until the first two needs have been reasonably satisfied and it goes on. The other side of the need hierarchy is that human needs are unlimited. However, Maslow's need hierarchy-theory is not without its detractors.

2. Herzberg's Motivation Hygiene Theory:

The psychologist Frederick Herzberg extended the work of Maslow and propsed a new motivation theory popularly known as Herzberg's Motivation Hygiene (Two-Factor) Theory. Herzberg conducted a widely reported motivational study on 200 accountants and engineers employed by firms in and around Western Pennsylvania.
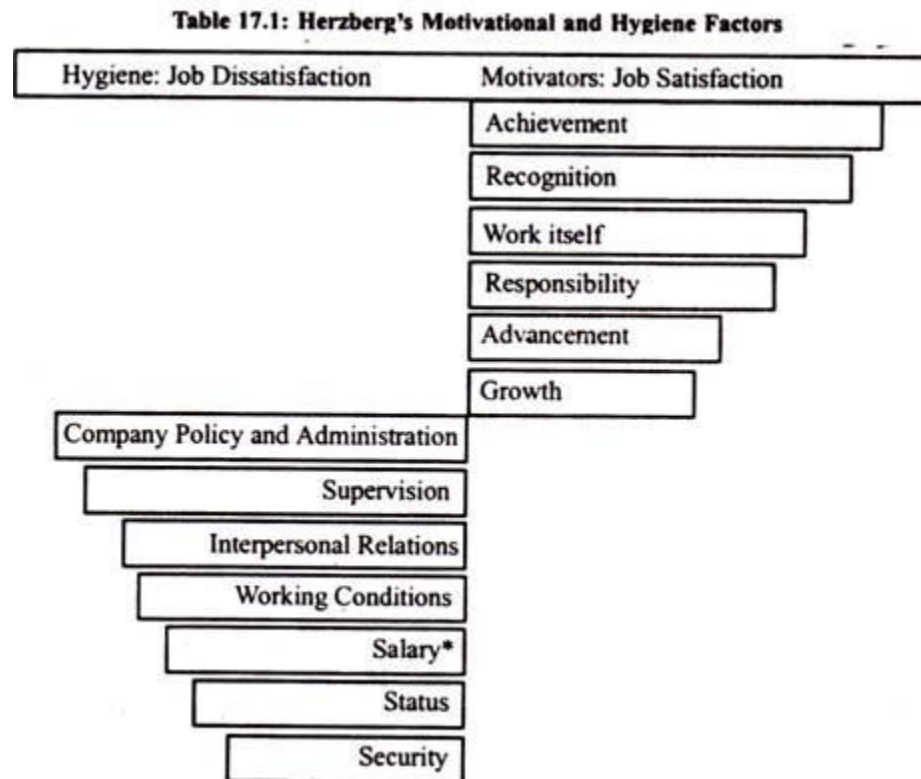
He asked these people to describe two important incidents at their jobs:

(1) When did you feel particularly good about your job, and

(2) When did you feel exceptionally bad about your job? He used the critical incident method of obtaining data.

The responses when analysed were found quite interesting and fairly consistent. The replies respondents gave when they felt good about their jobs were significantly different from the replies given when they felt bad. Reported good feelings were generally associated with job satisfaction, whereas bad feeling with job dissatisfaction. Herzberg labelled the job satisfiers motivators, and he called job dissatisfies hygiene or maintenance factors. Taken together, the motivators and hygiene factors have become known as Herzberg's two-factor theory of motivation

Herzberg's motivational and hygiene factors have been shown in the Table

Table 17.1: Herzberg's Motivational and Hygiene Factors

Hygiene: Job Dissatisfaction	Motivators: Job Satisfaction
	Achievement
	Recognition
	Work itself
	Responsibility
	Advancement
	Growth
Company Policy and Administration	
Supervision	
Interpersonal Relations	
Working Conditions	
Salary*	
Status	
Security	

According to Herzberg, the opposite of satisfaction is not dissatisfaction. The underlying reason, he says, is that removal of dissatisfying characteristics from a job does not necessarily make the job satisfying. He believes in the existence of a dual continuum. The opposite of 'satisfaction' is 'no satisfaction' and the opposite of 'dissatisfaction' is 'no dissatisatisfaction'.

According to Herzberg, today's motivators are tomorrow's hygiene because the latter stop influencing the behaviour of persons when they get them. Accordingly, one's hygiene may be the motivator of another.

3. McClelland's Need Theory:

Another well-known need-based theory of motivation, as opposed to hierarchy of needs of satisfaction-dissatisfaction, is the theory developed by McClelland and his associates'. McClelland developed his theory based on Henry Murray's developed long list of motives and manifest needs used in his early studies of personality. McClelland's need-theory is closely

associated with learning theory, because he believed that needs are learned or acquired by the kinds of events people experienced in their environment and culture.

He found that people who acquire a particular need behave differently from those who do not have. His theory focuses on Murray's three needs; achievement, power and affiliation. In the literature, these three needs are abbreviated "n Ach", "n Pow", and "n Aff" respectively'.

They are defined as follows:

Need for Achievement:

This is the drive to excel, to achieve in relation to a set of standard, and to strive to succeed. In other words, need for achievement is a behaviour directed toward competition with a standard of excellence. McClelland found that people with a high need for achievement perform better than those with a moderate or low need for achievement, and noted regional / national differences in achievement motivation.

Through his research, McClelland identified the following three characteristics of high-need achievers:

1. High-need achievers have a strong desire to assume personal responsibility for performing a task for finding a solution to a problem.

2. High-need achievers tend to set moderately difficult goals and take calculated risks.

3. High-need achievers have a strong desire for performance feedback.

Need for Power:

The need for power is concerned with making an impact on others, the desire to influence others, the urge to change people, and the desire to make a difference in life. People with a high need for power are people who like to be in control of people and events. This results in ultimate satisfaction to man.

People who have a high need for power are characterized by:

1. A desire to influence and direct somebody else.

2. A desire to exercise control over others.

3. A concern for maintaining leader-follower relations.

Need for Affiliation:

The need for affiliation is defined as a desire to establish and maintain friendly and warm relations with other people'. The need for affiliation, in many ways, is similar to Maslow's social needs.

The people with high need for affiliation have these characteristics:

1. They have a strong desire for acceptance and approval from others.

2. They tend to conform to the wishes of those people whose friendship and companionship they value.

3. They value the feelings of others.

Figure is a summary chart of the three need theories of motivation just discussed. The chart shows the parallel relationship between the needs in each of the theories. Maslow refers to higher- lower order needs, whereas Herzberg refers to motivation and hygiene factors.
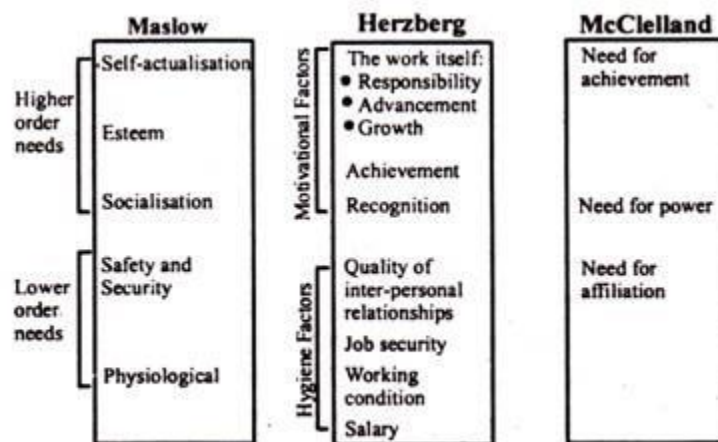

Fig. 17.2 : Three Need Theories of Motivation

4. McGregor's Participation Theory:

Douglas McGregor formulated two distinct views of human being based on participation of workers. The first basically negative, labeled Theory X, and the other basically positive, labled Theory Y.

Theory X is based on the following assumptions:

1. People are by nature indolent. That is, they like to work as little as possible.

2. People lack ambition, dislike responsibility, and prefer to be directed by others.

3. People are inherently self-centered and indifferent to organisational needs and goals.

4. People are generally gullible and not very sharp and bright.

On the contrary, Theory Y assumes that:

1. People are not by nature passive or resistant to organisational goals.

2. They want to assume responsibility.

3. They want their organisation to succeed.

4. People are capable of directing their own behaviour.

5. They have need for achievement.

What McGregor tried to dramatise through his theory X and Y is to outline the extremes to draw the fencing within which the organisational man is usually seen to behave. The fact remains that no organisational man would actually belong either to theory X or theory Y. In reality, he/she shares the traits of both. What actually happens is that man swings from one set or properties to the other with changes in his mood and motives in changing .environment.

5. Urwick's Theory Z:

Much after the propositions of theories X and Y by McGregor, the three theorists Urwick, Rangnekar, and Ouchi-propounded the third theory lebeled as Z theory.

The two propositions in Urwicks's theory are that:

(i) Each individual should know the organisational goals precisely and the amount of contribution through his efforts towards these goals.

(ii) Each individual should also know that the relation of organisational goals is going to satisfy his/her needs positively.

In Urwick's view, the above two make people ready to behave positively to accomplish both organisational and individual goals.

However, Ouchi's Theory Z has attracted the lot of attention of management practitioners as well as researchers. It must be noted that Z does not stand for anything, is merely the last alphabet in the English Language.

Theory Z is based on the following four postulates:

1. Strong Bond between Organisation and Employees

2. Employee Participation and Involvement

3. No Formal Organisation Structure

4. Human Resource Development

Ouchi's Theory Z represents the adoption of Japanese management practices (group decision making, social cohesion, job security, holistic concern for employees, etc.)by the American companies. In India, Maruti-Suzuki, Hero-Honda, etc., apply the postulates of theory Z.

6. Argyris's Theory:

Argyris has developed his motivation theory based on proposition how management practices affect the individual behaviour and growth In his view, the seven changes taking place in an individual personality make him/her a mature one. In other words, personality of individual develops

Immaturity	*Maturity*
Passivity	Activity
Dependence	Independence
Capable of behaving in a few ways	Capable of behaving in many ways
Shallow interest	Deep interest
Short-term perspective	Long-term perspective
Subordinate position	Superordinate position
Lack of self-awareness	Self-awareness and control

Argyris views that immaturity exists in individuals mainly because of organisational setting and management practices such as task specialisation, chain of command, unity of direction, and span of management. In order to make individuals grow mature, he proposes gradual shift from the existing pyramidal organisation structure to humanistic system; from existing management system to the more flexible and participative management.

He states that such situation will satisfy not only their physiological and safety needs, but also will motivate them to make ready to make more use of their physiological and safety needs. But also will motivate them to make ready to make more use of their potential in accomplishing organisational goals.

7. Vroom's Expectancy Theory:

One of the most widely accepted explanations of motivation is offered by Victor Vroom in his Expectancy Theory" It is a cognitive process theory of motivation. The theory is founded on the basic notions that people will be motivated to exert a high level of effort when they believe there are relationships between the effort they put forth, the performance they achieve, and the outcomes/ rewards they receive.

The relationships between notions of effort, performance, and reward are depicted in figure
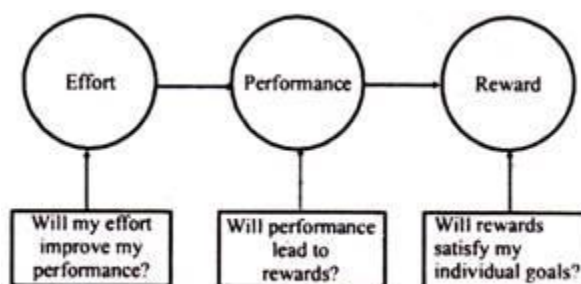

Fig 17.3: Vroom's Expectancy Model of Motivation

Thus, the key constructs in the expectancy theory of motivation are:

1. Valence:

Valence, according to Vroom, means the value or strength one places on a particular outcome or reward.

2. Expectancy:

It relates efforts to performance.

3. Instrumentality:

By instrumentality, Vroom means, the belief that performance is related to rewards.

Thus, Vroom's motivation can also be expressed in the form of an equation as follows: Motivation = Valence x Expectancy x Instrumentality

Being the model multiplicative in nature, all the three variables must have high positive values to imply motivated performance choice. If any one of the variables approaches to zero level, the possibility of the so motivated performance also touches zero level.

However, Vroom's expectancy theory has its critics. The important ones are:

1. Critics like Porter and Lawler lebeled it as a theory of cognitive hedonism which proposes that individual cognitively chooses the course of action that leads to the greatest degree of pleasure or the smallest degree of pain.

2. The assumption that people are rational and calculating makes the theory idealistic.

3. The expectancy theory does not describe individual and situational differences.

But the valence or value people place on various rewards varies. For example, one employee prefers salary to benefits, whereas another person prefers to just the reverse. The valence for the same reward varies from situation to situation.

In spite of all these critics, the greatest point in me expectancy theory is that it explains why significant segment of workforce exerts low levels of efforts in carrying out job responsibilities.

8. Porter and Lawler's Expectancy Theory:

In fact, Porter and Lawler's theory is an improvement over Vroom's expectancy theory. They posit that motivation does not equal satisfaction or performance. The model suggested by them encounters some of the simplistic traditional assumptions made about the positive relationship between satisfaction and performance. They proposed a multi-variate model to explain the complex relationship that exists between satisfaction and performance.

What is the main point in Porter and Lawler's model is that effort or motivation does not lead directly to performance. It is intact, mediated by abilities and traits and by role perceptions. Ultimately, performance leads to satisfaction,. The same is depicted in the following fig
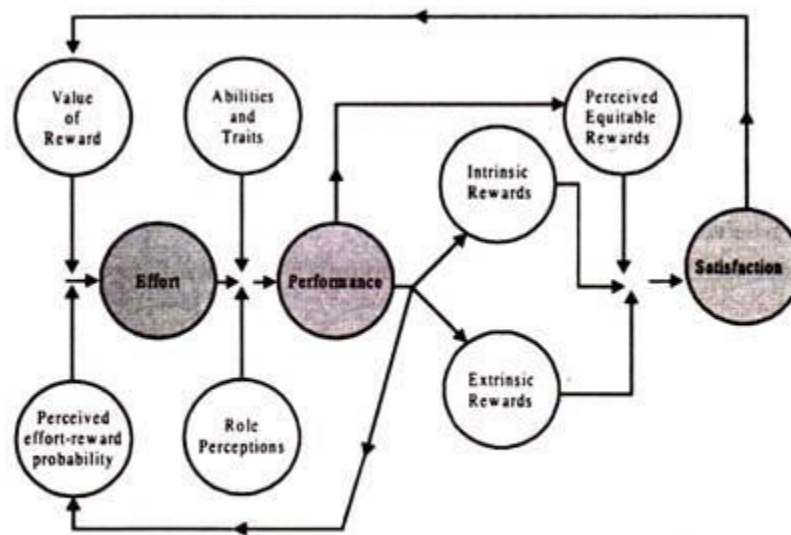

Fig 17.4: The Porter and Lawler Motivation Model

There are three main elements in this model. Let us briefly discuss these one by one.

Effort:

Effort refers to the amount of energy an employee exerts on a given task. How much effort an employee will put in a task is determined by two factors-

(i) Value of reward and

(ii) Perception of effort-reward probability.

Performance:

One's effort leads to his/her performance. Both may be equal or may not be. However the amount of performance is determined by the amount of labour and the ability and role perception of the employee. Thus, if an employee possesses less ability and/or makes wrong role perception, his/her performance may be low in spite of his putting in great efforts.

Satisfaction:

Performance leads to satisfaction. The level of satisfaction depends upon the amount of rewards one achieves. If the amount of actual rewards meet or exceed perceived equitable rewards, the employee will feel satisfied. On the country, if actual rewards fall short of perceived ones, he/she will be dissatisfied.

Rewards may be of two kinds—intrinsic and extrinsic rewards. Examples of intrinsic rewards are such as sense of accomplishment and self-actualisation. As regards extrinsic rewards, these may include working conditions and status. A fair degree of research support that, the intrinsic rewards are much more likely to produce attitudes about satisfaction that are related to performance.

There is no denying of the fact that the motivation model proposed by Porter and Lawler is quite complex than other models of motivation. In fact motivation itself is not a simple cause-effect relationship rather it is a complex phenomenon Porter and Lawler have attempted to measure variables such as the values of possible rewards, the perception of effort-rewards probabilities and role perceptions in deriving satisfaction.

They recommended that the managers should carefully reassess their reward system and structure. The effort-performance-reward-satisfaction should be made integral to the entire system of managing men in organisation.

Motivational Theory and Marketing Strategies

Marketers have to understand the motives of their potential customers to enjoy good sales. A buyer has several motives and each change with various elements. In such cases the marketers can readily help their customers by changing their marketing strategy so that the conflict is resolved. Following are the major conflicts that may arise −

Approach Conflict − This conflict arises when a consumer has two different choices of similar products or services. He gives equal importance to them, but is unable to choose one over the other.

Approach Avoidance Conflict − This type of conflict happens when the consumer decides in favor of a product, but is unhappy with a particular feature of the product and wants to avoid it. Under such circumstances, the marketer may come up with few modifications in the existing product and make it suitable for the consumer.

Personality

The word 'personality' derives from the Latin word 'persona' which means 'mask'. The study of personality can be understood as the study of 'masks' that people wear. These are the personas that people not only project and display, but also include the inner parts of psychological experience, which we collectively call our 'self'.

The Nature of Personality

In our study of personality, three distinct properties are of central importance:

a) Personality reflects individual differences.

b) Personality is consistent and enduring.

c) Personality can change.

Personality Reflects Individual Differences

1. An individual's personality is a unique combination of factors; no two individuals are exactly alike.

2. Personality is a useful concept because it enables us to categorize consumers into different groups on the basis of a single trait or a few traits.

Personality is Consistent and Enduring

1. Marketers learn which personality characteristics influence specific consumer responses and attempt to appeal to relevant traits inherent in their target group of consumers.

2. Even though an individual's personality may be consistent, consumption behavior often varies considerably because of psychological, socio-cultural, and environmental factors that affect behavior.

Personality can Change

1. An individual's personality may be altered by major life events, such as the birth of a child, the death of a loved one, a divorce, or a major career change.

2. An individual's personality also changes as part of a gradual maturing process.

a) Personality stereotypes may also change over time.

b) There is a prediction, for example, that a personality convergence is occurring between men and women.

Theories of Personality

There are three major theories of personality we need to discuss in this lesson. They are:

a) Freudian theory.

b) Neo-Freudian personality theory.

c) Trait theory.

Freudian Theory

Sigmund Freud's psychoanalytic theory of personality is the cornerstone of modern psychology. This theory was built on the premise that unconscious needs or drives, especially biological and sexual drives, are at the heart of human motivation and personality.

Id, Superego, and Ego

The **Id** is the "warehouse" of primitive and impulsive drives, such as: thirst, hunger, and sex, for which the individual seeks immediate satisfaction without concern for the specific means of that satisfaction. **Superego** is the individual's internal expression of society's moral and ethical codes of conduct.

a) The superego's role is to see that the individual satisfies needs in a socially acceptable fashion.

b) The superego is a kind of "brake" that restrains or inhibits the impulsive forces of the id.

Ego is the individual's conscious control which functions as an internal monitor that attempts to balance the impulsive demands of the id and the socio-cultural constraints of the superego. Freud emphasized that an individual's personality is formed as he or she passes through a number of distinct stages of infant and childhood development. These distinct stages of infant and childhood development are: oral, anal, phallic, latent, and genital stages. An adult's personality is determined by how well he or she deals with the crises that are experienced while passing through each of these stages.

Structure of Mind: Freud's Id, Ego, and Superego

As mentioned above Freud came to see personality as having three aspects, which work together to produce all of our complex behaviors: the id, the ego and the superego. As you can see, the Ego and Superego play roles in each of the conscious, subconscious, and unconscious parts of the mind. All 3 components need to be well balanced in order to have good amount of psychic energy available and to have reasonable mental health.

Freudian Theory and Product Personality

Those stressing Freud's theories see that human drives are largely unconscious, and that consumers are primarily unaware of their true reasons for buying what they buy. These researchers focus on consumer purchases and/or consumption situations, treating them as an extension of the consumer's personality.

Trait Theory

Trait theory is a significant departure from the earlier qualitative measures that are typical of Freudian and neo-Freudian theory. It is primarily quantitative or empirical, focusing on the measurement of personality in terms of specific psychological characteristics called traits. A trait is defined as any distinguishing, relatively enduring way in which one individual differs from another. Selected single-trait personality tests increasingly are being developed specifically for use in consumer behavior studies. Types of traits measured include:

Consumer innovativeness — how receptive a person is to new experiences.

Consumer materialism — the degree of the consumer's attachment to "worldly possessions."

Consumer ethnocentrism — the consumer's likelihood to accept or reject foreign-made products.

<center>UNIT-III</center>

<center>Attitude</center>

Meaning and Nature:

Attitudes are fundamental determinants of our perceptions of, and actions toward all aspects of our social environment. Attitudes involve a complex organisation of evaluative beliefs, feelings and tendencies toward certain actions.

How much we like or dislike something determines our behaviour towards that thing. We tend to approach, seek out or be associated with things we like; we avoid, shun or reject things we do not like.

Attitudes are simply expressions of much we like or dislike various things. Attitudes represent our evaluations, preferences or rejections based on the information we receive. Attitude may be defined as 'an enduring predisposition or readiness to react or behave in a particular manner to a given object or situation, idea, material or person'.

It is a generalized tendency to think or act in a certain way in respect of some object or situation, often accompanied by feeling.

Components of Attitudes:

Attitudes comprise of three basic components: emotional, informational and behavioural.

These three components are described below:

1. Informational or Cognitive Component:

The informational component consists of beliefs, values, ideas and other information a person has about the object. It makes no difference whether or not this information is empirically correct or real. For example, a person seeking a job may learn from his own sources and other employees working in the company that in a particular company the promotion chances are very favourable. In reality, it may or may not be correct. Yet the information that person is using is the key to his attitude about that job and about that company.

2. Emotional or Affective Component:

The informational component sets the stage for the more critical part of an attitude, its affective component. The emotional components involve the person's feeling or affect-positive, neutral or negative-about an object. This component can be explained by this statement." I like this job because the future prospects in this company are very good".

3. Behavioural Component:

The behavioural component consists of the tendency of a person to behave in a particular manner towards an object. For example, the concerned individual in the above case may decide to take up the job because of good future prospects. Out of the three components of attitudes, only the behavioural component can be directly observed. One cannot see another person's beliefs (the informational component) and his feelings (the emotional component). These two components can only be inferred. But still understanding these two components is essential in the study of organisational behaviour or the behavioural component of attitudes.

The components are illustrated in the following table:

COMPONENTS OF ATTITUDE
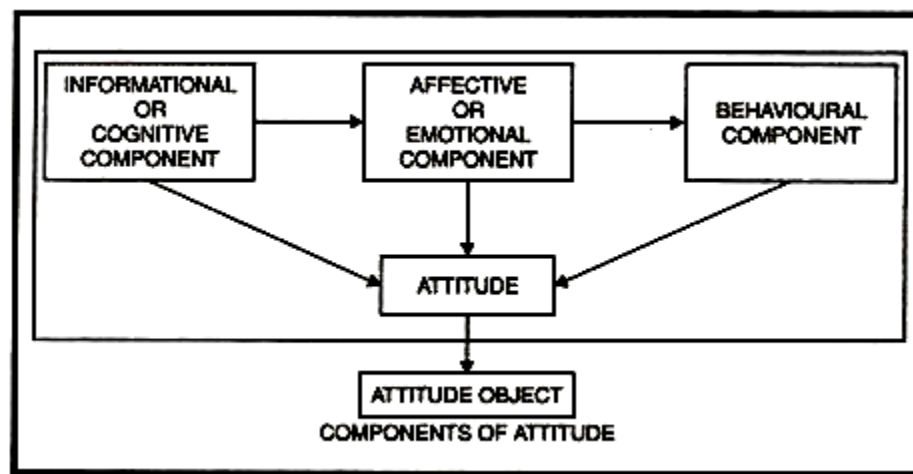
Types of Attitudes:

Attitudes are of three types:

a. Positive:

A favourable attitude—liking people, objects, situation, etc.

b. Negative:

An unfavourable attitude—does not like people/ objects, etc.

c. Neutral:

Neither favourable nor unfavourable.

Gordon Allport formulated the following definition: "An altitude is a mental and neural stale of readiness, organized through experience, exerting a directive or dynamic influence upon the individual's response to ill objects and situations with which it is related."

Nature of Attitude:

- Attitude are a complex combination of things we tend to call personality, beliefs, values, behaviors, and motivations.

- An attitude exists in every person's mind. It helps to define our identity, guide our actions, and influence how we judge people.

- Although the feeling and belief components of attitude are internal to a person, we can view a person's attitude from his or her resulting behavior.

- Attitude helps us define how we see situations, as well as define how we behave toward the situation or object.

- Attitude provides us with internal cognitions or beliefs and thoughts about people and objects.

- Attitude cause us to behave in a particular way toward an object or person.

Characteristics of attitudes:

Attitude can be characterized by:

- **Affective Cognitive consistency:** The degree of consistency between the affective and cognitive components influences the attitude—behavior relationship. That is, the greater the consistency between cognition and evaluation, the greater the strength of the attitude-behavior relation.

- **Strength:** Attitudes based on direct experience with the object may be held with greater certainty. Certainty is also influenced by whether affect or cognition was involved in the creation of the attitude. Attitudes formed based on affect are more certain than attitudes based on cognition

- **Valence:** It refers to the degree or grade of likeliness or unlikeliness toward the entity/incident. If a person is fairly unconcerned toward an object then his attitude has low valence.

- **Direct Experience:** An attitude is a summary of a person's past experience; thus, an attitude is grounded in direct experience predicts future behavior more accurately. Moreover, direct experience makes more information available about the object itself.

- **Multiplicity:** It refers to the amount of features creating the attitude. For example, one may show interest in becoming a doctor, but another not only shows interest, but also works hard, is sincere, and serious.

- **Relation to Needs:** Attitudes vary in relative to requirements they serve. Attitudes of an individual toward the pictures serve only entertainment needs, but attitudes of an employee toward task may serve strong needs for security, achievement, recognition, and satisfaction.

Comparison of Attitude and Beliefs:

Attitude refers to feelings, beliefs and behaviour predispositions directed towards people, groups, ideas or objects. Attitudes will always have a positive and negative element and have a tendency to behave in a certain way toward that person or object. Attitudes are formed primarily based on underlying values and beliefs.

Beliefs are acquired through real experiences but the original experience related to a particular belief is mostly forgotten. It affects the quality of our work and relationships because we experience what we believe and it is not based on reality. Beliefs govern our experiences. They are an important part of our identity. They may be religious, cultural or moral. Beliefs reflect who we are and how we live our lives.

Formation/Sources of Attitudes:

Attitudes refer to the feelings and beliefs of "individuals or groups of individuals. But the question is how these feelings and beliefs developed? The point which has been stressed by many people are that attitudes are acquired, but not inherited. A person acquires these attitudes from several sources.

1. Direct Personal Experience:

A person's direct experience with the attitude object determines his attitude towards it. The personal experience of an individual, whether it is favourable or unfavourable, will affect his attitude deeply. These attitudes which are based on personal experience are difficult to change.

For example, an individual joins a new job, which is recommended to him by his friend. But when he joins the job, he find his work repetitive, supervisors too tough and co-workers not so co-operative, he would develop a negative attitude towards his job, because the quality of his direct experience with the job is negative.

2. Association:

Sometimes an individual comes across a new attitude object which may be associated with an old attitude object. In such a case, the attitude towards the old attitude object may be transferred towards the new attitude object. For example, if a new worker remains most of the time in the company of a worker, who is in the good books of the supervisor, and towards whom the supervisor has a positive attitude, the supervisor is likely to develop a favourable attitude towards the new worker also. Hence the positive attitude for the old worker has been transferred towards the new worker because of the association between the old and the new worker.

3. Family and Peer Groups:

Attitudes like values are acquired from parents, teachers and peer group members. In our early years, we begin modeling our attitudes after those we admire, respect or may be even fear. We observe the way our family and friends behave and we shape our attitudes and behaviour to align with theirs. We do so even without being told to do so and even without having direct experience. Similarly, attitudes are acquired from peer groups in colleges and organisations. For example, if the right thing is to visit "Hot Millions", or the "Domino's", you are likely to hold that attitude. If your parents support one political party, without being told to do so, you automatically start favouring that party.

4. Neighbourhood:

The neighbourhood in which we live has certain cultural facilities, religious groupings and ethnic differences. Further, it has people, who are neighbours. These people may be Northerners, Southerners etc. The people belonging to different cultures have different attitudes and behaviours. Some of these we accept and some of these we deny and possibly rebel. The conformity or rebellion in some respects is the evidence of the attitudes we hold.

5. Economic Status and Occupations:

The economic status and occupational position of the individual also affect his attitude formation. Our socio-economic background influences our present and future attitudes. Research findings have shown that unemployment disturbs former religious and economic values. Children of professional class tend to be conservatives. Respect for the laws of the country is associated with increased years of higher education.

6. Mass Communications:

Attitudes are generally less stable as compared to values. Advertising messages for example, attempt to alter the attitude of the people toward a certain product or service. For example, if the people at Hyundai Santro can get you to hold a favourable feeling toward their cars, that attitude may lead to a desirable behaviour (for them)-your purchase of a Santro car.

Attitude measurement:

Perhaps the most straightforward way of finding out about someone's attitudes would be to ask them. However, attitudes are related to self-image and social acceptance (i.e. attitude functions).

In order to preserve a positive self-image, people's responses may be affected by social desirability. They may not well tell about their true attitudes, but answer in a way that they feel socially acceptable.

Given this problem, various methods of measuring attitudes have been developed. However, all of them have limitations. In particular the different measures focus on different components of attitudes – cognitive, affective and behavioral – and as we know, these components do not necessarily coincide.

One of the appeals of attitudes is that they can be measured and that as they can be measured we can assess how they might affect behaviour and how things like time and social pressure change them. There are several ways of measuring attitudes, but the most popular are the self report versions:

Attitude measurement can be divided into two basic categories

- **Direct Measurement** (**likert scale** and semantic differential)

- **Indirect Measurement** (projective techniques)

Likert Scales: are type of scale in which a statement about something is made and is then followed by a series of numbers which people can choose to show how much they agree with something.

For example: The Police are always impartial in their treatment of suspects.

Strongly agree   1 2 3 4 5   strongly disagree.

If you then sum the numbers for several statements and you can come up with a score that represents the person's attitude towards the subject.

Semantic Differential:

The semantic differential technique of Osgood et al. (1957) asks a person to rate an issue or topic on a standard set of **bipolar adjectives** (i.e. with opposite meanings), each representing a **seven point scale**.

To prepare a semantic differential scale, you must first think of a number of words with opposite meanings that are applicable to describing the subject of the test.

For example, participants are given a word, for example 'car', and presented with a variety of adjectives to describe it. Respondents tick to indicate how they feel about what is being measured.

The semantic differential technique reveals information on three basic dimensions of attitudes: evaluation, potency (i.e. strength) and activity.

• **Evaluation** is concerned with whether a person thinks positively or negatively about the attitude topic (e.g. dirty – clean, and ugly - beautiful).

• **Potency** is concerned with how powerful the topic is for the person (e.g. cruel – kind, and strong - weak).

• **Activity** is concerned with whether the topic is seen as active or passive (e.g. active – passive).
Using this information we can see if a persons feeling (evaluation) towards an object is consistent with their behavior. For example, a place might like the taste of chocolate (evaluative) but not eat it often (activity). The evaluation dimension has been most used by social psychologists as a measure of a person's attitude, because this dimension reflects the affective aspect of an attitude.

Evaluation of Direct Methods:

An attitude scale is designed to provide a valid, or accurate, measure of an individual's social attitude. However, as anyone who has every "faked" an attitude scales knows there are shortcomings in these self report scales of attitudes. There are various problems that affect the validity of attitude scales. However, the most common problem is that of social desirability.

Socially desirability refers to the tendency for people to give "socially desirable" to the questionnaire items. People are often motivated to give replies that make them appear "well adjusted", unprejudiced, open minded and democratic. Self report scales that measure attitudes towards race, religion, sex etc. are heavily affected by socially desirability bias.

Respondents who harbor a negative attitude towards a particular group may not wish be admit to the experimenter (or to themselves) that they have these feelings. Consequently, responses on attitude scales are not always 100% valid.

Projective Techniques:

To avoid the problem of social desirability, various indirect measures of attitudes have been used. Either people are unaware of what is being measured (which has ethical problems) or they are unable consciously to affect what is being measured.

Indirect methods typically involve the use of a projective test. A **projective test** is involves presenting a person with an ambiguous (i.e. unclear) or incomplete stimulus (e.g. picture or words). The stimulus requires interpretation from the person. Therefore, the person's attitude is inferred from their interpretation of the ambiguous or incomplete stimulus.

The assumption about these measures of attitudes it that the person will "project" his or her views, opinions or attitudes into the ambiguous situation, thus revealing the attitudes the person holds. However, indirect methods only provide general information and do not offer a precise measurement of attitude strength since it is qualitative rather than quantitative. This method of attitude measurement is not objective or scientific which is a big criticism.

Examples of projective techniques include:

• Rorschach Inkblot Test

• Thematic Apperception Test (or TAT)

• Draw a Person Task

Thematic Apperception Test:

Here a person is presented with an ambiguous picture which they have to interpret.

The thematic apperception test (TAT) taps into a person's unconscious mind to reveal the repressed aspects of their personality.

Although the picture, illustration, drawing or cartoon that is used must be interesting enough to encourage discussion, it should be vague enough not to immediately give away what the project is about.

TAT can be used in a variety of ways, from eliciting qualities associated with different products to perceptions about the kind of people that might use certain products or services.

The person must look at the picture(s) and tell a story. For example:

o What has led up to the event shown
o What is happening at the moment
o What the characters are thinking and feeling, and
o What the outcome of the story was

Draw a Person Test:

Figure drawings are **projective diagnostic techniques** in which an individual is instructed to draw a person, an object, or a situation so that cognitive, interpersonal, or psychological functioning can be assessed. The test can be used to **evaluate children** and adolescents for a variety of purposes (e.g. self-image, family relationships, cognitive ability and personality).

A projective test is one in which a test taker responds to or provides ambiguous, abstract, or unstructured stimuli, often in the form of pictures or drawings.

While other projective tests, such as the **Rorschach Technique** and **Thematic Apperception Test**, ask the test taker to interpret existing pictures, figure drawing tests require the test taker to create the pictures themselves. In most cases, figure drawing tests are given to children. This is because it is a simple, manageable task that children can relate to and enjoy.

Some figure drawing tests are primarily measures of cognitive abilities or cognitive development. In these tests, there is a consideration of how well a child draws and the content of a child's drawing. In some tests, the child's self-image is considered through the use of the drawings.

In other figure drawing tests, interpersonal relationships are assessed by having the child draw a family or some other situation in which more than one person is present. Some tests are used for the evaluation of child abuse. Other tests involve personality interpretation through drawings of objects, such as a tree or a house, as well as people.

Finally, some figure drawing tests are used as part of the diagnostic procedure for specific types of psychological or neuropsychological impairment, such as central nervous system dysfunction or mental retardation.

Despite the flexibility in administration and interpretation of figure drawings, these tests require skilled and trained administrators familiar with both the theory behind the tests and the structure of the tests themselves. Interpretations should be made with caution and the limitations of projective tests should be considered.

It is generally a good idea to use projective tests as part of an overall test battery. There is little professional support for the use of figure drawing, so the examples that follow should be interpreted with caution.

Evaluation of Indirect Methods:

The major criticism of indirect methods is their lack of objectivity. Such methods are unscientific and do not objectively measure attitudes in the same way as a Likert scale.

There is also the ethical problem of deception as often the person does not know that their attitude is actually being studied when using indirect methods.

The advantages of such indirect techniques of attitude measurement are that they are less likely to produce socially desirable responses, the person is unlikely to guess what is being measured and behavior should be natural and reliable.

Attitude Change Definition:

Attitudes are general evaluations of objects, ideas, and people one encounters throughout one's life (e.g., "capital punishment is bad"). Attitudes are important because they can guide thought, behavior, and feelings. Attitude change occurs anytime an attitude is modified. Thus, change occurs when a person goes from being positive to negative, from slightly positive to very positive, or from having no attitude to having one. Because of the functional value of attitudes, the processes that change them have been a major focus throughout the history of social psychology.

Attitudes are associated beliefs and behaviors towards some object. They are not stable, and because of the communication and behavior of other people, are subject to change by social influences, as well as by the individual's motivation to maintain cognitive consistency when cognitive dissonance occurs—when two attitudes or attitude and behavior conflict. Attitudes and attitude objects are functions of affective and cognitive components. It has been suggested that the inter-structural composition of an associative network can be altered by the activation of a single node. Thus, by activating an affective or emotional node, attitude change may be possible, though affective and cognitive components tend to be intertwined.

Self concept and life style marketing:

Lifestyle refers to the way consumers live and spend their time and money. It is determined by one`s past experiences, innate characteristics and life situations. Lifestyle of a person is typically influenced by his/her needs, wants and motivations and also by external factors such as culture, family, reference group and social class.

Lifestyle of a person involves his consumption pattern, his behavior in the market place, practices, habits, conventional ways of doing things, allocation of income and reasoned actions. It reflects an individual`s attitudes, values, interests and his view towards the society.

Characteristics of lifestyle

♦ It is a group phenomenon i.e. It influences others in a social group.

♦ It influences all areas of one's activities and determines the buying behavior of a person.

♦ It implies a central life interest – A person`s main interest or profession is influenced   by his core interests e.g. Food, Fashion, Music etc.

♦ It is affected by the social changes in the society – A person`s standard of living and quality of lifestyle increases with the increase in the standards and quality of the society he/she lives in.

Lifestyle of a consumer depends upon various factors and any change in one of these factors leads to a change in the behavior of the consumer. These factors are as following:-

♦ Age

♦ Income

♦ Occupation

♦ Culture

♦ Education

♦ Social Group

♦ Buying Power

Activities, Interests and Opinions [AIO] Model

The products we consume are a part of our lifestyle. Therefore, our lifestyle can be determined on the basis of our consumption pattern. Lifestyle segmentation is based on activities, interests and opinions of a group. Marketeers use the AIO Model to find out about the lifestyle of the consumers.

Activities – How one spends his/her time

Interests – A person's priorities and preferences make up their interest

Opinions – One`s Feeling towards different events in life

Activities	Interests	Opinions
• Sports • Work • Religious • Studying • Social • Recreating • Technical • Vacation	• Family • Food • Fashion • Music • Recreation • Acting • Gadgets • Books	• Business • Politics • Education • Past & Future • Products • Religion • Products

Self concept

Self concept can be described simply as how one perceives himself and his behaviour in the market place. It is the attitude one holds towards himself. It is not a realistic concept as an unconscious component is always present. It is a social phenomenon.

Self-image

It refers to a person's perception of his/her self. The six types of self image are:-

♦ Actual self – How a person actually perceives himself.

♦ Ideal self – How you would like to see yourself.

♦ Social self – How you think others see you.

♦ Ideal social self – How you would like others to see you.

♦ Expected self – How you expect to be in the future.

♦ Situational self – A person's self image in a specific situation.

Cultural Factors affecting Consumer Behaviour

Consumer behaviour deals with the study of buying behaviour of consumers. Consumer behaviour helps us understand why and why not an individual purchases goods and services from the market.

There are several factors which influence the buying decision of consumers, cultural factors being one of the most important factors.

What are Cultural Factors ?

Cultural factors comprise of set of values and ideologies of a particular community or group of individuals. It is the culture of an individual which decides the way he/she behaves. In simpler words, culture is nothing but values of an individual. What an individual learns from his parents and relatives as a child becomes his culture.

Example - In India, people still value joint family system and family ties. Children in India are conditioned to stay with their parents till they get married as compared to foreign countries where children are more independent and leave their parents once they start earning a living for themselves.

Cultural factors have a significant effect on an individual's buying decision. Every individual has different sets of habits, beliefs and principles which he/she develops from his family status and background. What they see from their childhood becomes their culture.

Let us understand the influence of cultural factors on buying decision of individuals with the help of various examples.

Females staying in West Bengal or Assam would prefer buying sarees as compared to Westerns. Similarly a male consumer would prefer a Dhoti Kurta during auspicious ceremonies in Eastern India as this is what their culture is. Girls in South India wear skirts and blouses as compared to girls in north India who are more into Salwar Kameez.

Our culture says that we need to wear traditional attire on marriages and this is what we have been following since years.

People in North India prefer breads over rice which is a favorite with people in South India and East India.

Subcultures

Each culture further comprises of various subcultures such as religion, age, geographical location, gender (male/female), status etc.

Religion (Christianity, Hindu, Muslim, Sikhism, Jainism etc)

A Hindu bride wears red, maroon or a bright colour lehanga or saree whereas a Christian bride wears a white gown on her wedding day. It is against Hindu culture to wear white on auspicious occasions. Muslims on the other hand prefer to wear green on important occasions.

For Hindus eating beef is considered to be a sin whereas Muslims and Christians absolutely relish the same. Eating pork is against Muslim religion while Hindus do not mind eating it.

A sixty year old individual would not like something which is too bright and colorful. He would prefer something which is more sophisticated and simple. On the other hand a teenager would prefer funky dresses and loud colours.

In India widows are expected to wear whites. Widows wearing bright colours are treated with suspicion.

Status (Upper Class, Middle class and Lower Class)

People from upper class generally have a tendency to spend on luxurious items such as expensive gadgets, cars, dresses etc.You would hardly find an individual from a lower class spending money on high-end products. A person who finds it difficult to make ends meet would rather prefer spending on items necessary for survival. Individuals from middle class segment generally are more interested in buying products which would make their future secure.

Gender (Male/Female)

People generally make fun of males buying fairness creams as in our culture only females are expected to buy and use beauty products. Males are perceived to be strong and tough who look good just the way they are.

Social Factors affecting Consumer Behaviour

Consumer Behaviour is an effort to study and understand the buying tendencies of consumers for their end use.

Social factors play an essential role in influencing the buying decisions of consumers.

Human beings are social animals. We need people around to talk to and discuss various issues to reach to better solutions and ideas. We all live in a society and it is really important for individuals to adhere to the laws and regulations of society.

Social Factors influencing consumer buying decision can be classified as under:

- Reference Groups
- Immediate Family Members
- Relatives
- Role in the Society
- Status in the society

Reference Groups

Every individual has some people around who influence him/her in any way. Reference groups comprise of people that individuals compare themselves with. Every individual knows some people in the society who become their idols in due course of time.

Co workers, family members, relatives, neighbours, friends, seniors at workplace often form reference groups.

Reference groups are generally of two types:

a. **Primary Group -** consists of individuals one interacts with on a regular basis.

Primary groups include:

- Friends
- Family Members
- Relatives
- Co Workers

All the above influence the buying decisions of consumers due to following reasons:

They have used the product or brand earlier.

They know what the product is all about. They have complete knowledge about the features and specifications of the product.

Tim wanted to purchase a laptop for himself. He went to the nearby store and purchased a Dell Laptop. The reason why he purchased a Dell Laptop was because all his friends were using the same model and were quite satisfied with the product. **We tend to pick up products our friends recommend**.

A married individual would show strong inclination towards buying products which would benefit not only him but also his family members as compared to a bachelor. **Family plays an important role in influencing the buying decisions of individuals**.

A consumer who has a wife and child at home would buy for them rather than spending on himself. An individual entering into marriage would be more interested in buying a house, car, household items, furniture and so on. When an individual gets married and starts a family, most of his buying decisions are taken by the entire family.

1.
    a. Every individual goes through the following stages and shows a different buying need in each stage:

        - **Bachelorhood:** Purchases Alcohol, Beer, Bike, Mobile Handsets (Spends Lavishly)
        - **Newly Married:** Tend to purchase a new house, car, household furnishings. (Spends sensibly)
        - **Family with Children:** Purchases products to secure his as well as his family's future.
        - **Empty nest (Children getting married)/Retirement/Old Age:** Medicines, Health Products, and Necessary Items.

        A Ford Car in the neighbourhood would prompt three more families to buy the same model.

    b. **Secondary Groups -** Secondary groups share indirect relationship with the consumer. These groups are more formal and individuals do not interact with

them on a regular basis, Example - Religious Associations, Political Parties, Clubs etc.

2. **Role in the Society**

   Each individual plays a dual role in the society depending on the group he belongs to. An individual working as Chief Executive Officer with a reputed firm is also someone's husband and father at home. The buying tendency of individuals depends on the role he plays in the society.

3. **Social Status**

   An individual from an upper middle class would spend on luxurious items whereas an individual from middle to lower income group would buy items required for his/her survival.

Role of Family in Consumer Behaviour

No two individuals have same buying preferences. The buying tendencies of individuals vary as per their age, need, income, lifestyle, geographical location, willingness to spend, family status and so on. **An individual's immediate family members play an essential role in influencing his/her buying behaviour**.

An individual tends to discuss with his immediate family members before purchasing a particular product or service. Family members might support an individual's decision to buy a particular product, stop him for purchasing it or suggest few other options.

Family comprises of:

- Parents
- Siblings
- Spouse
- Grandparents
- Relatives (Cousins/Aunts, Uncles etc)

What an individual imbibes from his parents becomes his/her culture. In countries like India, where children are supposed to stay with their parents till the time they get married, the influence of parents on an individual's buying decisions can not be ignored. What he sees from his childhood becomes his habit or in other words lifestyle. A female from an orthodox background would prefer salwar suits, saris instead of westerns or short outfits. In India, parents expect their children to dress up in nice, colourful outfits during marriages, festivals or other auspicious occasions. Even if children want to buy something else, their parents would always prompt them to buy traditional attire, thus influencing their buying decision.

The moment an individual enters into wedlock, his/her partner influences his buying decisions to a great extent. In most families, wife accompanies her husband for shopping be it grocery, home

appliances, furnishings, car etc.An individual would always discuss with his/her partner before any major purchase. After marriage, individuals generally do not like spending on himself/herself; rather they do it for their partner or family.

A young bachelor would not mind spending on alcohol, attending night parties, casinos but the moment he has a wife at home, he would instead spend on household and necessary items. No bachelor likes to invest money on mutual funds, insurance policies, mediclaims etc but for someone who is married buying an investment plan becomes his first priority. Women generally are inclined towards buying toiletries, perfumes, dresses, household items, furnishings, food products while men would rather love to spend on gadgets, cars, bikes, alcohol etc.Both have different tastes but when they come together, they mutually decide on what to buy and what not to buy.

A Bachelor would never purchase Women's Horlicks or Kellogg's K special or a female perfume but when he has a wife at home; he would love to purchase them for his wife. A young girl who has never purchased shaving creams or men's perfume all through her life for herself would not mind purchasing for her husband, father or father in law. A working woman would have different needs as compared to a housewife. A woman who goes to office would prompt her husband to buy formal trouser and shirt, office bag, make up products etc for her while a house wife would not like spending on all these as she does not require an office bag and so on.

Children also influence the buying decisions of individuals. An individual spends happily on toys, candies, ice creams, chocolates. sweets when he has children at home. Children in the family prompt their parents to subscribe to Disney Channel, Cartoon network and so on.

Individuals do not mind spending on medicines, health supplements, vitamin tablets, protein drinks if they have ailing parents at home.

Cross culture variation in consumer behavior:

　　　　Culture refers to the values that people hold as important and the expected**behavior**, called norms. ... **Cross-cultural variations** may refer to values, norms, superstitions, traditions, lifestyle and so on. These differences affect the decisions that **consumers** make when trying to decide which product to buy.

Consumer Decision Making Process

Definition: Decision Making Process

Decision Making Process refers to the different stages of decision making that a consumer undergoes before, after and during the purchase of product or service. It is important for a marketer to understand what goes inside the head of consumer and how to make him/her purchase your product or service.
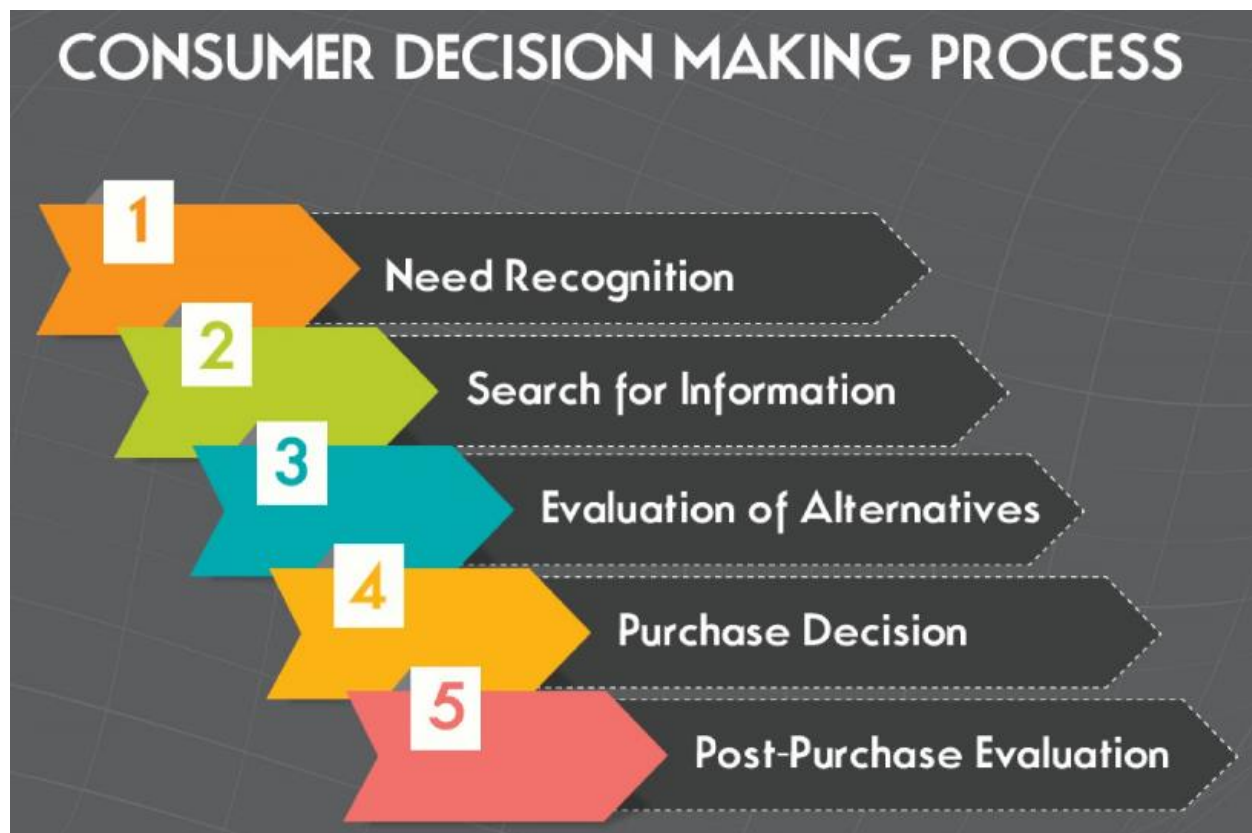
Consumer Decision Making Process means the process of Identifying and verifying the decision making of the consumer by the business leaders or the marketers. The Marketers have simplified the process of decision making in five stages. Let's just talk about the End Consumer and **Consumer Behavior** before we jump to discuss the stages of Consumer Decision Making Process. The End Consumer is the heart and soul of any business stability. End Consumer is a business term used to describe the end user of the product in the distribution chain of business. The End User may or may not be the purchaser of the company product.

The difference b/w the Customer and Consumer—The person who buys a product or a service is the customer i.e. someone who actually pays the money from his income to purchase the product. However the person who actually uses or consumes that product is the final or end consumer.The End Consumer and the Actual Customer are both part of the Decision-Making Unit DMU.

Understanding and studying individuals, organization or groups of people and the process from which the individuals, organization or groups of people go through while selecting, securing, using, and consuming a product or a service in order to satisfy the needs is Consumer Behavior. In pretty simple words the consumer behavior is the psychological process from which an individual goes through in order to identify needs, to find the resource or way to fulfill that need and to make the buying decision.

5 Stages of Consumer Decision Making Process

- Need Recognition
- Searching and gathering Information
- Evaluating the Alternatives
- Actual Purchase of the Product or the Service
- Post Purchase Evaluation

CONSUMER DECISION MAKING PROCESS

1. Need Recognition
2. Search for Information
3. Evaluation of Alternatives
4. Purchase Decision
5. Post-Purchase Evaluation

1. **Need Recognition**

The first step in the **consumer decision making process** is identifying the need. The need is the most important element which leads towards the actual buying of the product or service. Need is the trigger point of all the buying decisions.

Finding out what the customer needs is the first milestone towards evaluating the Consumer Decision Making Process. Determining the needs and wants of the target market provide support to many marketing decisions.

2.   **Searching and gathering Information**

The potential consumer after identifying his needs moves on to the second stage i.e. searching & gathering information. When it comes to choosing between alternatives humans tend to be skeptical, therefore they need all the information before spending their money. During this phase of Consumer Decision Making Process the consumer evaluates the entire positive and negatives aspects of the purchase. Due to the changing trends and online shopping sites the consumers are far more informed and are able to make better purchase decisions.

Information can be collected from many different sources like prints or electronic media or from people reviews about the certain products. Making a purchase decision is important so consumer does not tend to be hasty while gathering information about the products and brand available in

the market. The consumers receive information from many different directions. Some Sources of information are mentioned bellow.

- Personal Contacts: This is a very strong source of information and has the greatest influence over the mind of the consumer. The Consumers tend to discuss the needs and there interests in different products with friends, family, colleagues and acquaintances and make purchase decisions based upon their recommendations.
- Commercial Information Sources: Electronic media, TV Ads, Newsletters, Sale Persons and Public displays are some important types.
- Printed Sources – Newspapers and Magazines
- Previous Purchase Experiences: Consumer's own personal experiences about the prior use of a product.

3.   **Evaluating the Alternatives**

The Consumers begin to search out for the best deals or options available once he has identified the Need and the source to satisfy that need. The Consumer at this stage evaluates different options based upon product price, product quality, product quantity, and value added features of a product or other important factors. The Customers reviews and compare prices for the substitute products before choosing the product that will satisfy the need in the best possible manner.

Careful evaluation of all the alternatives/ substitute products available in the market comprises the 3rd stage of the Consumer Decision Making Process. The consumer after Need recognition and collecting useful information choose the best product available in the market based upon his taste, style, income or preference.

4.   **Actual Purchase of the Product or the Service**

In this stage the customer decides what to buy, where to buy after going through all the above stages. After proper assessment of all the facts the consumer makes a logical decision to buy a product based upon his needs and wants. The Needs and want are often triggered from the advertising and marketing campaigns, recommendations from personal connections or may be from both.

5.   **Post Purchase Evaluation**

In the final stage of consumer decision making process the consumer evaluates or analysis the purchased product, usefulness of the product, satisfaction delivered from the product, Value of the product with respect to the need fulfillment of the consumer.

If the consumer feels that the product bought delivered the value and has met the expectation they will become the loyal customers of the product.

Consumer Decision making Process is very important for marketers to successfully market their products and product line. Understanding the targeted market fully increases the efficiency of a **Marketing plan**and yields better result from Promotional Plan.

Organizational Buyer Behaviour:

Those who supply goods and services to consumer markets are themselves in need of goods and services to lUn their business. These organizations-producers, resellers, and government-make up vast marketing organizations that buy a large variety of products, including equipment, raw material, and labor and other services. Some organizations sell exclusively to other organizations and never come into contact with consumer buyers. Despite the importance of organizational markets, far less research has been conducted on factors that influence their behavior than on factors that influence consumers. However, we can identify characteristics that distinguish organizational buying from consumer buying and typical steps in the organizational buying process.

Organization buying is the decision-making process by which formal organizations establish the need for purchased products and services and identify, evaluate, and choose among alternative brands and suppliers.

Some of the characteristics of organizational buyers are:

1. Consumer market is a huge market in millions of consumers where organizational buyers are limited in number for most of the products.
2. The purchases are in large quantities.
3. Close relationships and service are required.
4. Demand is derived from the production and sales of buyers.
5. Demand fluctuations are high as purchases from business buyers magnify fluctuation in demand for their products.
6. The organizational buyers are trained professionals in purchasing.
7. Several persons in organization influence purchase.
8. Lot of buying occurs in direct dealing with manufacturers.
Organizational Buying Situations
Straight rebuy

In this buying situation, only purchasing department is involved. Thet get an information from inventory control department or section to reorder the material or item and they seek quotations from vendors in an approved list.

The "in-suppliers" make efforts to maintain product and service quality. The "out-suppliers" have to make efforts to get their name list in the approved vendors' list and for this purpose they have to offer something new or find out any issues of dissatisfaction with current suppliers and promise to provide better service.

Modified rebuy

In this buying situation, there is a modification to the specifications of the product or specifications related to delivery. Executives apart from the purchasing department are involved in the buying decisions. The company is looking for additional suppliers or is ready to modify the approved vendors list based on the technical capabilities and delivery capabilities.

New task buy

In this situation, the buyer is buying the product for the first time. As the cost of the product or consumption value becomes higher, more number of executives are involved in the process. The stages of awareness, interest, evaluation, trial, and adoption will be there for the products of each potential supplier. Only the products which pass all the stages will be on the approved list and price competition will follow subsequently.

Systems buy

Systems buying is a process in which the organization gives a single order to a single organization for supplying a full system. The buying organization knows that no single party is producing all the units in the system. But it wants the system seller to engineer the system, procure the units from various vendors and assemble, fabricate or construct the system.

Participants in the Business Buying Process:

Buying Center Concept
Webster and Wind in the model they proposed to describe organizational buying process, identified the organizational buying process as a team process and called the team or the buying decision-making unit of the organization as buying center. The buying center consists of all persons of the organizations who are involved in the buying process playing one or the other seven roles: Initiators, Users, Influencers, Deciders, Approvers, Buyers, and Gatekeepers.

Users

The persons who use the item. Say for safety gloves the operators.

Initiators

The persons who request the purchase. The safety officer may initiate the request for the purchase.

Influencers

Persons who held define specifications. In this case of safety gloves, the safety officer may himself define specifications. If an industrial engineer is in the organization, he may also be consulted. There can a different gloves for different working situations and industrial engineer may be more aware of specific requirements due to his special nature of work - human effort engineering.

Buyers

They are the person who actually do the buying transaction.

Gatekeepers

They control access to personnel in a company. The receptionist, the secretaries etc.

Deciders

People who decide on product requireements and suppliers. It is the final approval for product specfications and suppliers' list.

Approvers

Persons who approve the purchase. In the case of safety gloves, the personal manager may have the power to approve.

Major Influences on Business Buyers
Environmental factors:

Expected demand for the product that the buying organization is selling, expected shortages for the item, expected changes in technology related to the item etc. are the environmental factors that will have an effect.

Organizational factors

Changes in purchasing department organization like centralized purchasing, decentralized purchasing and changes in purchasing practices like long-term contracts, relationship purchasing, zero-based pricing, vendor-performance evaluation are the organization factors of importance to marketers.

Interpersonal factors

These factors are the relationship between buyers and sales representatives of various competitor companies.

Individual factors

These factors related to the buyer. What sort of ways of interacting and service are appreciated by the buyers and what ways are considered as irritants? Marketers have to understand the reactions of buyers.

There are total eight stage and by going through these stages an organization will be able to make a rational decision.If the desired result is not achieved then the steps will be repeated again until they meet their goals and objectives.

1. Problem Recognition	2. General Description of Need	3. Product Specifications
4. Supplier Search	**Organizational Buying Process**	5. Acquisition and Analysis of Proposals
6. Supplier Selection	7. Selection of Order Routine	8. Performance Review

1. Problem recognition. The process begins when someone in the organization recognizes a problem or need that can be met by acquiring a good or service. Problem recognition can occur as a result of internal or external stimuli. External stimuli can be a presentation by a salesperson, an ad, or information picked up at a trade show.

2. General need description. Having recognized that a need exists, the buyers must add further refinement to its description . Working with engineers, users, purchasing agents, and others, the buyer identifies and prioritizes important product characteristics. Table 4.1 lists several sources of informatioD. for many industrial customers. Armed with exten~ive product knowledge, this individual is capable of addressing virtually all the product-relatGd concerns of a typical customer. To a lesser extent, trade advertising provides valuable iaformation to smaller or isolated customers. Noteworthy is the extensive use of direct marketing techniques (for example, toll-free numbers and information cards) in cor.junction with many trade ads. Finally, public relations plays a significant role through lle placement of stories in various trade journals.

3. Product specification. Technical specifications come next. '!'his is usually the responsibility of the engineering department. Engineers design several alternatives, depending on the priority list established earher.

4. Supplier search. The buyer now tries [0 identify the most appropriate vendor. The buyer can examine trade directories, perfonn a computer search, or phone other companies for recommendations. Marketers can par:.icipate in this stage by contacting possible opinion leaders and soliciting support or by contacting the buyer directly. Personal selling plays a major role at this s~age

5. Proposal solicitation. Qualified suppliers are next invited to submit proposals. Some suppliers send only a catalog or a sales representative. Proposal developmen~ is a complex task that requires extensive research and skilled wtiting and presentation. In extreme cases, such proposals are comparable to complete marketing strategies found in the consumer sector.

6. Supplier selection. At this stage, the various proposals are screened and a choice is made. A significant part of this selection is evaluating the vendor. One study indicated that purchasing managers felt that the vendor was often more important than the proposal. Purchasing managers listed the three most important characteristics of the vendor as delivery capability, consistent quality, and fair price. Another study found that the relative importance of different attributes varies with the type of buying situations. For example, for routine-order products, delivery, reliability, price, and supplier reputation are highly importan~. These factors can serve as appeals in sales presentations and in trade ads.

7. Order-routine specification. The buyer now writes the final order with the chosen supplier, listing the technical specifications, the quantity needed, the warranty, and so on.

8. Performance .review. In this final stage, the buyer reviews the supplier's performance. This may be a very simple or a very complex process.
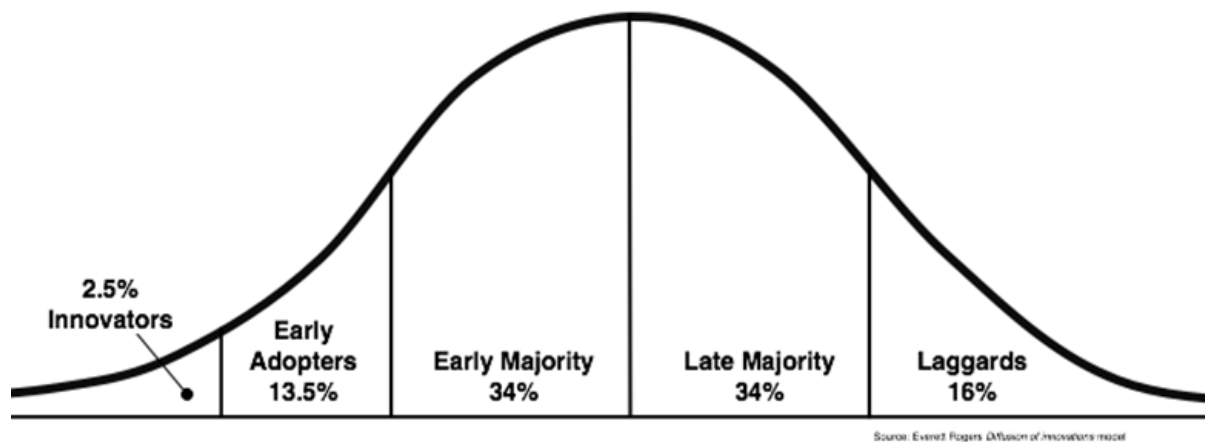
Diffusion of Innovation (DOI):

Diffusion of innovations is a theory that seeks to explain how, why, and at what rate new ideas and technology spread. ... Rogers proposes that four main elements influence the spread of a new idea: the**innovation** itself, communication channels, time, and a social system.

Diffusion of Innovation (DOI) Theory, developed by E.M. Rogers in 1962, is one of the oldest social science theories. It originated in communication to explain how, over time, an idea or product gains momentum and diffuses (or spreads) through a specific population or social system. The end result of this diffusion is that people, as part of a social system, adopt a new idea, behavior, or product. Adoption means that a person does something differently than what they had previously (i.e., purchase or use a new product, acquire and perform a new behavior, etc.). The key to adoption is that the person must perceive the idea, behavior, or product as new or innovative. It is through this that diffusion is possible.

Adoption of a new idea, behavior, or product (i.e., "innovation") does not happen simultaneously in a social system; rather it is a process whereby some people are more apt to adopt the innovation than others.   Researchers have found that people who adopt an innovation early have different characteristics than people who adopt an innovation later. When promoting an innovation to a target population, it is important to understand the characteristics of the target population that will help or hinder adoption of the innovation. There are **five established adopter categories**, and while the majority of the general population tends to fall in the middle categories, it is still necessary to understand the characteristics of the target population. When promoting an innovation, there are different strategies used to appeal to the different adopter categories.

1. **Innovators** - These are people who want to be the first to try the innovation. They are venturesome and interested in new ideas. These people are very willing to take risks, and are often the first to develop new ideas. Very little, if anything, needs to be done to appeal to this population.
2. **Early Adopters** - These are people who represent opinion leaders. They enjoy leadership roles, and embrace change opportunities. They are already aware of the need to change and so are very comfortable adopting new ideas. Strategies to appeal to this population include how-to manuals and information sheets on implementation. They do not need information to convince them to change.
3. **Early Majority** - These people are rarely leaders, but they do adopt new ideas before the average person. That said, they typically need to see evidence that the innovation works before they are willing to adopt it. Strategies to appeal to this population include success stories and evidence of the innovation's effectiveness.
4. **Late Majority** - These people are skeptical of change, and will only adopt an innovation after it has been tried by the majority. Strategies to appeal to this population include information on how many other people have tried the innovation and have adopted it successfully.
5. **Laggards** - These people are bound by tradition and very conservative. They are very skeptical of change and are the hardest group to bring on board. Strategies to appeal to this population include statistics, fear appeals, and pressure from people in the other adopter groups.

Source: Everett Rogers Diffusion of Innovations model

The stages by which a person adopts an innovation, and whereby diffusion is accomplished, include awareness of the need for an innovation, decision to adopt (or reject) the innovation, initial use of the innovation to test it, and continued use of the innovation. There are **five main factors that influence adoption of an innovation**, and each of these factors is at play to a different extent in the five adopter categories.

1. Relative Advantage - The degree to which an innovation is seen as better than the idea, program, or product it replaces.
2. Compatibility - How consistent the innovation is with the values, experiences, and needs of the potential adopters.
3. Complexity - How difficult the innovation is to understand and/or use.

4. Triability - The extent to which the innovation can be tested or experimented with before a commitment to adopt is made.
5. Observability - The extent to which the innovation provides tangible results.

Limitations of Diffusion of Innovation Theory

There are several limitations of Diffusion of Innovation Theory, which include the following:

- Much of the evidence for this theory, including the adopter categories, did not originate in public health and it was not developed to explicitly apply to adoption of new behaviors or health innovations.
- It does not foster a participatory approach to adoption of a public health program.
- It works better with adoption of behaviors rather than cessation or prevention of behaviors.
- It doesn't take into account an individual's resources or social support to adopt the new behavior (or innovation).

This theory has been used successfully in many fields including communication, agriculture, public health, criminal justice, social work, and marketing. In public health, Diffusion of Innovation Theory is used to accelerate the adoption of important public health programs that typically aim to change the behavior of a social system. For example, an intervention to address a public health problem is developed, and the intervention is promoted to people in a social system with the goal of adoption (based on Diffusion of Innovation Theory). The most successful adoption of a public health program results from understanding the target population and the factors influencing their rate of adoption.

Examples of how it can be applied to digital marketing strategies?

This is an example based on launching new software to the different groups.

- **Innovator:** Show the software on key software sites such as Techcrunch, or Mashable. Providing marketing material on the website, with relevant information and lead to potential sales with downloads.

- **Early Adoptor:** Create guides and add to the major software sites, providing marketing material such as case studies, Guides and FAQs.

- **Early Majority:** Blogger outreach with guest blog posts and provide links to social media pages, key facts and figures, and 'how to' YouTube videos.

- **Late Majority:** Encourage reviews, comparisons and share press commentary on your website. Provide a press section and social proof with information and links to reviews, testimonials, third party review sites etc

- **Laggards:** It's probably not worth trying to appeal to this group!

UNIT-V

Customer relationship management (CRM) refers to the principles, practices and guidelines that an organization follows when interacting with its customers. From the organization's point of view, this entire relationship encompasses direct interactions with customers, such as sales and service-related processes, and forecasting and analysis of customer trends and behaviors. Ultimately, CRM serves to enhance the customer's overall experience.

Customer relationship management (CRM) is a term that refers to practices, strategies and technologies that companies use to manage and analyze customer interactions and data throughout the customer lifecycle, with the goal of improving business relationships with customers, assisting in customer retention and driving sales growth.

Components of Customer Relationship Management

There are a number of different components of Customer Relationship Management that are essential to run an organization towards success. Every component is unique in itself and plays a major undeniable role in the process.

Components of Customer Relationship Management

SalesForce Automation
SalesForce Automation is the most essential components of customer relationship management. This is one such component that is undertaken by the maximum business organizations. It includes forecasting, recording sales processing as well as keeping a track of the potential interactions.

It helps to know the revenue generation opportunities better and that makes it very significant. The component also includes analyzing the salesforecasts and the performances by the workforce. To achieve an overall improvement in the development and growth of the industry, numerous components work hand in hand to form salesforce automation as a consequent unit. Some of the major elements of the same are Lead Management, Account Management, Opportunity Management, Forecasting, Pipeline Analysis, Contact Management, Activity Management, Email Management and Reporting.

Human Resource Management

Human Resource Management involves the effective and correct use of human resource and skills at the specific moment and situation. This requires to be make sure that the skills and intellectual levels of the professionals match the tasks undertaken by them according to their job profiles. It is an essential component not only for the large scale corporations but the medium industries as well. It involves adopting an effective people strategy and studying the skills or the workforce and the growth being generated thereby designing and implementing the strategies needed accordingly with the aim of achieving development.

Lead Management

Lead Management as the name suggests, refers to keeping the track of the sales leads as well as their distribution. The business that are benefitted by this component of CRM the most are the sales industries, marketing firms and customer executive centres. It involves an efficient management of the campaigns, designing customized forms, finalizing the mailing lists and several other elements. An extensive study of the purchase patterns of the customers as well as potential sales leads helps to capture the maximum number of sales leads to improve the sales.

Customer Service

Customer Relationship Management emphasizes on collecting customer information and data, their purchase informations and patterns as well as involves providing the collected information to the necessary and concerned departments. This makes customer service an essential component of CRM.

Almost all the major departments including the sales department, marketing team and the management personnel are required to take steps to develop their awareness and understanding of the customer needs as well as complaints. This undoubtedly makes the business or the company to deliver quick and perfect solutions and assistance to the customers as well as cater to their needs which increases the dependability and trust of the customers and people on the organization.

Marketing

Marketing is one of the most significant component of Customer Relationship Management and it refers to the promotional activities that are adopted by a company in order to promote their products. The marketing could be targeted to a particular group of people as well as to the general crowd. Marketing involves crafting and implementing strategies in order to sell the product. Customer Relationship Management assists in the marketing process by enhancing and improving the effectiveness of the strategies used for marketing and promotion.

This is done by making an observation and study of the potential customers. It is a component that brings along various sub-elements or aspects. Some of the major elements of marketing are List Management, Campaign Management, Activity Management, Document Management, Call Management, Mass Emails and Reporting. The use of the aforesaid elements varies from business to business according to its nature and requirements as well as the target crowd.

Workflow Automation

A number of processes run simultaneously when it comes to the management and this requires an efficient cost cutting as well as the streamlining of all the processes.The phenomenon of doing so is known as Workflow Automation. It not only reduces the excess expenditure but also prevents the repetition of a particular task by different people by reducing the work and work force that is getting wasted for avoidable jobs. Routing out the paperwork and form filling are some of the elements of the process and it aims at preventing the loss of time and excess effort.

Business Reporting

CRM comes with a management of sales, customer care reports and marketing. The customer care reports assist the executives of a company to gain an insight into their daily work management and operations.This enables one to know the the precise position of the company at any particular instance. CRM provides the reports on the business and that makes it play a major role here. It is ensured that the reports are accurate as well as precise. Another significant feature is the forecasting and the ability to export the business reports on other systems. In order to make comparisons, one can save historical data as well.

Analytics

Analytics is the process of studying and representing the data in order to observe the trends in the market. Creating graphical representations of the data in the form of histograms, charts, figures and diagrams utilizing the current data as well as the one generated in the past is essential to achieve a detailed understanding and study of the trends. Analytics is an extremely significant element of Customer Relationship Management as it allows to make in-depth study of information that is required to calculate the progress in the business.

Different components of Customer Relationship Management are associated with different elements mainly, the customer acquisition, improved customer value and customer retention. Various marketing applications are carved out to acquire more customers whereas data warehousing and analytical tools help the business to hold customers with a better communication and relationship.In order to enhance the customer value among the existing and future customers, there is a number of data warehousing and analytical tools.

Overall, each of the discussed components of Customer Relationship Management is very essential to improve the work structure as well as the market response to the business and their products.

CRM Building Blocks

Below are listed the following building blocks for successful CRM projects:

Vision

The board must take leadership in creating a CRM vision for the enterprise. The CRM vision should be used as the guide to the creation of a CRM strategy.

Strategy

The CRM strategy is all about how to build and develop a valuable asset: the customer base. It must set objectives and metrics for attaining that goal. It directs the objectives of other operational strategies and the CRM implementation strategy.

Customer experience

The customer experience must be designed in line with the CRM vision and must be constantly refined, based on actively sought customer feedback.

Organizational collaboration

Changes to organizational structures, processes, metrics, incentives, skills, and even the enterprise culture must be made to deliver the required external customer experience. Ongoing change management will be key.

Process

Successful customer process reengineering should create processes that not only meet customers' expectations and support the customer value proposal, but also provide competitive differentiation and contribute to a designed customer experience.

Information

Successful CRM demands the creation of a customer-information blood supply that flows around the organization, as well as tight integration between operational and analytical systems.

Technology

CRM technologies form a fundamental part of any enterprise's application portfolio and architecture. CRM application needs should be considered as the provision of integrated functionality that supports seamless customer-centric processes across all areas of the enterprise and its partners.

Metrics

Enterprises must set measurable CRM objectives and monitor all levels of CRM indicators to turn customers into assets. Without performance management ,a CRM implementation will fail.

Customer relationship management process :

The implementation of a customer relationship management (CRM) solution is best treated as a six-stage process, moving from collecting information about your customers and processing it to using that information to improve your marketing and the customer experience.

Stage 1 - Collecting information

The priority should be to capture the information you need to identify your customers and categorise their behaviour. Those businesses with a website and online customer service have an advantage as customers can enter and maintain their own details when they buy.

Stage 2 - Storing information

The most effective way to store and manage your customer information is in a relational database - a centralised customer database that will allow you to run all your systems from the same source, ensuring that everyone uses up-to-date information.

Stage 3 - Accessing information

With information collected and stored centrally, the next stage is to make this information available to staff in the most useful format.

Stage 4 - Analysing customer behaviour

Using data mining tools in spreadsheet programs, which analyse data to identify patterns or relationships, you can begin to profile customers and develop sales strategies.

Stage 5 - Marketing more effectively

Many businesses find that a small percentage of their customers generate a high percentage of their profits. Using CRM to gain a better understanding of your customers' needs, desires and self-perception, you can reward and target your most valuable customers.

Stage 6 - Enhancing the customer experience

Just as a small group of customers are the most profitable, a small number of complaining customers often take up a disproportionate amount of staff time. If their problems can be identified and resolved quickly, your staff will have more time for other customers.

Customer relationship management importance:

Customer Relationship management is the strongest and the most efficient approach in maintaining and creating relationships with customers. Customer relationship management is not only pure business but also ideate strong personal bonding within people. Development of this type of bonding drives the business to new levels of success.

Once this personal and emotional linkage is built, it is very easy for any organization to identify the actual needs of customer and help them to serve them in a better way. It is a belief that more the sophisticated strategies involved in implementing the customer relationship management, the more strong and fruitful is the business. Most of the organizations have dedicated world class tools for maintaining CRM systems into their workplace. Some of the efficient tools used in most of the renowned organization are BatchBook, Salesforce, Buzzstream, Sugar CRM etc.

Looking at some broader perspectives given as below we can easily determine why a CRM System is always important for an organization.

1. A CRM system consists of a historical view and analysis of all the acquired or to be acquired customers. This helps in reduced searching and correlating customers and to foresee customer needs effectively and increase business.
2. CRM contains each and every bit of details of a customer, hence it is very easy for track a customer accordingly and can be used to determine which customer can be profitable and which not.
3. In CRM system, customers are grouped according to different aspects according to the type of business they do or according to physical location and are allocated to different customer managers often called as account managers. This helps in focusing and concentrating on each and every customer separately.

4. A CRM system is not only used to deal with the existing customers but is also useful in acquiring new customers. The process first starts with identifying a customer and maintaining all the corresponding details into the CRM system which is also called an 'Opportunity of Business'. The Sales and Field representatives then try getting business out of these customers by sophistically following up with them and converting them into a winning deal. All this is very easily and efficiently done by an integrated CRM system.

5. The strongest aspect of Customer Relationship Management is that it is very cost-effective. The advantage of decently implemented CRM system is that there is very less need of paper and manual work which requires lesser staff to manage and lesser resources to deal with. The technologies used in implementing a CRM system are also very cheap and smooth as compared to the traditional way of business.

6. All the details in CRM system is kept centralized which is available anytime on fingertips. This reduces the process time and increases productivity.

7. Efficiently dealing with all the customers and providing them what they actually need increases the customer satisfaction. This increases the chance of getting more business which ultimately enhances turnover and profit.

8. If the customer is satisfied they will always be loyal to you and will remain in business forever resulting in increasing customer base and ultimately enhancing net growth of business.

In today's commercial world, practice of dealing with existing customers and thriving business by getting more customers into loop is predominant and is mere a dilemma. Installing a CRM system can definitely improve the situation and help in challenging the new ways of marketing and business in an efficient manner. Hence in the era of business every organization should be recommended to have a full-fledged CRM system to cope up with all the business needs.

Planning and Managing CRM Programme:

There are some statistics for CRM that give it a bad reputation:
"70% of CRM initiatives fail to achieve their expected objectives" - *source Cap Gemini Ernst & Young*
"90% of businesses can't show a positive return on CRM" - *source Meta Group*
"75% of CRM initiatives fail to substantially impact the customer experience" - *source Gartner*
But these numbers fail to highlight a very crucial point, they refer to CRM initiatives that lacked an effective implementation strategy.
When it comes to CRM the strategy is often the difference between failure and success. Without a committed and well developed plan the project is destined to fall short of expectations.
But how do you develop that strategy? What support will you need?
Here are our 11 essential steps for developing a bullet-proof CRM plan:

1 – Build a Project Team
It's essential to secure CRM buy-in across the business, starting at the top with board level management support that will filter through to the teams on the ground.

Most departments are certain to have an involvement with at least one or more CRM process so it's essential that they are involved in the early planning stages. Ongoing cooperation and acceptance will be crucial to ensure success.

Use these resources to build a project team who will shape your strategy and define its goals. A recommended CRM project team will include an executive sponsor, a project manager, a CRM administrator and key users for each team.

2 – Define your CRM Vision

Why do you want a new CRM system? What will CRM success look like?

Set high level goals that will be your benchmark for the project before determining how your key success metrics will be measured.

Based on projects that Preact has worked, on these objectives frequently include:

- Creating a complete view of each client relationship in a single application
- Improving the quality of management information reporting
- Developing more efficient business processes
- Increasing lead generation
- Improving account retention and service delivery

3 – Prioritise your CRM Goals

Rather than attempting to tackle all of your CRM goals in a big bang single implementation we recommend a phased approach that focuses on quick wins.

Some goals will more important than others so it's important to prioritize them and ensure that your plan is realistic, both in terms of your budget and the resourcing that is needed to deliver your CRM implementation on time.

Once early success is achieved CRM momentum will be maintained by focusing on the next phase of your project plan.

4 – Map out your Processes

What pain points in your business processes does CRM need to fix?

We recommend mapping out the flow of each step in your current processes to help define how they will be managed in CRM.

This presents a superb opportunity to gain clarity on how well your processes are currently working and identify how CRM can improve their efficiency, often by removing duplication of effort and applying greater process automation.

A specialist CRM consulting firm will provide a wealth of expertise to help you re-engineer your processes by utilizing CRM functions to improve their efficiency and achieve your goals.

5 – Consider Reporting Outputs

Having defined your CRM success criteria these, targets should be specific and measurable.

Think about the information that CRM will need to track specific to each of these goals and what reports, charts and dashboards you'll need to measure progress.

6 – CRM Data Capture

Consider which fields you need to track on each CRM record to achieve your goals.

For example, you may be taking a phased approach by leading with an initial CRM sales team deployment so consider what fields will need to be tracked on your records for accounts, contacts, opportunities and leads.]This includes defining what type of fields will be used, for example the options that will appear in drop-down fields, and which fields should be set as mandatory to ensure consistent data quality.

It can be tempting to go overboard but remember an excessive number of fields may prove a barrier to early user adoption and will add to the administration overhead.

7 – Prepare your Data

The resources needed to consolidate and prepare existing data for migration to a new CRM system is often underestimated. To ensure your readiness consider these points:

- What data needs to be imported into CRM? Where is it currently stored?
- How good is the data quality? <u>Does it need cleansing?</u>
- How far back do you want to go with relationship history data? 1 year, 2 years, or longer...?
- What duplicate matching rules need to be set?

8 – Integrating CRM

Which applications will CRM need to integrate with? What direction will the data flow?

If one of your goals is to create a single view of each relationship, integrating CRM with an external data source is likely to be a high priority.

As well as feeding data from other applications, CRM will also push data to other sources, for example to create a new order in the back-office ERP system when a CRM sales opportunity is converted.

Other CRM integrations can include <u>email marketing</u>, web forms, Sharepoint and eCommerce platforms.

9 – Managing User Security

Consider how CRM will be shared in your business. Make a list of the users, roles and groups that will have CRM permissions and define what level of access they should get. For example, do you want every CRM user to export data to Excel?

Flexible CRM solutions like <u>Microsoft Dynamics CRM</u> enable advanced user permissions which can include team and territory management to precisely control which records users are entitled to access and what controls they can use.

10 – Identify the Risks

All projects have risks. Consider the main hazards to your project and how significantly these threaten its success.

The CRM technology could be a risk if the database isn't flexible enough to adapt to your processes, or if the system lacks the scalability to grow with your business.

As we've already featured, the supporting processes represent a risk if these are poorly defined, or if existing gaps aren't identified.

Often, the most dangerous CRM risk can prove to be the people involved…

11 – Create a User Adoption Plan

The biggest risk to CRM success is low user adoption.

Successful CRM projects engage with multiple users at an early stage to consult for ideas and stimulate interest in CRM.

Visible board level commitment for CRM is a crucial step but often project managers neglect to listen to user needs and fail to build support from the ground up resulting in challenging user adoption barriers to overcome.

It's essential to remember that a CRM project should only be considered successful if it meets the the requirements of its users.

Technology like Microsoft Dynamics is an amazing enabler but without user adoption, understanding and support, even the greatest system in the world will struggle to deliver the expected results.

To develop an effective user adoption strategy:

- Ensure users know why a CRM system is being implemented
- Listen to user ideas, requirements and concerns
- Measure usage that focuses on positive reinforcement

There you have it, 11 recommendations to plan a successful implementation that will create CRM driven growth.

Concept of Customer Loyalty:

Definition: Customer loyalty indicates the extent to which customers are devoted to a company's products or services and how strong is their tendency to select one brand over the competition.

Customer loyalty is positively related to customer satisfaction as happy customers consistently favor the brands that meet their needs. Loyal customers are purchasing a firm's products or services exclusively, and they are not willing to switch their preferences over a competitive firm.

Brand loyalty stems out of a firm's consistent effort to deliver the same product, every time, at the same rate of success. Organizations give special attention to customer service, seeking to retain their existing current base by increasing customer loyalty. Often, they offer loyalty programs and customer rewards to the most loyal customers as an expression of appreciation for doing repeat business with them.

Customer loyalty is the key objective of customer relationship management and describes the loyalty which is established between a customer and companies, persons, products or brands. The individual market segments should be targeted in terms of developing customer loyalty.

Four different reasons for loyalty should be promoted:

- psychological;
- economic;
- technical/functional;

- contractual.

Psychological

Customers might also develop a sense of loyalty to a certain person working for a company. People can build up a good relationship with a bank advisor they have known for several years and who has always fulfilled their expectations. The fact that people develop a sense of loyalty can be described as a psychological reason to stick to a specific product.

Economic

In business-to-business markets, it might also be possible that customer loyalty results from the fact that switching to another company would lead to the company facing economic disadvantages. In this case, loyalty is based on economic grounds.

Technical/ functional

Furthermore, it might be possible that a company adjusted and adapted its technical procedures to a particular supplier and a change would cause immense technical problems, thus, technical or functional reasons are the grounds for customer loyalty.

Contractual

A contractual reason for loyalty exists if a customer is bound to the company for a certain period of time due to a contractual agreement and for legal reasons. [1]

Loyalty is an old-fashioned word traditionally used to describe fidelity and enthusiastic devotion to a country, a cause, or an individual. It has also been used in a business context, to describe a customer's willingness to continue patronising a firm over the long term, preferably on an exclusive basis, and recommending the firm's products to friends and associates (Lovelock and Wirtz 2011).

Customer loyalty is widely seen as a key determinant of a firm's profitability.

We can differentiate between behavioural and attitudinal loyalty, also referred to as share-of-wallet and share-of-heart respectively. Behavioural loyalty refers to customers buying exclusively or mostly only one brand, whereas attitudinal loyalty is all about having an emotional attachment to a brand, liking it more than others, and even loving it. These two types of loyalty are independent, for example, one can give a 100 percent share-of-wallet to a bus company that passes one's home to work, but would still be deeply unhappy with that organisation's service and be ready to switch as soon as a viable alternative is on offer.

True loyalty requires both share-of-wallet and share-of-heart so that customers continue buying even when situational factors may make a repeat purchase difficult, such as stock outage or alternative providers trying to persuade customers to switch using promotional offers.

However, attitudinal loyalty in itself is not a guarantee of profitability and firms need to be efficient in translating these attitudes and loyalty intentions into actual loyalty behaviours.

This includes:
- increased share-of-wallet such as encouraging a customer to buy more from a brand, and less from its competitors which results in selling more units to a customer;

- up-selling to higher level products, meaning selling more expensive, higher value products, which results in the higher revenue from the customer for a constant number of products sold;
- cross-selling of products the customers currently does not buy, this means in addition to the products a customer already buys, a company sells different products to that customer;
- referrals such as customer gives positive word-of-mouth and recommendations to buy the firm's products to friends and associates that lead to sales.

Customer value assessment:

A customer value proposition can be defined and assessed through the development of the Customer Value Assessment (CVA). The Customer Value Assessment is a set of criteria across four categories that capture a customer's wants, needs or expectations. Using these criteria, organizations gain insight into the customer's perception of their organization. The four CVA categories include Solutions, Responsiveness, Economics and Relationship.

Customer retention strategies:

Customer retention is on the minds of small and medium-sized businesses across the world. With rising **customer acquisition costs**, businesses need to innovate and assume a proactive role in retaining clients.

Studies from the U.S. Small Business Administration and U.S. Chamber of Commerce have found that acquiring new customers can cost as much as five to seven times more than simply retaining existing customers. The fact that customer profitability tends to increase over the life of a retained customer is added incentive for businesses to allocate more resources to sharpening their customer retention strategies.

Before I offer my nine customer retention strategies for businesses, I want to share three reasons, identified in research, your customers may leave you.

- 68% leave because they are unhappy with the service they receive.
- 14% are unhappy with the product or service.
- 9% decide to use a competitor.

The following nine customer retention strategies will give you some inspiration and practical examples to help you improve your customer retention rates. They address the above mentioned problems and provide you with actionable tips you can implement today to maximize your customer retention.

1. Set customer expectations

The first step to building better customer retention is to set client expectations early. The earlier the better. Don't wait.

Shannon Kohn from Datto wrote a **great article** highlighting the importance of companies' **setting expectations** through service level agreements (SLAs).

A great way to foster loyal customers is to "under promise and over deliver" on the expectations you originally laid out in the SLA. For instance, Datto states in its customer SLA that any ticket submitted with an "urgent" priority will be replied to within one hour. In reality, the response time on those tickets is closer to five minutes.

By setting expectations early and a tad lower than you can provide, you can eliminate uncertainty as to the level of service you need to offer to ensure your clients are happy. This clear vision enables your company to build KPIs around specific expectations and ensure you are always over delivering.

Clients tend to **remember negative experiences**. So if you have over delivered on the past 20 occasions, but, once, you undelivered – your client will no doubt quote that negative experience as a reason to cancel his or her contract with you.

2. Be the expert

Small and medium-sized businesses are becoming more and more dependent on services to run their operation. No matter what industry you occupy, if you can be the expert in your particular field, you will likely retain more customers.

Becoming your customers' **trusted advisor** will **build customer loyalty** and reduce customer churn. Let's revisit the example with R&G Technologies. If you were an IT Company, you should aspire to be the technology guru. Then your responsibilities will transcend the bare minimum your contract entails. If a customer wants advice on the most suitable mobile phone, you better be ready to assist that customer in choosing a device.

Becoming a trusted source on all technology, you build a relationship that leads to a dependency. Your customers will trust you, rely on you to give the best advice, and recognize you as an integral part of their business success.

If you want to build trust with clients, identify industry-specific problems currently facing those clients. **Compliance and regulations** are popular buzz words among small businesses, so, as an IT Company, this provides a perfect opportunity to demonstrate your expertise and build trust with your clients.

3. Build trust through relationships

As the age old saying goes, **you do business with people you trust**. Trust is essential in business, and building relationships with clients will garner that trust.

A study by the African Journal of Business Management found that as trust increases, commitment tends to grow. The study then recommends building trust through shared values.

So what are shared values?

Cultivating shared values means taking an interest in your clients and their business. Do some research on their business, understand how you play a role in their day-to-day activities, and use this information to strengthen your relationship. A good way to start is by asking one simple question the next time you stop by for a quarterly check-up.

"What differentiates you from competitors?" Once they answer, **remember that** and make a note to do some extra research and find ways that you can assist them with strengthening that point of differentiation through the services you provide. Give them a follow-up call the next week and let them know what you came up with. **This shows you have a shared value and are genuinely interested in their business.**

Simply providing a service is no longer sufficient– as **competitors enter your market**, you need to start building shared values with clients and showing you take an interest in them and their success.

This leads me to my next point, **implementing a relationship marketing strategy.** Relationship marketing is a term that has popped up everywhere in the past couple of years. This is of particular importance because you are a service-based business.

To get you started, here are two quick ideas:

- **Implement a monthly email marketing campaign**

This is a lot easier than it sounds. You want to email your existing customers once a month. Touch base with them, inform them of any recent news or services, and share a couple of great articles you think will help them with their business. You should also link to your articles (see below) as a way to drive your customers to your blog.

- **Start a blog**

Write a weekly article on something interesting you accomplished that week, an accomplishment you feel your customers would value. Perhaps you began offering a product that can help save your clients 20 minutes a week or released a whitepaper that provides great insight into employee management. Be consistent with your blog and start using it as a way to build relationships with your customers.

4. Implement anticipatory service

Anticipatory service is a **proactive approach to customer service**. Instead of waiting for problems to occur, a company that implements anticipatory service can eliminate problems before they happen.

Aspect wrote a white paper, Four Reasons Why Proactive Customer Care Means Customer Loyalty, which explains the science of customer relationships as being simple – the value you get is proportionate to the value you give.

5. Make use of automation

Automation tools allow for time-consuming tasks requiring manual intervention to be standardized into repeatable processes. Companies that leverage automation are able to minimise downtime and keep clients' networks performing at their best.

Companies are typically bound by contracts that guarantee their services and make them accountable to clients. **By leveraging automation tools** and streamlining repeatable processes, companies can better meet their commitments.

By standardizing your processes and setting expectations for service levels, you can increase customer loyalty, which will lead to improved customer retention rates.

6. Build KPI's around customer service

A great way to **improve customer retention** is to improve customer service. As outlined at the beginning of this post, **68% of your customers** leave because they are dissatisfied with the service. The team at R&G Technologies faced similar numbers. The team set out to rectify the problems right at the source.

R & G implemented customer service KPIs built around their contractual agreement. This way, every R&G employee's performance was measured and incentivized based on their level of service, which was closely tied to the client's goals.

7. Build relationships online

Your clients are online, so let's start building relationships with them while they are glued to their computer screens. With the rise of social media, connecting with your clients through these mediums makes sense. I would focus my efforts on building social profiles on **LinkedIn**, **Twitter**, and **Facebook**. The majority of your clients will have active profiles on at least one of these Web sites.

Debra Ellis from Social Media Today asserts that social media is changing the playing field by providing a venue for the **one-to-one connections** that create unbreakable bonds.

8. Go above and beyond

Oftentimes, companies overlook how important this is. Going the extra mile for your customers is an easy way to build strong relationships. As a service business, you have countless opportunities to **woo your clients** and transcend the minimum.

By doing this, you can build some serious long-term loyalty. If your clients know you are prepared to go above and beyond, they will **stick with you** when competitors start knocking on their door.

Here are a couple of ways you can go that extra mile for your clients:

- Pay attention to what your customers want and make their issues your issues – be proactive in addressing them.
- Isolate potential issues and fix them before they become problems.

9. Implement customer feedback surveys

Customer churn can be avoided by simply **listening to your customers**. Customer feedback surveys are invaluable for learning how your service is performing in relation to your clients' expectations.

Qualtrics defines customer retention as being individualized and varied across the kind of product or service provided, the kinds and number of customers served, the longevity and frequency of customer/supplier interactions, and the strategies you have chosen to grow your business.

Client Heartbeat has identified **three key metrics** you must monitor to measure customer retention most effectively:

- **Firstly**, you should monitor customer feedback on an individual level. Comparing feedback across a broad range of customers would be a waste of time. You must narrow the data down to a specific client, see what that client thought, and take action from there.
- **Secondly**, you need to trend feedback across a period of time. You should track feedback survey to survey so you can see which areas have improved and which have suffered.
- **Thirdly**, you want feedback from customer surveys to provide intelligence. You need it to provide you with data regarding what customers are at risk, which areas of your business need improvement, and where your strengths lie.

This feedback will help you retain clients. By understanding client feedback, you can take action before it's too late and make business decisions based on real data-driven feedback.

CRM in Service:

Customer Relationship Management entails all aspects of interaction a company has with its customer, whether it is sales or **service** related; it starts with the foundation of relationship marketing. ... From the above all available data it is clear that how **CRM** is placing a vital role in **service** sector.

Managing your customer relationship is important for all businesses, but is critical for Service Businesses who rely on repeat customers, ongoing contracts and referrals. Here is a list of some of the incredible amount of data that must be managed and accessible in order to maintain a high quality relationship with your customer:

- Customer Contact Information
- Multiple contacts per account: with contact info for each
- Multiple addresses per account
- Track & Manage Current Service Requests
- Record Service History
- Equipment Records
- Access records of inventory used & service preformed
- Notes / Details about any contacts with the customer
- Notes / Details about the Account, Service Orders, Equipment Installed …
- Reminders about next service due
- Reminders for follow up calls, appointments…
- Track leads, proposals…. Transfer info correctly once they become a customer
- Ability to Schedule Service and dispatch techs / Maps to site
- Account balance, payments due…
- A way to notify customers or changes, updates and new products (email?)
- And much more

The Most Important Point: Find a useful way to manage all the customer data gathered/needed, and then commit to using the information to better serve your customer.

NOTE: This material is for basic knowledge detail information relates to topic is available in standard text books