

# STUDY NOTE

## Consumer Behaviour



**Consumer Behaviour Study Notes for BBA Exam:** In this article, Understand the topic Consumer Behaviour and its rules and regulations, types, process, and other terminologies for better preparation for the BBA Exam.

## Consumer Behavior Rules

Consumer Behaviour Rules are classified into two categories: Compensatory and Non-Compensatory.

### Compensatory Behaviour Rule:

- A shopper evaluates store or brand alternatives in respect of each salient attribute and assigns weight or summated score for each store or brand in a consideration set.
- The computed value reflects the store's relative edge as a potential purchase choice.
- The shopper will choose the store or brand that has the highest score.
- The positive effect of a store or brand compensates for or offsets the negative effect.

### Non-Compensatory Decision Rule:

- Do not allow customers to balance positive assessment of store on one dimension against a negative evaluation on another dimension.
- Positive attributes won't compensate for the negative attribute of a store or product.

### Three Non Compensatory rules

1. **Conjunctive Decision Rule** – Here the shopper establishes a specific, minimal acceptable level as a cut-off point for each dimension. If a particular store falls below the cutoff point, it is dropped from the consideration set.
2. **Disjunctive Decision Rule** – A shopper sets up a specific minimal acceptable level as a cutoff point for each dimension. The shopper accepts the store or brand if it meets or exceeds the limit established in any one dimension.
3. **Lexicographic Decision Rule** – Shopper first ranks the dimensions in terms of their perceived salience or importance. He then compares the various brand alternatives in terms of a single attribute that is considered most important. If one brand scores sufficiently high in this top-ranked dimension, then it is chosen and the process ends. Where there are two or more surviving brands, this process is repeated with a second-highest ranked dimension until reaching the point of selecting one brand.

Marketers should have a clear idea about the buying rules employed by their target market.

The following consumer segments have been identified based on the specific shopping rules followed by them:



- **Practical Loyalists** – shoppers who look for ways to save on the brands and products they would buy anyway.
- **Bottom line price shoppers** – shoppers who buy the lowest priced items without regard for the brand.
- **Opportunistic Switchers** – those who use coupons or sales to decide among brands or products that fall in their set.
- **Deal Hunter** – shoppers who look for the best bargain and are not brand loyal.

## Situational Variables on Shopping Behaviour

Situational variables refer to all those factors particular to a time and place of observation that do not follow from a knowledge of personal and stimulus attributes. These can be classified into four distinct dimensions of situational influence:

### 1. Physical Setting:

- Covers the geographical location of the retail, environment in which the consumer reads the catalog or access the store.
- Shoppers who travel for a half-hour or more are called far shoppers and those who travel for less than half-hour are near shoppers.
- Those who shop before 3 pm are early shoppers and those who shop after 3 pm are late shoppers.
- It also includes weather of a place, placement of merchandise, access to information in a store, background music, color scheme, etc.

### 2. Social Setting:

- Describes the presence or absence of others.
- Includes security staff in the store, interaction with sales staff, friends or relatives accompanying the shopping, and even the proximity of other shoppers.
- The shoppers who are accompanied by other people are called Social shoppers. Those who are unaccompanied are solitary shoppers.

### 3. Temporal Aspect:

- Time of day and constraints upon the time available for shopping has a great effect on the shopping behavior.
- Seasonal variation in a particular product and the time of purchase of the particular product. Eg. Milk is purchased by households typically in the morning.
- Shoppers who spent less than an hour are Quick shoppers and those who spent more than an hour are Slow shoppers.

### 4. Task Definition:



- It is more individual specific and relates to the need of the shopping.
- Middle-class people tend to shop reasonable dress from unbranded retail outlets. However, during festive occasions like Diwali, they tend to spend more on branded dresses.

## STAGES OF CONSUMER BEHAVIOR PROCESS

1. **Need Recognition** – Consumer realizes a significant gap between his present state and some desired state. Needs may be Simple or Complex.
  - Simple need recognition is referred to as a problem that occurs frequently or periodically and can be solved through known ways. Eg. Housewives depend on nearby Kiranas for their grocery needs.
  - Complex need recognition is referred to as a problem that is faced infrequently by a consumer and evolves. Eg. Purchase of consumer durables.
  - Marketers attempt to create Primary and Secondary demands. In primary demand, marketers encourage consumers to use particular goods, services, or retail setup regardless of the brand they choose.
  - Secondary demand refers to the situation where consumers are stimulated to prefer a specific retail outlet to others, which can occur only if primary demand already exists.
2. **Information Search** – Prospective buyers examine their environment for appropriate information to make a sound decision. Through information, the individual evolves various possible alternatives that are likely to solve his problem. The individual derives information from internal and external sources. The customer invests time in information search.
3. **Evaluation of Alternatives** – Using the information and knowledge gathered, the individual then evaluates various alternatives evolved at the information stage. Marketers need to ensure that their brand or shop finds a place in the alternative set of the consumer. Retailers need to improve or revise their marketing strategies so that they get into the alternative of consumers.
4. **Purchase Decision** – After evaluation of alternatives, the final choice from these multiple alternatives leads to the purchase decision. This involves the exchange of cash or credit notes for the ownership of the offering. It is the purchase stage that generates revenue for retailers and marketers in the value chain. The customer considers Factors such as Physical Characteristics (Location, size, appearance, store layout), Social interaction (between salespeople and customers), Assurance (Warranty, returns, complaint handling), Policy (Payment options, operating hours, parking ), Merchandise (Product category, brand, quality, style). A particular product is purchased if the above parameters of customers are met.



5. **Post-Purchase Dissonance** - After purchasing a particular good or service, customers evaluate its performance against their expected level of satisfaction on account of important attributes. This leads to the following possible outcomes:

- Actual performance meets expectations, leading to a neutral response. Individuals may likely evaluate it further.
- Performance exceeds expectation, resulting in satisfaction thereby repeated purchase and positive word-of-mouth publicity.
- Performance may fall short of expectations, resulting in dissatisfaction, thereby discontinuation of purchase of product and store or bad word of mouth.

To improve their satisfaction, the customers are requested to fill up feedback forms and take their suggestions.

## TYPES OF CONSUMER DECISION MAKING

Basis: Nature of decision making

- **Routine buy** – Those transactions where the buyer reorders from a regular store without any modifications and on a routine basis.
- **Modified Rebuy** – Those transactions where buyers want to modify product specifications, price terms, or suppliers. It usually involves more time and information.
- **New Product Purchase** – Those transactions where a buyer purchases a product or considers visiting a particular retail outlet for the first time and therefore requires an extensive amount of information to be obtained and evaluated. This is largely true for infrequent purchases.

Based on effort required for purchase or the level of involvement, The four levels of consumer decision making are:

- **Extensive decision making / Complex high-involvement** – this kind of decision-making usually happens for unfamiliar, expensive, and/or infrequently bought products. These transactions involve a high degree of economic / performance / psychological risk. Eg. Purchase decision for Cars, computers. The information one uses for this purchase is mass media, friends, relatives, etc.
- **Limited decision making** – happens when an individual purchases product occasionally and is required to look for a different brand or retailer for a product one is used to because of non-performance or non-availability.
- **Routine response / Programmed behavior** – is observed in case of low involvement, frequently purchased, and generally low-cost products. They require very little search and decision effort and are purchased almost automatically. Eg. Grocery items.
- **Impulse Buying** – those purchases that do not involve any conscious planning.



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A particular product doesn't always remain confined to one category. A product can shift from one category to another.



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