

IMPACT OF MARKETING INNOVATION ON CONSUMER BEHAVIOUR

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Abstract

Consumer behavior is the study of individuals, groups, or organizations and the processes they use to select, secure, and dispose of products, services, experiences, or ideas to satisfy needs and the impacts that these processes have on the consumer and society. It blends elements from psychology, sociology, social anthropology and economics. It attempts to understand the buyer decision making process, both individually and in groups. It studies characteristics of individual consumers such as demographics and behavioral variables in an attempt to understand people's wants. It also tries to assess influences on the consumer from groups such as family, friends, reference groups, and society in general.

This study analyses consumer behavior and the interaction between consumers and businesses in the Innovative environment. As the today's issue is that how consumers get benefited from the innovative environment and whether and how they change their purchasing behavior according to the technological advancements. A number of barriers to e-commerce and a more integrated Indian market are identified and specific policy recommendations are provided.

Keywords: Consumer behavior, Innovative environment, Ecommerce.

Introduction

Consumer behavior study is based on consumer buying behavior, with the customer playing the three distinct roles of user, payer and buyer. Research has shown that consumer behavior is difficult to predict, even for experts in the field. Relationship marketing is an influential asset for customer behavior analysis as it has a keen interest in the re-discovery of the true meaning of marketing through the re-affirmation of the importance of the customer or buyer. A greater importance is also placed on consumer retention, customer relationship management, personalization, customization and one-to-one marketing. Social functions can be categorized into social choice and welfare functions.

Each method for vote counting is assumed as social function but if Arrow's possibility theorem is used for a social function, social welfare function is achieved. Some specifications of the social functions are decisiveness, neutrality, anonymity, monotonicity, unanimity, homogeneity and weak and strong Pareto optimality. No social choice function meets these requirements in an ordinal scale simultaneously. The most important

characteristic of a social function is identification of the interactive effect of alternatives and creating a logical relation with the ranks. Marketing provides services in order to satisfy customers. With that in mind, the productive system is considered from its beginning at the production level, to the end of the cycle, the consumer. Consumer buying behavior can be defined as the way in which consumers or buyers of goods and services tend to react or behave when purchasing products that they like. Buyers tend to exhibit different types of buying behavior when they are in the process of purchasing goods and services and the behaviors witnessed are influenced by the type of product he/she wants to buy. Consumer buying behavior involves a long process where the buyer has to identify the product, study well its features, the pros and the cons and lastly deciding on whether to purchase it or not.

Consumer Behavior

The study of Consumer Behavior is quite complex, because of many variables involved and their tendency to interact with & influence each other. These variables are divided into three major sections that have been identified

as the most important general influences on Consumer Behavior. Imagine three concentric circles, one at the outer most, one in the middle & one at the inner most, and they represent the following:

External Environmental Variables Influencing Behavior:

These are the factors controlled by external environments like the following form the basis of external influences over the mind of a customer (outer circle):

- Culture, and Sub-culture,
- Social Class, and Social Group,
- Family, and Inter-Personal Influences,
- Other Influences (which are not categorized by any of the above six, like geographical, political, economic, religious environment, etc.).
- Individual Determinants of Behavior: Major individual determinants of Consumer Behavior are portrayed in the middle ring. These are the human mind and its attributes. These variables are personal in nature and they are influenced by the above set of external factors and in turn influence the way consumers proceed through a decision making process regarding products &

services. They are: Personality & Self-concept,

- Motivation & Involvement,
- Perception & Information Processing,
- Learning & Memory,
- Attitudes.
- Problem Recognition,
- Information Search,
- Evaluation of Application,
- Purchase Decision,
- Post-Purchase Behavior.
- The Consumer Decision Making Process: The buying decision comes as a product of the complex interaction of the external factors and the personal attributes. The inner most circle denotes the consumer decision making process regarding products & services, whose major steps are:

Marketers are frequently uncertain about the variables that are at play influencing & affecting consumers. Sometimes this occurs because they don't clearly understand the extent of variables that might be having an influence. The details of all external, internal, environmental, economical etc. are discussed above. Sometimes some variables are not directly observable. Other times variables are known to the marketers but their exact nature & relative strength of influence is not apparent. In these circumstances, it is useful to understand the above mentioned concepts and how the consumers behave, so that their decision making process can be predicted to a reasonable extent. The human mind being as complex as it is, the understanding of the buying behavior of the consumers becomes a continuous activity of application of various theories & concepts by the marketers. Consumer behavior, like all human behavior is very complex. But the consumer behavior theory, like all theories is a simplified & abstract representation of reality. The more simplified picture of consumers provided by the theory helps us enormously to understand the consumers. It not only helps us to think about consumers, but also provides us with a language to talk about them. This language is very useful, because to be effective in an organization - for profit or non-profit - one has to persuade others to accept his ideas. And in fact, lack of this language has been one of the greatest drawbacks of the modern marketers.

Market Research or Marketing Research (MR) has been developing since "MARKETING" which brings together all customer elements, grew out of the concept of "SALES" in the early fifties. The theory of consumer behavior draws heavily upon the famous psychologist Sigmund Freud, particularly with respect to the emotional, psychological, mental, subjective or non-utilitarian aspects of buying decision or behavior of a consumer. The theory represents the hidden order in this very complex activity, which we call consumer behavior. On the surface, this highly complex & varied display of behavior by consumers seems essentially unexplained. But slowly as the theory develops, the hidden pattern emerges, describing the order we suddenly see, and explaining why the behavior pattern takes place.

Now, what is the magic stuff called consumer behavior theory that does all these wonderful things. It's not just a theory, as explained earlier, but more than that. It helps us to make better marketing decisions for profit & non-profit organizations. Thus we can examine the characteristics of a theory that enables us to do so. Researchers G Zaltman and M Wallendorf have come out with the most important attributes of a good & sound theory, after very close and careful thought. **These are the following:**

- A theory which does both: explains how consumers buy & predicts what consumers will buy.
- It unifies previously unrelated areas of knowledge, for example, it relates to information that consumers get from advertising so as to decide what brands they buy.
- The theory is simple. If not, it can be so complex that we can't understand well enough to apply it to our practical problems.
- It is testable so that we can verify whether the theory is valid and therefore dependable.
- Implied in the previous characteristic, it is supported by the facts. This means, to lay the theory up against data describing how consumers buy in the market and thereby determine if the facts confirm the theory. If they don't, then either the theory should be modified till the facts do verify it or abandon the theory.
- The theory is general, which means that it can be applied to a wide range of products & services. If it is not, then it won't be very useful.

- It has heuristic value, meaning that it poses new questions for us that had not been previously asked. While trying to answer these questions, new knowledge is created and that becomes the part of the theory.
- It is original. If not, it adds little to the existing knowledge.
- It is plausible. If not, it can't be seen by others as making any sense, and hence, they will not likely to accept the theory and so it won't be useful.
- And if all the above ten points are in order, and then it can be applied to designing marketing strategy and marketing plans.

The study of consumer behavior involves search, evaluation, purchase, consumption and post purchase behavior of the consumers and includes the disposal of purchased products keeping environment and personal characteristics in mind.

Consumer buying behavior would make a certain buyer to purchase product A as opposed to product B or whether to purchase a certain product or leave it alone and all that is as a result of the buying decisions made by the buyer as to whether the product suits his/her needs and requirements. Consumers of goods and services may possess different types of consumer buying behavior that are unique to themselves. The buying behavior of consumer A may be different from those of consumer B and the difference may very well boil down to varying buying decision made by a consumer.

Types of buying behavior: -

1. Complex buying behavior

This involves a consumer buying behavior that is associated with rigorous and detailed involvement by the buyer as different brands of the commodity are competing for his/her buying attention. Normally a complex buying behavior is witnessed when the product in question that the buyer intends to purchase is somehow expensive, purchased once in a blue moon or carries itself with a massive risk factor. As a result of this the consumer will tend to be very careful in purchasing the product. He has to learn about the good and bad side of the said product, evaluate whether it suits his needs and finally makes a well-planned and thoughtful choice in whether to purchase it or not. Typical examples of products that result in complex buying behavior include

buying a laptop, house, television, microwaves e.t.c.

2. Habitual buying behavior

As the name suggests habitual buying behavior in consumers results when the products in question have few or no significant and major perceived differences and as such the consumer goes for and purchases the product that he/she has been using for some time without having to think of switching to another brand. It's a sort of a habit in that when the consumer is presented with a choice between two substitute products that have the same features and characteristics; he/she will go for the one that he has been using before as he is familiar with it. Habitual buying behavior can apply to products like bread, margarine, sugar etc.

3. Dissonance reducing buying behavior

This type of consumer buying behavior is witnessed in situations where the product is expensive or has a risky factor in its purchase but there are different brands that have less or no difference to talk about. For example, a buyer purchasing a smart phone (there are many different brands) may encounter a big challenge on whether to purchase it or go for a smart phone of a different brand. They develop a sense of dissonance or feeling a discomfort after they purchase the product in the sense that they fear for the product to become a failure when they have already spent a lot of money on it.

4. Variety seeking buying behavior

Variety seeking consumer buying behavior takes place when the consumer has much different product choice that tends to serve the same purpose. Since the different brands of the same product serve the one and same purpose consumers will find themselves buying any given brand at a given time without having to make a choice between them. A good example of this could be cooking fat. There are indeed many different brands of cooking oil but the thing that is for sure is that they all serve the same purpose; cooking. For this reason, a consumer may randomly buy cooking oil A in a given day, then cooking oil B in another day and yet cooking fat C in another instance. Consumers see no significant difference in them and hence purchase the one that comes to their sight first.

Innovation and Consumers:

With the improving economic conditions because of liberal economic policy, India has been gaining importance as a high potential lucrative market for global retailers. In 2009 Indian retail market size was ranked as the 5th largest globally, and was valued at US\$400 billion. A recent industry report by global consultancy Northbridge Capital stated the growth of India's retail industry to be US\$700 billion in 2010. The per capita income in India has gone up (Hubacek et al., 2007) as much as 14.2% (2006-07) after the recent economic reform, resulting in an increasing number of Indian consumers with an affordability to use Internet service (at home, cyber cafes, or on a phone, etc.) (www.tradechakra.com, 2008). This supports industry statistics by Internet and Mobile Association of India (IAMAI), showing 30% growth (2.15 billion USD) of e-commerce and mobile industry in 2008 alone. In spite of a number of evidence showing the Development of Internet usage by Indian consumers, Internet sales show less than 1 percent of the total retail sales in India. This may represent a great potential to grow yet some obstacles to overcome for online retailers. Many Indian consumers have low self-efficiency in using Internet and feel shopping online to be unconventional. It seems that even for those, who use Internet on regular bases; Internet is mainly for searching product information, comparing prices, and/or checking consumer reviews rather than making a purchase.

Factors affecting consumer behavior:

Consumer behavior refers to the selection, purchase and consumption of goods and services for the satisfaction of their wants. There are different processes involved in the consumer behavior. Initially the consumer tries to find what commodities he would like to consume, then he selects only those commodities that promise greater utility. After selecting the commodities, the consumer makes an estimate of the available money which he can spend. Lastly, the consumer analyzes the prevailing prices of commodities and takes the decision about the commodities he should consume. Meanwhile, there are various other factors influencing the purchases of consumer such as social, cultural, personal and psychological. The explanation of these factors is given below.

1. Cultural Factors

Consumer behavior is deeply influenced by cultural factors such as: buyer culture, subculture, and social class.

• Culture

Basically, culture is the part of every society and is the important cause of person wants and behavior. The influence of culture on buying behavior varies from country to country therefore marketers have to be very careful in analyzing the culture of different groups, regions or even countries.

• Subculture

Each culture contains different subcultures such as religions, nationalities, geographic regions, racial groups etc. Marketers can use these groups by segmenting the market into various small portions. For example, marketers can design products according to the needs of a particular geographic group.

• Social Class

Every society possesses some form of social class which is important to the marketers because the buying behavior of people in a given social class is similar. In this way marketing activities could be tailored according to different social classes. Here we should note that social class is not only determined by income but there are various other factors as well such as: wealth, education, occupation etc.

2. Social Factors

Social factors also impact the buying behavior of consumers. The important social factors are: reference groups, family, role and status.

• Reference Groups

Reference groups have potential in forming a person attitude or behavior. The impact of reference groups varies across products and brands. For example, if the product is visible such as dress, shoes, car etc. then the influence of reference groups will be high. Reference groups also include opinion leader (a person who influences other because of his special skill, knowledge or other characteristics).

• Family

Buyer behavior is strongly influenced by the member of a family. Therefore, marketers are trying to find the roles and influence of the husband, wife and children. If the buying decision of a particular product is influenced by wife then the marketers will try to target the women in their advertisement. Here we should note that buying roles change with change in consumer lifestyles.

• Roles and Status

Each person possesses different roles and status in the society depending upon the groups, clubs, family, organization etc. to which he belongs. For example, a woman is working in an organization as finance manager. Now she is playing two roles, one of finance manager and other of mother. Therefore, her buying decisions will be influenced by her role and status.

3. Personal Factors

Personal factors can also affect the consumer behavior. Some of the important personal factors that influence the buying behavior are: lifestyle, economic situation, occupation, age, personality and self concept.

• Age

Age and life-cycle have potential impact on the consumer buying behavior. It is obvious that the consumers change the purchase of goods and services with the passage of time. Family life-cycle consists of different stages such young singles, married couples, unmarried couples etc which help marketers to develop appropriate products for each stage.

• Occupation

The occupation of a person has significant impact on his buying behavior. For example a marketing manager of an organization will try to purchase business suits, whereas a low level worker in the same organization will purchase rugged work clothes.

• Economic Situation

Consumer economic situation has great influence on his buying behavior. If the income and savings of a customer is high then he will purchase more expensive products. On the other hand, a person with low income and savings will purchase inexpensive products.

• Lifestyle

Lifestyle of customers is another important factor affecting the consumer buying behavior. Lifestyle refers to the way a person lives in a society and is expressed by the things in his/her surroundings. It is determined by customer interests, opinions, activities etc and shapes his whole pattern of acting and interacting in the world.

• Personality

Personality changes from person to person, time to time and place to place. Therefore, it can greatly influence the

buying behavior of customers. Actually, Personality is not what one wears; rather it is the totality of behavior of a man in different circumstances. It has different characteristics such as: dominance, aggressiveness, self-confidence etc which can be useful to determine the consumer behavior for particular product or service.

4. Psychological Factors

There are four important psychological factors affecting the consumer buying behavior. These are: perception, motivation, learning, beliefs and attitudes.

• Motivation

The level of motivation also affects the buying behavior of customers. Every person has different needs such as physiological needs, biological needs, social needs etc. The nature of the needs is that, some of them are most pressing while others are least pressing. Therefore a need becomes a motive when it is more pressing to direct the person to seek satisfaction.

• Perception

Selecting, organizing and interpreting information in a way to produce a meaningful experience of the world is called perception. There are three different perceptual processes which are selective attention, selective distortion and selective retention. In case of selective attention, marketers try to attract the customer attention. Whereas, in case of selective distortion, customers try to interpret the information in a way that will support what the customers already believe. Similarly, in case of selective retention, marketers try to retain information that supports their beliefs.

• Beliefs and Attitudes

Customer possesses specific belief and attitude towards various products. Since such beliefs and attitudes make up brand image and affect consumer buying behavior therefore marketers are interested in them. Marketers can change the beliefs and attitudes of customers by launching special campaigns in this regard.

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