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PREFACE

It is with great pleasure that I present this book. It has been carefully written after numerous discussions with my peers and other practitioners of the field. I would like to take this opportunity to thank my family and friends who have been extremely supporting at every step in my life.

The applied social science that studies individuals, groups and organizations and their activities related to the buying, use and disposal of goods and services is known as consumer behavior. It also focuses on studying the emotional, behavioral and mental responses that consumer's exhibit preceding the purchase of any goods and services. It aims to evaluate how attitudes, emotions and preferences influence consumer's buying behavior. It deals with all the different aspects of purchasing behavior ranging from pre-purchase to post-purchase activities. It studies characteristics of individuals such as demographics, loyalty, brand advocacy and willingness to provide referrals along with the influence of groups like family, friends and society on people's needs and wants. This is an interdisciplinary discipline and draws from other areas such as behavioral economics, sociology, anthropology, psychology and ethnography. This book explores all the important aspects of this field in the present day scenario. Different approaches, evaluations, methodologies and advanced studies on consumer behavior have been included in this book. This book will provide comprehensive knowledge to the readers.

The chapters below are organized to facilitate a comprehensive understanding of the subject:

Chapter – What is Consumer Behavior?

Consumer behavior is an inter-disciplinary social science. It deals with the study of individuals, groups and organizations, and the activities linked with the purchase, use and disposal of goods and services. This is an introductory chapter which will introduce briefly all the significant aspects of consumer behavior.

Chapter – Models of Consumer Behavior

There are different models that are studied under the domain of consumer behavior. Some of them are Pavlovian model, economic model, psychological model, family decision making model, Nicosia model, Engel-Blackwell-Kollat model, etc. This chapter delves into these models of consumer behavior for a thorough understanding of the subject.

Chapter – Consumer Decision Making

Consumer decision making is a process in which the consumers identify their needs, evaluate alternatives, gather information and then make their buying decision. There are various factors which influence consumer decision making such as economical, psychological and environmental factors. This chapter has been carefully written to provide an easy understanding of the varied facets of consumer decision making.

Chapter – Online Shopping and Consumer Behavior

The type of behavior shown by customers while browsing websites to search, select and purchase various goods and services is called online shopping behavior. The topics elaborated in this chapter will help in gaining a better perspective about consumer behavior in relation to online shopping.

Chapter – Diverse Aspects of Consumer Behavior

Many important aspects are studied under the domain of consumer behavior such as customer loyalty, customer switching, customer choice, customer satisfaction, COBRA, loyalty business model, complex buying behavior, etc. All these diverse aspects of consumer behavior have been carefully analyzed in this chapter.

Ariana Nelson

What is Consumer Behavior?

1

- **Implications of Consumer Behavior in Marketing**
- **Factors affecting Consumer Behavior**
- **Social Media, Consumer Behavior and Service Marketing**

Consumer behavior is an inter-disciplinary social science. It deals with the study of individuals, groups and organizations, and the activities linked with the purchase, use and disposal of goods and services. This is an introductory chapter which will introduce briefly all the significant aspects of consumer behavior.

Every person in this world is a consumer. Every person purchase goods and services in real life. At that time of purchase of goods and services the behavior performs by consumer is known as Consumer Behavior. The process of decision making to purchase the product/service may take place individually and collectively.

Thus the key to consumption is the purchase decision, the Consumer is the decision maker and consumption process is the result of making the purchase decision.

It‟s obvious that consumer behavior is the pattern that followed by the consumer in the process of searching for purchasing, using or evaluating goods, services and ideas that he except to satisfy his needs and wants.

According to Philip Kotler, "Consumer is so simple that they do not did not require to study nor so complex is that there study not possible".

According to Schiffnan and Kanuk, "Consumer behavior is study of what they buy, why they buy, when they buy, where they buy, how often they buy it and how often they use it".

According to Walter and Paul, "Consumer behavior is the process where but individual decide whether, what, when where, how and from whom to purchase goods and services".

Consumer behavior is based on these different aspects:

- Who will Buy?
- How will he Buy?
- Why will be Buy?
- When will be Buy?
- Where will be Buy?

Who will Buy refers to the actual purchaser and its role during the purchase process.

How will he Buy refers to the method of purchasing. It will be in cash or on credit and individually or collectively.

Why will he Buy indicates the motives and reasons, need behind the buying decisions.

When will he Buyindicate the purchase time of products, weekdays or weekends, morning, afternoon or evening.

Where will be Buy it includes two different questions :

- Where consumer decides his/her purchase?
- Where consumer does actually buys?

Generally it has been seam that sometimes customer/consumer pre planned to but the product but actual buys of the product according to his planning. On the other hand need of the product arise suddenly does the consumer buy the product without any planning. On the both conditions the sales outlet he will buy from and commercial center a customer prefers as well as geographical area.

From the above questions the study of consumer behavior is also based on the buying pattern of the consumer.

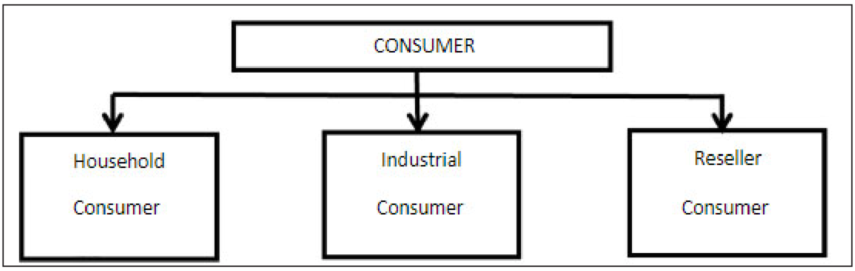
So the marketer also has to find out the answer of these questions:

- Who influence the buying decisions?
- Who makes the buying decisions?
- Who makes the actual purchase?
- Who ultimately use the product?

The answer of above mentioned questionsare crucial and complex for the evaluation of the efficiency of the marketing strategy and marketing program elements.

Types of Consumer

There are so many types of consumers and there are lots of differences in the behavior of the consumers. To study the actual behavior of the consumer first we have to know about types of consumers. Consumer word has a very wide sense in which all types of buyers are included. So the classification of the consumers is as follows:



Household Consumer

These consumer are also knows as final consumer. Final consumer is the individual that purchases goods or services either for his personal use example clothes and medical treatments or for his family use example foods,shelter, household items.

Industrial Consumer

They are known as Organizational consumer. The Organizational consumer does not but the product for their personal use or consumption but for the purpose of Organizational consumption. Industrial consumer includes commercial, agricultural firms, government agencies and nonprofit institutions. These organizations needs the product goods and services example machines, furniture, stationery, raw material, parts etc. to perform their various functions and achieve the Organizational objectives. With the help of all these goods the organization will made final product for the use of final consumer.

Reseller Consumer

They are the Institutional. These are the buyers who purchase the product for the purpose of reselling. The purpose of these sellers is also commercial.

How Consumer Behavior Works?

To understand how Consumer Behaviour works we need to understand how Perception works.

Perception is the process by which we select, interpret and organize data to create a logical sequence which is meaningful. Perception can be dependent on the stimuli we receive, how we respond to those stimuli and the conditions of our surroundings when we receive the stimuli.

Now, every marketer works on maximizing their gains through perception. This is an essential topic of consumer behaviour as the perception of a product is the make it or break it deal for the given product's life cycle.

The four cornerstones of perception are:

Selective Attention

Selective attention is when you select some particular inputs/stimuli and choose to ignore others in a group of stimuli. Basically, in simpler terms, not all information reaches and connects to you. You perceive the information you relate to.

Selective Retention

Selective retention is when you remember the parts of the stimuli that support your personal feelings and beliefs and forget the inputs that do not. In easier terms, you remember the information that connects to you at a psychological level.

Selective Distortion

Selective distortion is when you twist inconsistent information to abide by your personal beliefs and feelings. When an ambiguous input is provided, you at times may bend the information as per your will to fit in your existing set of values and beliefs. Thus there are chances that subtle marketing tactics may backfire and thus most marketing strategies are much directed.

Subliminal Perception

Subliminal perception is when sublime messages influence you without having a direct role in the information provided. The basic example being: how deodorants use lifestyle marketing to subconsciously associate the fragrance to leading a better life. Subliminal perception is basically how you subconsciously associate to a particular product because of a stimulus that is not directly provided.

Importance of Consumer Behavior

Studying consumer behavior is important because this way marketers can understand what influences consumers' buying decisions. By understanding how consumers decide on a product they can fill in the gap in the market and identify the products that are needed and the products that are obsolete. Studying consumer behaviour also helps marketers decide how to present their products in a way that generates maximum impact on consumers. Understanding consumer buying behaviour is the key secret to reaching and engaging your clients, and convert them to purchase from you.

A consumer behavior analysis should reveal:

- What consumers think and how they feel about various alternatives (brands, products, etc.);
- What influences consumers to choose between various options;
- Consumers' behavior while researching and shopping;
- How consumers' environment (friends, family, media, etc.) influences their behavior.

Consumer behavior is often influenced by different factors. Marketers should study consumer purchase patterns and figure out buyer trends. In most cases, brands influence consumer behavior only with the things they can control; like how IKEA seems to compel you to spend more than what you intended to every time you walk into the store.

There are three categories of factors that influence consumer behavior:

- Personal factors: an individual's interests and opinions that can be influenced by demographics (age, gender, culture, etc.).
- Psychological factors: an individual's response to a marketing message will depend on their perceptions and attitudes.
- Social factors: family, friends, education level, social media, income, they all influence consumers' behavior.

Types of Consumer Behavior

There are four main types of consumer behavior:

- Complex buying behaviour: This type of behavior is encountered when consumers are buying an expensive, infrequently bought product. They are highly involved in the purchase process and consumers' research before committing to invest. Imagine buying a house or a car; these are an example of a complex buying behavior.
- Dissonance-reducing buying behaviour: The consumer is highly involved in the purchase process but has difficulties determining the differences between brands. 'Dissonance' can occur when the consumer worries that they will regret their choice. Imagine you are buying a lawnmower. You will choose one based on price and convenience, but after the purchase you will seek confirmation that you've made the right choice.

- Habitual buying behaviour: Habitual purchases are characterized by the fact that the consumer has very little involvement in the product or brand category. Imagine grocery shopping: you go to the store and buy your preferred type of bread. You are exhibiting a habitual pattern, not strong brand loyalty.

- Variety seeking behaviour: In this situation, a consumer purchases a different product not because they weren't satisfied with the previous one, but because they seek variety. Like when you are trying out new shower gel scents.

What affects Consumer Behavior?

Many things can affect consumer behavior, but the most frequent factors influencing consumer behavior are:

- Marketing campaigns: Marketing campaigns influence purchasing decisions a lot. If done right and regularly, with the right marketing message, they can even persuade consumers to change brands or opt for more expensive alternatives. Marketing campaigns can even be used as reminders for products/services that need to be bought regularly but are not necessarily on customers' top of mind (like insurance for example). A good marketing message can influence impulse purchases.

- Economic conditions:For expensive products especially (like houses or cars) economic conditions play a big part. A positive economic environment is known to make consumers more confident and willing to indulge in purchases irrespective of their personal financial liabilities. Consumers make decisions in a longer time period for expensive purchases and the buying process can be influenced by more personal factors at the same time.

- Personal preferences: Consumer behavior can also be influenced by personal factors, likes, dislikes, priorities, morals, and values. In industries like fashion or food personal opinions are especially powerful. Advertisement can, of course, help but at the end of the day consumers' choices are greatly influenced by their preferences. If you're vegan, it doesn't matter how many burger joint ads you see, you're probably not gonna start eating meat because of that.

- Group influence: Peer pressure also influences consumer behavior. What our family members, classmates, immediate relatives, neighbors, and acquaintances think or do can play a significant role in our decisions. Social psychology impacts consumer behaviour. Choosing fast food over home-cooked meals, for example, is just one of such situations. Education levels and social factors can have an impact.

- Purchasing power: Our purchasing power plays a significant role in influencing our behavior. Consumers take budget into consideration before making a purchase decision. The product may be excellent, the marketing could be on point, but if you don't have the money for it, you won't buy it. Segmenting consumers based on their buying capacity will help marketers determine eligible consumers and achieve better results.

Customer Behavior Patterns

Buying behavior patterns are not synonymous with buying habits. Habits are developed as tendencies towards an action and they become spontaneous over time, while patterns show a predictable mental design. Each customer has his unique buying habits, while buying behavior patterns are collective and offer marketers a unique characterization. Customer behavior patterns can be grouped into:

- Place of purchase: Most of the time customers will divide their purchases in several stores even if all items are available in the same store. Think of your favorite hypermarket: although you can find clothes and shoes there as well, you're probably buying those from actual clothing brands. When a customer has the capability and the access to purchase the same products in different stores, they are not permanently loyal to any store, unless that's the only store they have access to. Studying customer behavior in terms of choice of place will help marketers identify key store locations.

- Items purchased: Things to consider: the items that were purchased and how much of each item was purchased. Necessity items can be bought in bulk while luxury items are more likely to be purchased less frequently and in small quantities. The amount of each item purchased is influenced by the perishability of the item, the purchasing power of the buyer, unit of sale, price, number of consumers for whom the item is intended, etc. Analyzing a shopping cart can give marketers lots of consumer insights.

- Time and frequency of purchase: Customers will go shopping according to their feasibility and will expect service even during the oddest hours; especially now in the era of e-commerce where everything is only a few clicks away. It's the shop's responsibility to meet these demands by identifying a purchase pattern and match its service according to the time and frequency of purchases. One thing to keep in mind: seasonal variations and regional differences must also be accounted for.

- Method of purchase: A customer can either walk into a store and buy an item right then and there, or order online and pay online via credit card or on delivery. The method of purchase can also induce more spending from the customer (for online shopping, you might also be charged a shipping fee for example). The way a customer chooses to purchase an item also says a lot about the type of customer he is.

Customer Behavior Segmentation

Only 33% of the companies that use customer segmentation say they find it significantly impactful. Customer segmentation, types of buyers, has always been important, but now that personalization and customer experience are factors that determine a business' success, effective segmentation is even more important.

- Benefits sought: A customer who buys toothpaste can look for four different reasons: whitening, sensitive teeth, flavor, or price. When customers research a product or service, their behavior can reveal valuable insights into which benefits, features, values, use cases, or problems are the most important motivating factors influencing their purchase decision. When a customer places a much higher value on one or more benefits over the others, these primary benefits sought are the defining motivating factors driving the purchase decision for that customer.

- Occasion or timing-based: Occasion and timing-based behavioral segments refer to both universal and personal occasions.

  - Universal occasions apply to the majority of customers or target audience. For example holidays and seasonal events when consumers are more likely to make certain purchases.

  - Recurring-personal occasions are purchasing patterns for an individual customer that consistently repeat over a period of time. For example birthdays, anniversaries or vacations, monthly purchases, or even daily rituals such as stopping for a cup of coffee on the way to work every morning.

  - Rare-personal occasions are also related to individual customers, but are more irregular and spontaneous, and thus more difficult to predict. For example attending a friend's wedding.

- Usage rate: Product or service usage is another common way to segment customers by behavior, based on the frequency at which a customer purchases from or interacts with a product or service. Usage behavior can be a strong predictive indicator of loyalty or churn and, therefore, lifetime value.

- Brand loyalty status: Loyal customers are a business' most valuable assets. They are cheaper to retain, usually have the highest lifetime value, and can become brand advocates. By analyzing behavioral data, customers can be segmented by their level of loyalty so marketers can understand their needs and make sure they are satisfying them. Loyal customers are the ones who should receive special treatment and privileges such as exclusive rewards programs to nurture and strengthen the customer relationship and incentivize continued future business.

User Status

There are many different possible user statuses you might have depending on your business. A few examples are:

- Non-users.
- Prospects.
- First-time buyers.
- Regular users.
- Defectors (ex-customers who have switched to a competitor).

Implications of Consumer Behavior In Marketing

Though similar, consumers are unique in themselves; they have needs and wants which are varied and diverse from one another; and they have different consumption patterns and consumption behavior. The marketer helps satisfy these needs and wants through product and service offerings. For a firm to survive, compete and grow, it is essential that the marketer identifies these needs and wants, and provides product offerings more effectively and efficiently than other competitors. A comprehensive yet meticulous knowledge of consumers and their consumption behavior is essential for a firm to succeed. Herein, lies the essence of Consumer Behavior, an interdisciplinary subject, that emerged as a separate field of study in the 1960s.

Consumer Behavior

Consumer Behavior may be defined as "the interplay of forces that takes place during a consumption process, within a consumers' self and his environment.

- This interaction takes place between three elements viz. knowledge, affect and behavior.
- It continues through pre-purchase activity to the post purchase experience.
- It includes the stages of evaluating, acquiring, using and disposing of goods and services.

The "consumer" includes both personal consumers and business/industrial/organizational consumers. Consumer behavior explains the reasons and logic that underlie purchasing decisions and consumption patterns; it explains the processes through which buyers make decisions. The study includes within its purview, the interplay between cognition, affect and behavior that goes on within a consumer during the consumption process: selecting, using and disposing off goods and services.

Characteristics of Consumer Behavior

- The subject deals with issues related to cognition, affect and behavior in consumption behaviors, against the backdrop of individual and environmental determinants. The individual determinants pertain to an individual's internal self and include psychological components like personal motivation and involvement, perception, learning and memory, attitudes, self-concept and personality, and, decision making. The environmental determinants pertain to external influences surrounding an individual and include sociological, anthropological and economic components like the family, social groups, reference groups, social class, culture, sub-culture, cross-culture, and national and regional influences.

- The subject can be studied at micro or macro levels depending upon whether it is analyzed at the individual level or at the group level.

- The subject is interdisciplinary. It has borrowed heavily from psychology (the study of the individual: individual determinants in buying behavior), sociology (the study of groups: group dynamics in buying behavior), social psychology (the study of how an individual operates in group/groups and its effects on buying behavior), anthropology (the influence of society on the individual: cultural and cross-cultural issues in buying behavior), and economics (income and purchasing power).

- Consumer behavior is dynamic and interacting in nature. The three components of cognition, affect and behavior of individuals alone or in groups keeps on changing; so does the environment. There is a continuous interplay or interaction between the three components themselves and with the environment. This impacts consumption pattern and behavior and it keeps on evolving and it is highly dynamic.

- Consumer behavior involves the process of exchange between the buyer and the seller, mutually beneficial for both.

Phases of Consumer Decision Process

Problem Recognition

Information Search The ecological attributes of a product plays important role in choosing the product. The consumer here will pass from the two situation "Firstly Sustainability Needs" it's required by a consumer likes or not and secondly "the environment" lower in importance but influence on the consumer change the customer behavior and it takes time to diffuse in the marketing. For this type of degree on innovation, firms usually introduce a different manufacturing process, product or service that attains environmental sustainability the consumer decision process model starts with the problem recognition what are the needs and satisfaction process.

- Purchasing Process This phase focuses on the two aspects :- 1.) Purchase patterns, it include where to buy (Location) quantity to buy, and when to buy (timing) 2.) Outcome, the final outcome of the action.

- Avoiding Dissonance Fuller describes when the purchase is less than satisfactory for whatever reasons, it creates a state of tension called post purchase dissonance. Post purchase dissonance is basically an after purchase cognitive behavior. Kreidler, & Joseph, explained that people react in two different ways toward environment, "Approach and Avoidance behavior". In approach behavior people shows positive behaviors to stay, keep searching for the product, power to spend money and look into particular environment. On the other side Avoidance includes negative behavior is attached, exhibiting to leave from a particular situation.

Research Tools and Techniques

In case of primary data, the major tools and techniques are surveys (questionnaires and interviews), focus groups, observation, behavioral measures and experiments. These methods would use questionnaires, which may be structured or unstructured.

Survey Research

Surveys are the most popular of all techniques for data collection as far as the field of marketing is concerned. They are conducted over a sample to learn about customers' awareness, liking and preferences for an offering or a brand. They may also be undertaken to measure customer satisfaction. The findings from such surveys are then generalized to the entire population (in our case, the market). Hence, the sample should be chosen with care; it should be adequate, appropriate and representative. The sample may be chosen randomly or purposively. The major instrument used for surveys is through administration of the questionnaire; interview technique may also be used. The questions framed may be structured and formatted or may even be unstructured. They may be open-ended, closed ended, dichotomous, multiple choice, rating scales, ranking scales etc. Questionnaires may be administered personally or by postal mail, electronic mail or even on telephone. Surveys are used in quantitative research.

Example: Conducting a survey to test customer awareness and reaction about a new advertisement campaign.

Focus Group Research

As the name suggest, this kind of research is conducted over a group of people through a moderator. The moderator focuses on the group of people, numbering 6-10, who are carefully selected purposively based on demographic, psychographic and behavioral considerations. The group members are asked questions about a product and the 4 Ps and they are even involved in discussions related to the research problem/issue. Through discussions, the moderator is able to gain insight into the group members' emotions and feelings, attitudes, underlying motivations and interests etc. These sessions are recorded for further analysis. The technique is used commonly during pre-testing of product in the market before it is launched; provides insight into product acceptance in the market. Focus group research is used in qualitative research. Example: Why do customers prefer a higher priced branded electronic good as compared to a lower priced local one?

Observational Research

As the name suggests, this research technique is based on observing people, and drawing conclusions. The technique helps gain an insight and an in-depth understanding as to how peoplebehave in the marketplace by carefully watching them buying and use products and services. These customers could be current customers or potential customers; they are observed in the marketplace while they are involved in the buying activity. The consumption pattern is observed. The technique could also be applied to test customer verbal and non-verbal reactions to product offerings (features and benefits, quality, aesthetics etc), price (increase/decrease, discounts and allowances exchange, warranties and guarantees), distribution (stores, layout, ambience, attitude of staff etc) an, promotion (advertising, sales promotion etc). The observations may be overtly or cohertly; in the case of overt observations, the participant is aware of the objectives of the study and knows that he is being observed; in the case of cohert observations, the person is unaware that he is being observed and that his actions are being recorded by the researcher personally or through hidden cameras and recorders (mechanical and electronic devices: videos, closed circuit TVs; technological devices: credit cards, shopping cards, online shopping and automated phone systems).

Behavioral Measures

The customer reactions in terms of their behavior are interpreted through customer databases and the store scanning data. Customers' actual responses in terms of "purchase" are recorded and analyzed; the assumption is that there is a difference between customer's intention to buy and actual purchase. So actual behavior is recorded and analyzed. This is regarded as morereliable than questionnaire surveys and is used in both quantitative and qualitative research. - Experimental Research: This type of research technique is the most time consuming, but most scientifically valid and reliable approach towards conducting research studies and solving problems. It studies the cause-and-effect relationships between independent (cause) and dependent (effect) variables; the researcher alters/manipulates one or more variables, and controls and measures any change in other variables. In controlled settings, where the sample is treated as a test group, the variables under study are altered/manipulated and the reactions of the sample are recorded; thereafter these findings are generalized. This i used in quantitative research. The technique is commonly used in test marketing for pre-testing of the product before launch.

Consumer Communication

Communication is defined as the flow of information from a sender to a receiver with the latter having a proper understanding of it. Marketing communication or consumer communication may be defined as the flow of information about a product/service offering from a marketer to the consumer.

This could assume two forms:

- Personal: Interpersonal communication between the marketer and the salesperson or dealer.
- Impersonal: By using channel or a media (print, audio-visual etc.).

Initial Customer Communications Management concepts were focused upon the utilisation of company transactional documents. These documents such as bank-statement, statement of account, invoices and other customer transactional documents were viewed as ideal media to promote company products to customers.

But Customer Communications Management is not just about making offers to customers. It also provides companies with the opportunity to improve the clarity of their communications. Rather than producing line driven data in which it is difficult for a customer to extrapolate trends and a deepening of understanding in respect of his or her relationship with the supplying company, Customer Communications Management provides the opportunity for a company to deliver visual analysis through clear graphics and highlighted content.

Consumer communication should be used effectively to drive maximum benefits to the company. You must be thinking how. Let us look at few ways which will help you market effectively even in a downturn.

- When economy is changing, it is all the more important to get the customer feedback. Itis not a good idea to fill their inboxes and mobiles with promotional messages. More so, you can use online surveys to understand how they are thinking and what they want. You can then make changes in your strategies, processes and so on to deliver the product that your consumers are aiming for.
- It is just not important to feed information to your consumers. Having a

dialogue with them from time to time is also important. You can use the email marketing newsletters to invite them for such conversations. Apart from understanding their concerns, showing your consumers that you care is also very important. This will have far-reaching consequence and will benefit your company's image.

- Try and co-host an event with another local business. This will highlight your product's image in a positive manner. This is a kind of customer relationship building activity where you interact face-to-face with the consumer and show him your expertise.
- Consumers are becoming more and more environmentally aware these days. Anything against the environment would put you in a bad light. So focus that your product or service is following all the environment friendly standards. You can also show your concern by teaming up with local charity and involving your consumers in the event too.

Consumer Attitude

An individual with a positive attitude towards a product/service offering is more likely to make a purchase; this makes the study of consumer attitudes highly important for a marketer. An attitude may be defined as a feeling of favorableness or unfavorableness that an individual has towards an object (be it a person, thing or situation). It is a learned predisposition to exhibit and act based on evaluation resulting in a feeling of like or dislike towards and object. In terms of consumer behavior, consumer attitudes may be defined as an inner feeling of favorableness or unfavor ableness towards a product or service offering and the 4Ps. As Schiffman has defined, "Attitudes are an expression of inner feelings that reflect whether a person is favorably or unfavorably predisposed to some "object" (e.g., a brand, a service, or a retail establishment)," and "Attitude formation, in turn, is the process by which individuals form feelings or opinions toward other people, products, ideas, activities, and other objects in their environment".

Nature of Attitudes

Consumer attitude can be better explained by understanding the nature and characteristics of attitude. Attitudes are composed of three components, viz, a knowledge or cognitive component, a feeling and affect component and a behavioral and conative component. In terms of consumer learning, the attitude would express a consumer's feeling of like or dislike about a product or serviceoffering and the marketing mix. The knowledge component is reflected in the learned knowledge that a consumer obtains from his interaction with others as well as his own experiences. The feeling component is reflected in his evaluation, and the resultant feeling of favorableness and unfavorableness. The behavioral component is reflected in the predisposition to act (purchase) based on the evaluation. Based on this explanation, the nature of attitudes can be elaborated as follows:

- Attitudes are directed towards an object (product/service offering, price, store, dealer, promotion, advertisement etc.) about which a consumer has feelings and beliefs.
- Attitudes have a direction; they could be positive or negative. A consumer could possess feelings of like/dislike, favorableness and unfavorableness towards a product or service as well as the mix. They vary in degrees and intensity, and can fall anywhere along a continuum from very favorable to very unfavorable.

Attitudes are consistent in nature, particularly with respect to the third component, i.e. behavior. Consumers are consistent with respect to their behavior. However, they are not entirely permanent and may change if the cognitive or the component is changed. This implies that if the consumer witnesses new experience or is exposed to new information about product/service offering and the mix (cognition), and) feelings are changed from dislike to like (affect), attitudes towards the offering and the mix can undergo change. In other words, while attitudes are stable and do not change frequently, they can be changed if something is done to change them.

- Attitudes are a learned predisposition. Attitudes are learned; they are formed as a result of i) self experiences with the product/service offering and the mix; ii) interaction with other people, be it family, friends, peers and colleagues; iii) information obtained from the marketer through promotion particularly advertisements as well as dealers and salespeople. Attitude formation as a process is impacted by needs and motivation, perception as well as learning.
- Attitudes cannot be observed directly. While attitudes are comprised of three components, behavior is just one of them. It is only this component that can be seen; the cognitive and affect components cannot be seen. Thus it is said that attitudes cannot be seen; they can only be inferred from the manner in which an individual behaves. Thus, we can infer that a person who buys Colgate Total toothpaste and disregards Pepsodent has a positive attitude towards Colgate.
- While attitudes can be inferred from our behavior, it is not synonymous to behavior. It has two other components, and reflects a learned predisposition to act favorable or unfavorably towards a product and service offering and the mix.
- Attitudes are situation specific; they occur within a situation. Sometimes depending upon the situation, a consumer may exhibit a behavior that may be inconsistent with his/her attitude. He may prefer to buy Pepsodent over Colgate because the former is on a sales promotion and gets him a free toothbrush.

Attitudes and Implications for Marketers

Consumer attitude has implications for a marketer. An individual with a positive attitude towards a product/service offering is more likely to make a purchase; this makes the study of consumer attitudes highly important for a marketer. Marketer should understand the dynamics of attitude formation and change.

- Consumer attitudes are reflective of consistent favorable or unfavorable feelings that a consumer or a prospect forms as a result of an evaluation about an object; the object being, a product/service offering, brand, price, store and dealer, salesperson, advertisement, promotion etc. They are directed towards an object (product/service offering, price, store, dealer, promotion, advertisement etc.) about which a consumer has feelings and beliefs.

- They cannot be observed; they can only be inferred from what people say or what they do and how they behave.

- Consumer attitudes are formed on the basis of experiences as well as information received from personal (WOM, family, friends, peers etc.) as well as impersonal (marketer's sources) sources of information that are retained in one's memory. Marketer should be careful while providing relevant information.

- Attitude formation as a process is impacted by needs and motivation, perception as well as learning. They are formed as a result of learning that occurs because of:

    - Self experiences with the product/service offering and the mix.

    - Interaction with other people, be it family, friends, peers and colleagues.

    - Information obtained from the marketer through promotion particularly advertisements as well as dealers and salespeople.

    - Consumers form positive attitudes towards product/service offerings because:

        - They provide a utility.

        - Help defend their ego, self-image and self-concept.

        - Expresses a person's values and lifestyle, personality and self image.

        - Reaffirm their knowledge base, to finally help them simplify purchase decision making.

- A consumer may exhibit a behavior that may be inconsistent with their attitude. For example, a consumer may have a neutral feeling or may be indifferent with a brand, but he would go in for a purchase as he gets a good bargain (a concession or a discount etc). Attitudes are situation specific.

- g) Marketers should understand the formation of attitudes, as well as their change, so as to be able to predict acts of behavior, and influence them.

- While attitudes are stable and do not change frequently, they can be changed if something is done to change them. Marketers should understand the dynamics of attitude formation and change, and make attempts to transform neutral or unfavorable attitudes into favorable ones.

- Consumer's attitudes towards a product/service offering or a brand, is a function of the presence or absence of certain attributes, and the corresponding evaluation. Consumers would tend to have favorable attitudes toward such offerings and brands that they have sufficient amount of attributes that are deemed important and evaluated as positive.

- A consumer may have positive feelings towards an attitude object, but he may have a negative attitude regarding his intention for buying such a product/service offering. Thus, a positive attitude towards the offering may not necessarily end upas an act of purchase.

- The behavior of a consumer is based on his intention to act, which is moderated by the attitude towards behavior and other subjective norms. Intention precedes actual behavior; beliefs and attitudes as well as subjective norms precede intention.

- Consumer's attempts at purchase and consumption, get impeded by personal and environmental impediments, thus preventing the action (act of purchase) from occurring.

- Consumers form judgments and feelings as a result of exposure to an advertisement. Not only does a consumer form attitudes towards the advertisement, he or she also forms an opinion towards the brand. Thus marketers need to be careful while formulating ads especially for innovative products and services and for new brands.

- Attitudes can be measured by observation, qualitative studies (focus group, depth interviews, psychological tests) and quantitative techniques (or rating scales).

Factors affecting Consumer Behavior

Buying Behaviour is the decision processes and acts of people involved in buying and using products. Need to understand the concept is

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

Consumer Buying Behaviour refers to the buying behaviour of the ultimate consumer. Many factors, specificities and characteristics influence the individual in what he is and the consumer in his decision making process, shopping habits, purchasing behavior, the brands he buys or the retailers he goes. A purchase decision is the result of each and every one of these factors. An individual and a consumer is led by his culture, his subculture, his social class, his membership groups, his family, his personality, his psychological factors, etc.. and is influenced by cultural trends as well as his social and societal environment.

By identifying and understanding the factors that influence their customers, brands have the opportunity to develop a strategy, a marketing message (Unique Value Proposition) and advertising campaigns more efficient and more in line with the needs and ways of thinking of their target consumers, a real asset to better meet the needs of its customers and increase sales.

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.

Consumer such as social, cultural, personal and psychological. The explanation of these factors is given below.

Consumer s buyer behaviour is influenced by four major factors:

- Cultural,
- Social,
- Personal,
- Psychological.

These factors cause consumers to develop product and brand preferences. Although many of these factors cannot be directly controlled by marketers, understanding of their impact is essential as marketing mix strategies can be developed to appeal to the preferences of the target market.

When purchasing any product, a consumer goes through a decision process. This process consists of up to five stages:

- Stage 1: problem recognition,
- Stage 2: information search,
- Stage 3: evaluation of alternatives,
- Stage 4: purchase decision,
- Stage 5: post purchase behaviour.

The length of this decision process will vary. A consumer may not act in isolation in the purchase, but rather may be influenced by any of several people in various roles. The number of people involved in the buying decision increases with the level of involvement and complexity of the buying decision behaviour. Consumer s buyer behaviour and the resulting purchase decision are strongly influenced by cultural, social, personal and psychological characteristics. An understanding of the influence of these factors is essential for marketers in order to develop suitable marketing mixes to appeal to the target customer.

Cultural Factors - Culture and Societal Environment

Culture is crucial when it comes to understanding the needs and behaviors of an individual. 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. Throughout his existence, an individual will be influenced by his family, his friends, his cultural environment or society that will teach him values, preferences as well as common behaviors to their own culture. For a brand, it is important to understand and take into account the cultural factors inherent to each market or to each situation in order to adapt its product and its marketing strategy. As these will play a role in the perception, habits, behavior or expectations of consumers.

For example, in the West, it is common to invite colleagues or friends at home for a drink or dinner. In Japan, on the contrary, invite someone home does not usually fit into the local customs. It is preferable to do that this kind of outing with friends or colleagues in restaurant.

While if a Japanese offer you a gift, the courtesy is to offer him an equivalent gift in return. McDonald s is a brilliant example of adaptation to the specificities of each culture and each market. Well aware of the importance to have an offer with specific products to meet the needs and tastes of consumers from different cultures, the fastfood giant has for example: a McBaguette in France (with french baguette and Dijon mustard), a Chicken Maharaja Mac and a Masala Grill Chicken in India (with Indian spices) as well as a Mega Teriyaki Burger (with teriyaki sauce) or Gurakoro (with macaroni gratin and croquettes) in Japan.

Sub-cultures

A society is composed of several sub- cultures in which people can identify. Subcultures are groups of people who share the same values based on a common experience or a similar lifestyle in general. 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 in recent years, the segment of ethnic cosmetics has greatly expanded. These are products more suited to non-Caucasian populations and to types of skin pigmentation for African, Arab or Indian populations for example.

It s a real brand positioning with a well- defined target in a sector that only offered makeup products to a Caucasian target until now (with the exception of niche brands) and was then receiving critics from consumers of different origin. Brands often communicate in different ways, sometimes even create specific products (sometimes without significant intrinsic difference) for the same type of product in order to specifically target an age group, a gender or a specific sub-culture. Consumers are usually more receptive to products and marketing strategies that specifically target them.

Social Classes

Social classes are defined as groups more or less homogenous and ranked against each other according to a form of social hierarchy. Even if it s very large groups, we usually find similar values, lifestyles, interests and behaviors in individuals belonging to the same 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. Some studies have also suggested that the social perception of a brand or a retailer is playing a role in the behavior and purchasing decisions of consumers. In addition, the consumer buying behavior may also change according to social class. A consumer from the lower class will be more focused on price. While a shopper from the upper class will be more attracted to elements such as quality, innovation, features, or even the social benefit that he can obtain from the product.

Cultural Trends

Cultural trends or Bandwagon effect are defined as trends widely followed by people and which are amplified by their mere popularity and by conformity or compliance with social pressure. The more people follow a trend, the more others will want to follow it.

For example, Facebook has become a cultural trend. The social network has widely grew to the point of becoming a must have, especially among young people.

It is the same with the growth of the tablet market. Tablets such as i-Pad or Galaxy Tab have become a global cultural trend leading many consumers to buy one.

Social Factors

It includes groups (reference groups, aspirational groups and member groups), family, roles and status. This explains the outside influences of others on our purchase decisions either directly or indirectly. Social factors are among the factors influencing consumer behavior significantly. They fall into three categories: reference groups, family and social roles and status.

Reference Groups and Membership Groups

The membership groups of an individual are social groups to which he belongs and which will influence him. The membership groups are usually related to its social origin, age, place of residence, work, hobbies, leisure, etc. 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).

More generally, reference groups are defined as those that provide to the individual some points of comparison more or less direct about his behavior, lifestyle, desires or consumer habits. They influence the image that the individual has of himself as well as his behavior. Whether it is a membership group or a non-membership group. Because the individual can also be influenced by a group to which he doesn t belong yet but wishes to be part of. This is called an aspirational group. This group will have a direct influence on the consumer who, wishing to belong to this group and look like its members, will try to buy the same products.

For example, even if he doesn t need it yet, a surfing beginner may want to buy advanced brands or products used by experienced surfers (aspirational group) in order to get closer to this group. While a teen may want the shoe model or smart phone used by the group of popular guys from his high school (aspirational group) in order to be accepted by this group. Some brands have understood this very well and communicate, implicitly or not, on the social benefit provided by their products.

Within a reference group that influences the consumer buying behavior, several roles have been identified:

- The initiator: The person who suggests buying a product or service.
- The influencer: The person whose point of view or advice will influence the buying decision. It may be a person outside the group (singer, athlete, actor, etc..) but on which group members rely on.
- The decision-maker: The person who will choose which product to buy. In general, it s the consumer but in some cases it may be another person. For example, the leader of a soccer supporters group (membership group) that will define, for the whole group, which supporter s scarf buy and bear during the next game.
- The buyer: The person who will buy the product. Generally, this will be the final consumer.

Family

The family is maybe the most influencing factor for an individual. It forms an environment of socialization in which an individual will evolve, shape his personality, acquire values. But also develop attitudes and opinions on various subjects such as politics, society, social relations or himself and his desires. 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. For example, if you have never drunk Coke during your childhood and your parents have described it as a product full of sugar and not good for health. There is far less chance that you are going to buy it when you will grow up that someone who drinks Coke since childhood.

Social Roles and Status

The position of an individual within his family, his work, his country club and his group of friends etc. All this can be defined in terms of role and social status. A social role is a set of attitudes and activities that an individual is supposed to have and do according to his profession and his position at work, his position in the family, his gender, etc. and expectations of the people around him.

For example, a consumer may buy a Ferrari or a Porsche for the quality of the car but also for the external signs of social success that this kind of cars represents. Moreover, it is likely that a CEO driving a small car like a Ford Fiesta or a Volkswagen Golf would be taken less seriously by its customers and business partners than if he is driving a

German luxury car. And this kind of behaviors and influences can be found at every level and for every role and social status. Again, many brands have understood it by creating an image associated with their products reflecting an important social role or status.

Personal Factors

It includes such variables as age and lifecycle stage, occupation, economic circumstances, lifestyle (activities, interests, opinions and demographics), personality and self concept. These may explain why our preferences often change as our `situation' changes. Decisions and buying behavior are obviously also influenced by the characteristics of each consumer.

Age and Way of Life

A consumer does not buy the same products or services at 20 or 70 years. His lifestyle, values, environment, activities, hobbies and consumer habits evolve throughout his life. 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. For example, during his life, a consumer could change his diet from unhealthy products (fast food, ready meals, etc.) to a healthier diet, during mid-life with family before needing to follow a little later a low cholesterol diet to avoid health problems.

The factors influencing the buying decision process may also change. For example, the social value of a brand generally plays a more important role in the decision for a consumer at 25 than at 65 years. The family life cycle of the individual will also have an influence on his values, lifestyles and buying behavior depending whether he s single, in a relationship, in a relationship with kids, etc. as well as the region of the country and the kind of city where he lives (large city, small town, country side, etc.) For a brand or a retailer, it may be interesting to identify, understand, measure and analyze what are the criteria and personal factors that influence the shopping behavior of their customers in order to adapt. For example, it is more than possible that consumers living in New York do not have the same behavior and purchasing habits than the ones in Nebraska. For a retailer, have a deep understanding and adapt to these differences will be a real asset to increase sales.

Lifestyle

The lifestyle of an individual includes all of its activities, interests, values and opinions. The lifestyle of a consumer will influence on his behavior and purchasing decisions. For example, a consumer with a healthy and balanced lifestyle will prefer to eat organic products and go to specific grocery stores, will do some jogging regularly (and therefore will buy shoes, clothes and specific products), etc.

Personality and Self-concept

Personality is the set of traits and specific characteristics of each individual. It is the product of the interaction of psychological and physiological characteristics of the individual and results in constant behaviors. It materializes into some traits such as confidence, sociability, autonomy, charisma, ambition, openness to others, shyness, curiosity, adaptability, etc. While the self- concept is the image that the individual has or would like to have of him and he conveys to his entourage. For example, since its launch, Apple cultivates an image of innovation, creativity, boldness and singularity which is able to attract consumers who identify to these values and who feel valued in their self-concept by buying a product from Apple.

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 import 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.

Psychological Factors

It affecting our purchase decision includes motivation (Maslow's hierarchy of needs), perception, learning, beliefs and attitudes. Other people often influence a consumer's purchase decision. The marketer needs to know which people are involved in the buying decision and what role each person plays, so that marketing strategies can also be aimed at these people. Among the factors influencing consumer behavior, psychological factors can be divided into 4 categories: motivation, perception, learning as well as beliefs and attitudes.

Motivation

Motivation is what will drive consumers to develop a purchasing behavior. It is the expression of a need is which became pressing enough to lead the consumer to want to satisfy it. It is usually working at a subconscious level and is often difficult to measure. 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. Motivation is directly related to the need and is expressed in the same type of classification as defined in the stages of the consumer buying decision process. To increase sales and encourage consumers to purchase, brands should try to create, make conscious or reinforce a need in the consumer s mind so that he develops a purchase motivation. He will be much more interested in considering and buy their products. They must also, according to research, the type of product they sell and the consumers they target, pick out the motivation and the need to which their product respond in order to make them appear as the solution to the consumers need.

Perception

Perception is the process through which an individual selects, organizes and interprets the information he receives in order to do something that makes sense. The perception of a situation at a given time may decide if and how the person will act. 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.

Selective Attention

The individual focuses only on a few details or stimulus to which he is subjected. The type of information or stimuli to which an individual is more sensitive depends on the person. For brands and advertisers successfully capture and retain the attention of consumers is increasingly difficult. For example, many users no longer pay any attention, unconsciously, to banner ads on the Internet. This kind of process is called Banner Blindness. The attention level also varies depending on the activity of the individual and the number of other stimuli in the environment. For example, an individual who is bored during a subway trip will be much more attentive to a new ad displayed in the tube. It is a new stimuli that breaks the trip routine for him. Consumers will also be much more attentive to stimuli related to a need. For example, a consumer who wishes to buy a new car will pay more attention to car manufacturers ads. While neglecting those for computers. Lastly, people are more likely to be attentive to stimuli that are new or out of the ordinary. For example, an innovative advertising or a marketing message widely different from its competitors is more likely to be remembered by consumers.

Selective Distortion

In many situations, two people are not going to interpret an information or a stimulus in the same way. Each individual will have a different perception based on his experience, state of mind, beliefs and attitudes. Selective distortion leads people to interpret situations in order to make them consistent with their beliefs and values. For brands, it means that the message they communicate will never be perceived exactly in the same way by consumers. And that everyone may have a different perception of it. That s why it s important to regularly ask consumers in order to know their actual brand perception. Selective distortion often benefits to strong and popular brands. Studies have shown that the perception and brand image plays a key role in the way consumers perceived and judged the product. Several experiments have shown that even if we give them the same product, consumers find that the product is or tastes better when they ve been told that it s from a brand they like than when they ve been told it s a generic brand.

Selective Retention

People do not retain all the information and stimuli they have been exposed to. Selective retention means what the individual will store and retain from a given situation or a particular stimulus. As for selective distortion, individuals tend to memorize information that will fit with their existing beliefs and perceptions. For example, consumers will remember especially the benefits of a brand or product they like and will forget the drawbacks or competing products advantages.

Learning

Learning is through action. When we act, we learn. It implies a change in the behavior resulting from the experience. The learning changes the behavior of an individual as he acquires information and experience. For example, if you are sick after drinking milk, you had a negative experience, you associate the milk with this state of discomfort and you learn that you should not drink milk. Therefore, you don t buy milk anymore. Rather, if you had a good experience with the product, you will have much more desire to buy it again next time. The learning theories can be used in marketing by brands.

Beliefs and Attitudes

A belief is a conviction that an individual has on something. Through the experience he acquires, his learning and his external influences (family, friends, etc.), he will develop beliefs that will influence his buying behavior. 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. To change the brand s marketing message or adjust its positioning in order to get consumers to change their brand perception.

Social Media, Consumer Behavior and Service Marketing

Social media platforms seem to be increasingly and effectively bringing brand awareness and influence consumers' purchase decision-making and later on realize repeat purchases that bring about customer loyalty. Social media also has some influence to both the consumer and the marketers and is becoming the most welcomed online selling point by the millennial. Marketers/producers have noticed the rise in social media consumers; however, most of the business entities have not yet utilized social media to its fullest in their marketing activities and business strategies and performances.

Social media marketing is now the modern and innovative way of doing business specifically in service marketing, as marketers as move from one strategy (fan accumulation) to another (6-s video) to another (social-local-mobile/SoLoMo), referring to a progressively versatile driven form of the expansion of neighborhood sections to web crawler results to another (messenger bots), looking for the right innovative strategy to improve their brand health. Social media capabilities are the birth of platforms such as YouTube, Facebook, Twitter, WhatsApp, and Pinterest. This has become the new and attractive way as the world has become a global entity and wide coverage of information disseminations shared through social media. The modern-day consumers especially millennials are increasingly using online tools, for example, blogs, "Facebook," and YouTube to share their opinions about products and services they consume. The rise in Internet accessibility and availability of smartphones has led to the new form of what is known as electronic word of mouth (EWOM) which in this research will be referred to as social media. Peters et al. states that "Of the various social media networks, Facebook alone has 750 million users, Twitter has 250 million users, and LinkedIn and Myspace have 115 million and 50 million users respectively." Social media has become the new growth strategy for any company that wishes to realize growth and have a mark in this new and uptight market. The generation of millennial consumers is now the largest consumers of goods, and getting their attention has shifted from the traditional methods of advertising to now the new platform of social media. According to Whitler, the challenge is that for past years the marketer has been focused more on "collecting" instead of "connecting." In other words Whitler stated that marketers are focusing on having more fans and forgetting the crucial part which is to connect with the fans and create a loyal customer base of those social media fans one has. The marketer tends to forget that social media can be used as a marketing strategy which has an influence on consumer purchase decisions.

Peters et al. eluded to the fact that companies may use social media as a strategy to gain more customers or to chase customers away form a company's offerings, stating that a company is able to make or break its image through the social media that is made available to its consumers. Furthermore Suresh et al. pointed out that social media has led to a rise in the consumption of service marketing due to its coverage and influence on consumers of different age groups and different lifestyles, based on their affordability and their consumer behavioral patterns. "What the hell is internet based life and what job does it play in promoting? It is the most widely recognized inquiry that has been inquired."

Online life speaks to minimal effort instruments that are utilized to consolidate innovation and social collaboration with the utilization of words. These instruments are ordinarily web or versatile based. A small number of firms have incorporated social medial innovation such as Twitter, Facebook, and YouTube. Online life gives advertisers a voice and an approach to speak with companions, clients, and potential customers. It customizes the "brand" and encourages the advertisers to spread your message in a loose and conversational way. The Internet-based life, on the off chance that you could call it, will be that it must be a piece of your regular day-to-day existence to keep the energy and consideration you requirement for it to be fruitful. Online networking is not just for the entrepreneurs that are experimenting with an investigation; however it includes bigger organizations all inclusive. The following are a couple of instances of organizations that have turned out to be associated with web-based social networking:

- Absolut Vodka: Online video on YouTube and utilizing Facebook to house their Top Bartender fan page.
- BMW: They are utilizing Facebook to advance their 1-series road trip, and they have made a Rampenfest page for fans.
- Dunkin Donuts: That is correct; they have discovered an incentive in Internet-based life and have set up a microblogging Twitter account.
- Donald Trump: In precedents, we cannot forget President Trump. He has taken the utilization of Twitter to an unheard of level. He has managed strategy that impacted the share trading system and by and large utilized Twitter as an approach to convey specifically to the general population, circumventing the customary news media.

In the USA, there is high usage by adult beverage companies, exotic automobile manufacturers, pastry shops, and US President using social media tool; it is not too hard to figure out that there is something to it that is innovative in the marketing discipline.

Role of Social Media in Marketing

Marketing is viewed as a tool that is used to inform consumers about our products and services, revealing the companies' identity and brands being offered. Social media does that tool. Online life gives a character to our identity, and the items or administrations that we offer make connections utilizing Internet-based life with customers who may not generally think about the organizations' items or benefit or what the organizations speak to; social media makes us "genuine" to shoppers. "On the off chance that you need buyers to tail you, don't simply discuss the most recent item news; however, share your identity with them, and social media can also be used as a platform to peers association that may be serving the same target market and also gives facilitation through communication and interaction that consumers look for." Social media carries with it a lot of value, but how do you do it right?

Marketers cannot just depend on social media but must be integrated with other vehicles of marketing. While social media creates awareness, marketers need to be convinced that in the beginning, it will sell a million dollars' worth of product and services. That is not to say that one day once the players have built up their social media "stardom" that it would not, but it probably would not happen tomorrow. And there are no written "right" or "wrong" rules when it comes to social media; only the marketers can determine what will work for them.

Examples of overcoming adversity are plenteous when it comes to utilizing web-based social networking from talent scouts that secure a position for candidates to new organizations that need to present another item just as officially settled Fortune 500 organizations that need to fortify their image. The job of online life in showcasing is to use it as a specialized device that makes availability to those inspired by item and benefits and realizes mark mindfulness and perceivability to those purchasers that do not know about the advertiser's brands. Web-based life can utilize it as an instrument that makes an identity behind the advertiser's image making connections that generally may never have been picked up. It makes rehash purchasers as well as client reliability. The truth of the matter is online life is diversified to the point that it tends to be utilized in the way that best suits the intrigue and the requirements of the business.

Social media is proving to be an effective tool as a marketing strategy; however, most companies are currently dedicating 11% of their marketing budget to social media, and 44% of those company executives were of the opinion that social media has an insignificant impact on the growth of a company and its brand. Many researchers have conducted studies: Social Media and Negative Word of Mouth: Strategies for Handling Unexpected Comment, a study on Factors Determining Social Media on Cosmetic Product. Examining the Beauty Industry's Use of Social Influencers, Young adults and ethical consumption: An exploratory study in the cosmetics market, Global beauty industry trends in the twenty-first century, A study of the impact of social media on consumers, Social Media as a Marketing Tool: A Literature Review by, and Effectiveness of Advertising on Social Network Sites A Case Study on Facebook. However there has not been much research done on an analysis of the effects of social media on purchasing or consumer buying decision-making.

Many small business are not actively utilizing social media to reach consumers in which she stated that 47% of the small business do not actively use social medial and 25% of the small businesses have no plan to use social media at all.

Despite the fact that buying online is spreading and growing fast in short-term period, some regions and countries have very limited volume of online purchasing transactions, such as the Arab world situation. In the past year, Arab has seem a significant evolution of technology which led to many changes in the norms of doing businesses, practicing governance, and carrying out greater growth. With approximately more than 125 million individuals that are using the Internet, the number of social medial active users is very low and in turn makes most marketers not take up social media as an effective marketing channel. Many businesses have noticed the rise in the use of social media consumers; however, many of the bulk of businesses have not yet taken up social media elucidates that of those businesses that are not yet on social media, a significant number plan on establishing a presence within the next year. The study goes on to highlighting that many businesses sense the risk of being left behind; there is still a gap, though, in how frequently consumers are using and engaging with social media as compared to businesses. The social media platform according to is here to stay and is the revolution that has changed our world and time; Ostrow further alluded to the fact that there is one main social media innovation that in all likelihood will not only endure, but thrive, in the decade ahead. This innovation has embodied most of what we have come to define as social media since 2000, and it is not showing any signs of slowing down, and that innovation is YouTube. Deducing from the aforementioned social media is a necessary tool with some form of influence in the growth of a business's brand cutting across internationally.

Social Media Platform Innovation

The start of the century introduced new technology innovations, and social media platforms, which are but to name a few Twitter, Facebook, YouTube, and Pinterest, provide users with a variety of communication tools at their disposal; social media platforms according to are here to stay and are the revolution that has changed our world and time. Ostrow further alluded to the fact that there is one main social media innovation that in all likelihood will not only endure, but thrive, in the decade ahead. This innovation has embodied most of what we have come to define as social media since 2000, and it is not showing any signs of slowing down, and that innovation is YouTube.

The use of social media platform can be described as the new wave of information and communication technology. Social media innovations are tools that are used by the consumers to give out information as well as to receive the information. Manzini stated that "Social innovation is a value-adding outcome that emanates from a variety of ways that involve interactions between people"; deducing from the aforementioned social media innovations is a media platform in which people creatively come together and share information. These innovations has made it possible for companies to be able to have a more intimate relationship with their consumers; there are currently over more than 300 hours of video uploaded on YouTube every hour and over 350 million Facebook loads daily. Through the innovation of social media, many bloggers and vloggers are able to share their brand tips and secrets to their worldwide audiences. Zolkepli and Kamarulzaman alluded to the fact that consumers need to interact on social media so as to gain value, self-discovery, entertainment stratification, and social enhancement and maintain interpersonal connectivity with different people across the world, satisfying the need that is within humans which is a need of interaction. Zolkepli and Kamarulzaman in Chivandi et al. further pointed out that according to former studies, consumers use media to fulfill interpersonal needs, which include the needs derived from offline media gratification, for example, relaxation, surveillance, pastime, and escape, and new online media needs are sociability, popularity, convenience, and companionship.

YouTube

This social platform creates the opportunity for the provider of content to target a niche market which is focused on their similar interest and need. "Since launching in 2005, YouTube has played a central role in democratizing video distribution; to present anyone can have their own YouTube channel and become a worldwide sensation" (fastcompany.com, 2018). Fortunelords alludes to the fact that more people between the ages of 18 and 49 now rarely watch TV and all their information and news are obtained through social media channels especially YouTube, as these social media innovations are now applications on our mobile devices.

Facebook

Czinkota and Ronkainen were of the view that Facebook was the most popular site around 2012 and had nearly one billion members worldwide, followed by LinkedIn, Twitter, Myspace, and YouTube. Czinkota and Ronkainen further pointed out that more firms are adopting Facebook and other social media to conduct their marketing functions.

Pinterest

This social media platform enables users to share ideas and thought through pinning pictures on a board they create in the account. The board will be a collection of their favorite things and other users' comment, like, and re-pin of the pictures or visual images on their own boards. Many users find the boards helpful as they are able to discover new products and different brands from the people they follow on Pinterest.

Twitter

Twitter is an online platform that uses short messages to communicate with other users; the short messages are called tweets. The messages will only be available to those who follow you on Twitter. Consumers usually use Twitter to discover interesting people and companies, and they are usually influenced by what those people say.

Word of Mouth

Wang and Fesenmaier was of the view that word of mouth is the oldest way to convey information. This method has been used by marketers as a way to advertise their products, in that consumers share communication about a product. Electronic word of mouth has taken over the traditional word of mouth as an informal Internet-based communication where all consumers are exposed to the social media innovations which make it possible. Consumers around the world can now share information regarding a product, and this information is accessible to both active and passive consumers everywhere. The consumers' use of technology can have both positive and negative effects to a company, and if it is bad publicity regarding a certain product or service, it can spread to uncontrollable levels in which a company may not be able to contain. Social media according to Ioanăs and Stoica influences the consumers from purchase decisions to post-purchase decision behavior through posts such as dissatisfaction statement on product reviews.

Table depicts information on study done by Chivandi et al. on social medial platforms using haircare products on millennials in South Africa. The table also gives the highly used social media platform.

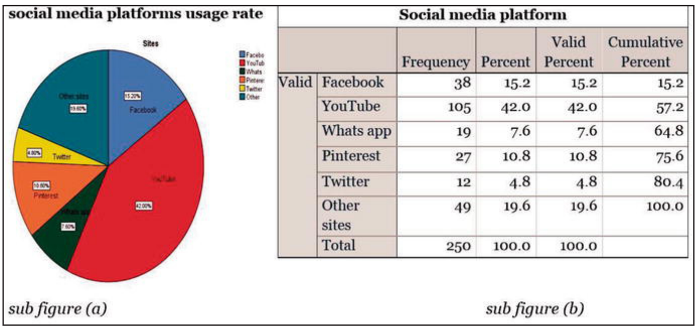
Table: Login frequency of social media platforms, gender, age, and education level.

Gender			Age		
	Frequency	Percentage		Frequency	Percentage
Female	247	98.3	18-25	233	93.2
Prefer not say	3	1.2	26-35	166	6.4
Total	250	100	36-45	1	0.4
			Total	250	100
Highest education level			Use of hair products		
Postgraduate degree	34	13.6	yes	244	97.6
Degree	89	35.6	No	6	2.4
Diploma	2	8	Total	250	100
Matric	125	50			
Total	250	100			
Social media platforms			Login frequency		
Facebook	38	15.2	0	27	10.8
YouTube	105	42	1-3	153	61.2
Whats app	19	7.6	4-7	34	13.6

Pinterest	27	10.8	More than 7 times	36	14.4
Twitter	12	4.8	Total	250	100
Other sites	49	19.6			
Total	250	100			

Table reveals that most of the people who frequented the social media platforms are between the age ranges of 18 and 25. This is 93.2 % searching for hair products and has the postgraduate degrees at a % of 97.6.

The pie chart sub figure (a) illustrates the percentage decomposition of usage on different social media platforms, while the sub figure (b) shows that the mostly used social media platform is YouTube (42.0%) followed by Facebook which is 15.2% and Pinterest which is 10.8%.



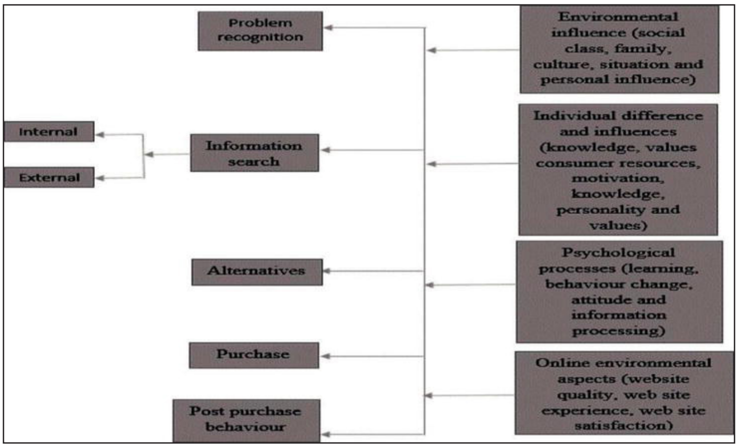
Social media platform

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Facebook	38	15.2	15.2	15.2
	YouTube	105	42.0	42.0	57.2
	Whats app	19	7.6	7.6	64.8
	Pinterest	27	10.8	10.8	75.6
	Twitter	12	4.8	4.8	80.4
	Other sites	49	19.6	19.6	100.0
	Total	250	100.0	100.0	

Social media platforms and their usage %.

The Consumer Decision-making Process

The decision-making process is affected by external environmental factors that affect the process, and these are environmental influence (social class, family, culture, situation, and personal influence); the environment affects the consumer decision-making process as this forms the consumer's personal influence from the early stage of information search as they also serve as a source of information which will affect the overall decision-making process; despite the environment helping the consumer to come to a purchase decision, their individual differences and influences affect the type of choices that they will make in the end, as they will be able to conduct an internal information search in regard to their personal values, knowledge, and motivations which will help the filter from the environmental influences to scale down their purchase choices to a more personal level. Individual differences and influences include knowledge, value consumer resources, motivation, knowledge, personality, and values). Psychological processes enable the consumer to conduct both information search and an evaluation of alternatives as they engage in information processing which may have an outcome of a purchase decision which leads to a learning stage and determines whether the individual will engage in repurchase as they enter the post-purchase stage. This external factor includes learning, behavior change, attitude, and information processing. Online environmental aspects include website quality, website experience, and website satisfaction; the online environment now has a huge impact on the consumer decision-making process as it may trigger the problem recognition stage, through a consumer's online interactions, and affects the whole process up till the post-purchase stage as it provides both information search, evaluation of alternatives, and purchase options. The online environment even provides the consumer with social interactions which may influence a consumer's final purchase decision. This process is illustrated in figure.



Consumer decision-making process. The five-stage decision-making process.

The five-stage decision-making process consumer goes through five stages of decision-making which are problem recognition, information search, evaluation of alternatives, purchase decision, and post-purchase behavior.

Problem Recognition

This is the first stage where the need is recognized; the need can be triggered by internal needs or stimuli which may be thirst and hunger or externally triggered through external factors or stimuli like the environment, friends, and family. The magnitude of information search will be reliant on the type of problem solving to be addressed; when the problem related to consumption is new and complex, it will lead to the buyer being involved in in-depth external information search; simpler problems usual depend on simple internal information search.

Information Search

The consumer first conducts an internal memory search for information; however, when they fail to get the information they need or do not have enough information internally regarding the problem, they look for information externally. When searching for information about which product to buy, consumers now turn to social media as a reference point on which product best satisfies their needs.

Consumers go through various social media channels to gain information in regard to a particular purchase decision. McGinn stated that social media influencers should be considered by marketers in regard to a company's products as their opinion in regard to a product can influence most consumers' purchase decisions. The brand is the symbol of a company; when a consumer is satisfied with a product, they spread information regarding the brand through word of mouth to other consumers, which will lead to others being interested in the brand and choosing the brand.

Alternatives

After information gathering the consumer now begins to weigh his or her options in accordance to the information they would have gathered. MacKenzie et al. stated that that "the improvement of criteria part of the model includes a fundamental thought prompting arrangement of an evoked set, and in accordance with this, advancement of the choice criteria that will later be utilized to assess conceivable arrangements offered by the evoked set." This aforementioned then leads to the consumer to be able to evaluate the evoked set in which alternative would best suit them. Consumers use different rules at this stage in choosing the product or service they will take up; some of the choices may be affected by brand preference, product quality, and price.

Purchase

The following stage is purchase decision; the consumer will have made an intention to buy a certain brand; however, their final buying decisions will be affected by other people's attitudes and unforeseen factors that may affect the consumer's decision, postpone, or even lead to the withdrawal of the decision.

Post-purchase Behavior

The last stage is the satisfaction or dissatisfaction after the purchase decision. This will determine whether the consumer will consider the similar purchase, especially at the stage of need recognition and information search. The consumer will in turn share their experiences on social media as a feedback to peers or the product manufacturer.

The online environment affects the consumer's decision-making process from the need of recognition to the final stage which is the post purchase. Social media is now an effective tool which marketers have to consider when positioning product in the consumers' minds as it now part of the influencers in the decision-making process consumers go through. The theory of the consumer decision-making process is the grounding theory for the social media platform as it relates to consumers and their buying behavior patterns. Deducing from the theory, it is seen that aspects of the environment affect the decision process the consumer goes through; in this case the environment includes social media, and social media influences the decision-making process from problem recognition up to post-purchase decision. Delis pointed out that consumers have adopted social media as a reference point in their decision-making process, and it has influenced their choice of products. However due to the lack of physical contact at times, consumers are not fully confident with the product as compared to one they can touch physically. Bruno et al. was of the view that social media Instagram in particular lead to creation of brand awareness by product users which was authentic and a true reflection of the brand and that users of the social media platform would in turn become loyal to a brand that was being used and spoken about by their peers on social media.

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Models of Consumer Behavior

2

- **Pavlovian Model**
- **Economic Model**
- **Input, Process and Output Model**
- **Psychological Model**
- **Psychological Continuum Model**
- **Howarth Sheth Model**
- **Family Decision Making Model**
- **Engel-Blackwell-Kollat Model**
- **Nicosia Model**

There are different models that are studied under the domain of consumer behavior. Some of them are Pavlovian model, economic model, psychological model, family decision making model, Nicosia model, Engel-Blackwell-Kollat model, etc. This chapter delves into these models of consumer behavior for a thorough understanding of the subject.

Consumer products are designed so that they appeal to consumers, encouraging them to buy those products. To that end, the industrial R&D organisation tends to focus on understanding and manipulating product attributes. However, buying behaviour is not only a function of the product: it is also, and in some cases perhaps more so, a function of the consumer, his social environment of other consumers, the competing products in the marketplace, and the brand marketing strategy. In order to design the best product, it is necessary to understand not just the physics and chemistry of the product, but also the psychology of consumers and the sociology of consumer groups or networks.

- A description of a population of 'consumers', who each choose (buy) repeatedly one of a number of competing 'brands' (we can ignore the difference between product and brand for these purposes). This subdivides into a description of the behaviour of a single consumer ('psychology'), and of the collective behaviour of a group, in other words of the interactions between consumers ('sociology').
- A description of 'brand management', i.e. the strategy of brand managers when changing the attributes of a brand such as price or quality in response to events in the marketplace.

Traditional marketing models tend to focus on the second element, and treat the large number of consumers in a macroscopic, averaged way. Alternatively, one can look at individual consumers and their buying behaviour, and try to derive observable large scale effects, like changes in market share. Ideally one would like to connect the 'microscopic' consumer viewpoint to the 'macroscopic' viewpoint of the brand manager.

Factors in the Models

Loyalty

Loyalty is the tendency for (some) consumers to stick to the same products. With this as a key effect, deterministic, continuous-time models will be systems of ordinary differential equations; the stronger the loyalty, the slower the changes in numbers of people buying particular products. For discrete-time models, the degree of loyalty corresponds to the size of diagonal elements in a transition matrix. On the other hand, with no loyalty (or influence of other people) whatsoever, market share — or chance of someone making a particular purchase — has no dynamic behaviour and would instead depend only upon what is currently on the supermarket shelves.

Another aspect of loyalty, not allowed for in our models so far, would be a memory effect, to represent people returning to products they had previously used, after trying something new they then didn't like. This could be taken into account perhaps by using recurrence relations or differential equations of higher than first order (or even employing delay-differential equations).

Sociology

Sociology in this context is concerned with how one person's buying is influenced by that of others. With some sort of tendency of people to buy the same brands, there is a possibility of 'lock-in', with one product dominating the market, even if its competitors have more or less identical 'qualities' (including price). This effect and its opposite, people wanting to be different, are easily modelled by ODE and discrete-time models.

Psychology

Psychology covers what, and how, aspects of the actual items on the shelves influence people to make their choices, possibly buying something different from previously. (Advertising might be subsumed into these characteristics but could also possibly be considered as part of the sociological influences, especially if the advertising takes the form of a well known figure endorsing a product.) More specifically, the following four properties have been identified by Unilever as being important and their influences were included in one or more models:

- Minimise anticipated regret: This refers to how just two products compare with each other as regards different qualities, which can include price (or 'affordability' = 1/price). A consumer might judge one item to be superior to another in all respects. The first is then a safe choice for the consumer.
- Attribute change: The introduction of a new product onto the market can change the way consumers, or at least some of them, view established brands. This might be by drawing attention to some quality which was not previously much regarded, or it might make people give different weightings to the (established) qualities when making their decisions. The former can be considered to be a special case of the latter.
- Outlier avoidance: When a number of products are in many aspects quite similar, there can be a tendency for people to avoid 'strange' ones, i.e. others which are substantially different from the majority in price or some other respect. Items near the average can be favoured.
- Decision process change: A straight choice between two items might be relatively easy; they can be compared according to price, size etc. and a decision made. With three or more, comparisons might be made between two things at a time, one could be eliminated and then the winner contrasted with a third.

The main thrusts of the week's activities were in building a handful of quite specific models, into which the above psychological and sociological influences could be fed, and in seeing how these aspects should be represented. Various types of overall model were looked at. The sorts which might be considered could be mainly (but probably not exclusively) categorised according to whether they were:

Deterministic (e.g. how a market share evolves for high overall sales).	or	Probabilistic (a small market should be treated as a random process).
Continuous valued (e.g. market share).	or	Discrete valued (e.g. what one consumer buys).
Continuous time.	or	Discrete time.
Lumped model (populations buying different brands).	or	Agent model (individuals doing the buying).

Continuous product range.	or	Finite number of brands.
Identical consumers.	or	Consumers with different intrinsic behaviour (e.g. men or women).

Linear ODE Model

In this model the strength of flux between brands is determined by perceived brand quality, based upon binary comparisons. The simplest response to such comparisons is an attempt by consumers to minimize the expected regret resulting from any choice, which is what is assumed here. It has previously been shown that the choice rule recognizes the attribute-wise proximity of an alternative to other brands, and it is therefore appropriate for preference change to be modelled on the pair-wise ranking of brands in each quality, the simplest perhaps being to assign a positive score to a brand for each successful comparison. Thus consumers attempt to minimize their anticipated regret by opting – on any particular quality – for the safe bet. More sophisticated consumer behaviour, capable of not only ranking brands but discriminating according to the size of proximity gap requires more complex modelling, but may be justified since it appears that subjective attribute valuations at least are nonlinear, reference-point-dependent functions.

Consumer Preference

Consider a consumer whose preference is shared out amongst all the available brands in a market where there are no null brands, so that the total of all brands' preference shares is 1 (100%). The proportion of consumer preference held by brand X at time t is denoted by X(t). For example, if the preference share of brand A is plotted against brand B in a market where only two brands exists, the point must lie somewhere along the straight line B(t)=1 – A(t). Of interest is the case when a third brand is added, possibly as a decoy. The additional brand means that the preference distribution changes from being a straight line in the two-dimensional plane (A, B), to a plane in three-dimensional space (A, B, C).

Switching between Brands

Consider a linear flux αXY of preference moving to brand X from brand Y. It is assumed that all fluxes are strictly positive, however small. Flux is the proportion of consumer preference in one brand which is moving towards another brand, and is distinct from the market share each brand attains. In a two-brand market the resultant differential equations are:

$$\frac{dA}{dt} = -\alpha_{BA}A + \alpha_{AB}B,$$

$$\frac{dB}{dt} = +\alpha_{BA}A - \alpha_{AB}B,$$

together with:

$$A(t)+B(t)=1.$$

Note that the system is over-determined: only one of equations together with is required to determine the behaviour of the system. Upon introduction of a third brand into the market, the system will be governed by:

$$\frac{dA}{dt}=-(\alpha_{BA}+\alpha_{CA})A+\alpha_{AB}B+\alpha_{AC}C,$$

$$\frac{dB}{dt}=+\alpha_{BA}A-(\alpha_{AB}+\alpha_{CB})B+\alpha_{BC}C,$$

$$\frac{dC}{dt}=+\alpha_{CA}A+\alpha_{CB}B-(\alpha_{AC}+\alpha_{BC})C$$

together with:

$$A(t)+B(t)+C(t)=1,$$

where again only two out of the three equations are required with to determine the full solution. The model could be reformulated in terms of a single lumped own brand (AC) and a competitor brand (B), but this would obscure any dynamics such as the decoy effect and be inappropriate when attempting to model the preference fluxes between individual brands, which would incorporate the different locations of each in quality space.

Market Share

It may be shown that, for non-zero initial conditions, all solutions of equations $\frac{dA}{dt}=-\alpha_{BA}A+\alpha_{AB}B$, and $\frac{dB}{dt}=+\alpha_{BA}A-\alpha_{AB}B$, converge to the equilibrium:

$$(\bar{A},\bar{B})=\left(\frac{\alpha_{AB}}{\alpha_{AB}+\alpha_{BA}},\frac{\alpha_{BA}}{\alpha_{AB}+\alpha_{BA}}\right).$$

Since $(\bar{A},\bar{B})$ is a globally attractive, stable equilibrium, it can be considered as representing the market share of each brand. This is independent of transient changes in preferences and the result of consumer preferences being expressed through purchases.

The system of equtaions $\frac{dB}{dt}=+\alpha_{BA}A-(\alpha_{AB}+\alpha_{CB})B+\alpha_{BC}C$, $\frac{dC}{dt}=+\alpha_{CA}A+\alpha_{CB}B-$

$(\alpha_{AC} + \alpha_{BC})C$ and $A(t) + B(t) + C(t) = 1$ also converges to a globally attractive, stable equilibrium giving the market share of each brand as:

$$\left(\hat{A}, \hat{B}, \hat{C}\right) = \begin{pmatrix} (\alpha_{AC}\alpha_{CB} + \alpha_{AB}\alpha_{BC} + \alpha_{AC}\alpha_{AB}) / S_\alpha, \\ (\alpha_{BA}\alpha_{AC} + \alpha_{BC}\alpha_{CA} + \alpha_{BA}\alpha_{BC}) / S_\alpha, \\ (\alpha_{CB}\alpha_{BA} + \alpha_{CA}\alpha_{AB} + \alpha_{CA}\alpha_{CB}) / S_\alpha \end{pmatrix},$$

Where,

$$S_\alpha = \alpha_{AC}\alpha_{CB} + \alpha_{AB}\alpha_{BC} + \alpha_{AC}\alpha_{AB} + \alpha_{BA}\alpha_{AC} +$$

$$\alpha_{BC}\alpha_{CA} + \alpha_{BA}\alpha_{BC} + \alpha_{CB}\alpha_{BA} + \alpha_{CA}\alpha_{AB} + \alpha_{CA}\alpha_{CB}.$$

Here the flux constants α_{XY} represent the decision-making process with the steady state being the long-term outcome, namely the proportion of each brand actually purchased. Thus the model allows for significant preference flux between brands (large α_{XY}) while market shares $(\hat{X})$ may remain constant. In the context of decoy behaviour, there may be a large flux towards brand C (given by α_{CA} and α_{CB}) without necessarily resulting in a significant market share $\hat{C}$.

Success of the New Product as a Decoy

The assumption that consumers' preference shares of all the available brands always add to 1 implies that no preference is withheld e.g. in expectation of a currently unavailable brand. Thus the total market size is independent of the number of brands, and new brands are not capable of introducing new consumers, i.e. $\bar{A} + \bar{B} = \hat{A} + \hat{B} + \hat{C} = \tilde{A} + \tilde{B} + \tilde{C} + \tilde{D} = \ldots = 1$. To improve sales of the target brand A through the introduction of a third brand C requires A >^ A¯, which is satisfied, using and, if and only if:

$$\alpha_{AC}\alpha_{CB}\alpha_{BA} > \alpha_{CB}\alpha_{BA}\alpha_{AB} + \alpha_{AB}\alpha_{BC}\alpha_{CA} + \alpha_{CA}\alpha_{AB}\alpha_{CB} + \alpha_{CA}\alpha^2_{AB}.$$

To increase overall market share of own brands (A + C) requires a reduction in the market share of the competitor brand so that $\hat{B} < \bar{B}$, which is satisfied if and only if:

$$\alpha_{AC}\alpha_{CB}\alpha_{CA} < \alpha_{AC}\alpha_{BA}\alpha_{CA} + \alpha_{BA}\alpha_{AC}\alpha_{CB} + \alpha_{CA}\alpha_{AB}\alpha_{BA} + \alpha_{CB}\alpha^2_{BA}.$$

Before considering what form of flux constant might be appropriate, note that if αAC is large compared to all other constants then:

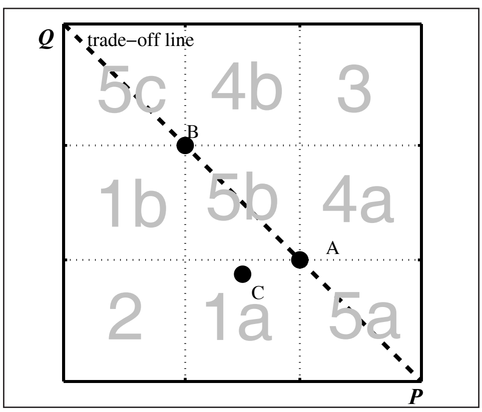
$$\hat{A} \sim \frac{\alpha_{AB} + \alpha_{CB}}{\alpha_{AB} + \alpha_{BA} + \alpha_{CB}} > \frac{\alpha_{AB}}{\alpha_{AB} + \alpha_{BA}} = \bar{A}, \quad \left(\Rightarrow \hat{B} < B\right).$$

Thus if there is sufficiently strong change in preference from C to A, then the desired increase in market share A will always occur. How significant this increase is will depend, as can be seen from the above equation, entirely upon the size of α_{CB}. This intuitively makes sense, since a reasonable preference change from B to C is required for the flux from C to A to produce a significant increase in A.

Brand Preference Flux

Here preference flux based upon differing brands' relative perceived quality is modelled with two quality measures P and Q. The classic scenario when two brands (A and B) trade off successfully – each outranking the other in exactly one quality dimension – is shown in figure. A trade-off line exists through such brands, so that, after rescaling, the sum of perceived quality values for all brands on the line is equal. New brands below the line should not compete very successfully, while those that come into the market place above the line are expected to fare well. If we denote $P_X + Q_X$ and as the two quality values of brand X, then $P_X + Q_X$ is the same for all brands on the trade-off line.

The location of any two existing brands generates up to nine zones into which any new potential brand could be placed. Fewer than nine zones will only exist in the degenerate case where the two brands are exactly equal in one or more quality dimension, which is not of interest here. If brand A is the target brand with a trade-off competitor B, and brand C is a new (potential decoy) brand, then the nine zones labelled in figure are conventionally defined as in table.



Two brands (A and B) located on a trade-off line relative to two quality dimensions P and Q will generate nine zones (here labelled 1a to 5c) into which any new produce (C) could be added. Here C has been placed in zone 1a, the target-decoy position for A.

Table: Conventional definitions of the zones in quality space.

5c : trade-off	4b : reverse-competitor-decoy	3 : utopia
1b : competitor- decoy	5b : trade-off	4a : reverse-target-decoy
2 : worthless	1a : target-decoy	5a : trade-off

The simplest outcome of a binary comparisons by a consumer in such a process is to rank two brands as 'better' or 'worse' in each quality. This may be considered as a minimized regret approach, whereby consumers rank the potential for reducing disappointment in any choice over finding the best brand. The simplest reasonable flux constant is therefore given by:

$$\alpha_{XY} = H(P_X - P_Y) + H(Q_X - Q_Y),$$

where H is again the Heaviside function. Thus any brand will independently gain a score when it compares favourably on any individual quality dimension. To allow for consumers with a preference with regard to qualities, perhaps considering one more important than the other, it is appropriate to weight the scores gained from each comparison. Alternatively these weights represent a confidence weighting, given by consumers who value all qualities equally, to their ability to correctly judge the ranking in each quality. In addition, consumers might give extra weighting to any brand which completely dominates another. Such behaviour will result in fluxes of the form:

$$\alpha_{XY} = \beta H\left(P_X - P_Y\right) + \gamma H\left(Q_X - Q_Y\right) + \delta H\left(Px - P_Y\right)H(Q_X - Q_Y),$$

where β, γ and δ are non-negative.

In order to see what are the minimal requirements to produce behaviour such as the decoy effect it is appropriate to first consider the least complex case. For consumers who only rank qualities without considering the size of any discrepancy or dominance, the flux between brands is given by equation $\alpha_{XY} = H(P_X - P_Y) + H(Q_X - Q_Y)$.

Consider a new brand placed in the target-decoy zone 1a. Then the flux from this new brand C to A is determined by $\alpha_{AC} = 2$, because it is dominated, but the flux to B has only $\alpha_{BC} = 1$, since B outranks C in Q but not P (consequently the flux from B to C has αCB = 1 also). The dynamics of the system are given by substituting each of these values for $\alpha_{XY} = H(P_X - P_Y) + H(Q_X - Q_Y)$ into $\frac{dB}{dt} = +\alpha_{BA}A - (\alpha_{AB} + \alpha_{CB})B + \alpha_{BC}C$:

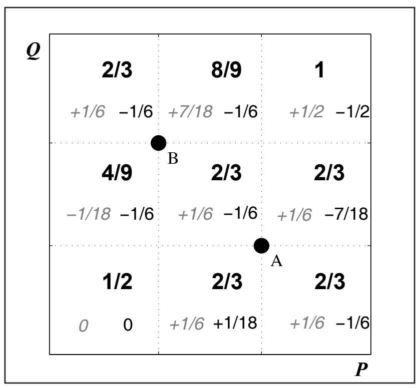
$$\frac{d}{dt}\begin{pmatrix} A \\ B \\ C \end{pmatrix} = \beta\begin{pmatrix} -1 & 1 & 2 \\ 1 & -2 & 1 \\ 0 & 1 & -3 \end{pmatrix}\begin{pmatrix} A \\ B \\ C \end{pmatrix}.$$

resulting in a steady-state solution, given by substituting $\alpha_{XY} = H(P_X - P_Y) +$ $H(Q_X - Q_Y)$ into $\left(\hat{A},\hat{B},\hat{C}\right) = \begin{pmatrix} (\alpha_{AC}\alpha_{CB} + \alpha_{AB}\alpha_{BC} + \alpha_{AC}\alpha_{AB})/S_\alpha, \\ (\alpha_{BA}\alpha_{AC} + \alpha_{BC}\alpha_{CA} + \alpha_{BA}\alpha_{BC})/S_\alpha, \\ (\alpha_{CB}\alpha_{BA} + \alpha_{CA}\alpha_{AB} + \alpha_{CA}\alpha_{CB})/S_\alpha \end{pmatrix}$, of:

$$\left(\hat{A},\hat{B},\hat{C}\right) = \frac{5}{9},\frac{1}{3},\frac{1}{9}.$$

The original market share of brands A and B was $\bar{A} = \bar{B} = 1/2$, so that market share of A has increased by 1/18 to $\hat{A} = 5/9$. Brand B's market share is reduced by 1/6 to $\hat{B} = 1/3$, lost partly to A and partly to C. The results for all other zones are given in figure, and show the expected behaviour. Only the target-decoy position (zone 1a) will increase the target brand's market share; it follows that placing a new brand in the competitor-decoy zone (1b) will actually harm overall market position. A worthless brand (zone 2) which is dominated by all others will not gain any market share.

All other locations result in an overall increase in market share between the two own brands A and C, although the only significant gain that can be achieved is if the new brand dominates the competitor (zones 3 and 4b). In all other cases the market share gained is simply equivalent to introducing a third trade-off brand (with $\hat{B}$ remaining at 1/3 in all cases), and so there is no benefit from producing a brand which outranks only the target brand in any qualities. This may easily be seen by clustering brands A and C. These crude rules will obviously be tempered by any weightings attached to qualities or the magnitude of differences, giving more subtle and realistic behaviour.



The results of placing brand C into each of the nine possible zones created by A and B. Total market share of own brands (target A plus new brand C), $\hat{A}+\hat{C}$, is given in bold; the net gain in market share, $\hat{A}+\hat{C}-\hat{A}$, is given in italics; the net gain for the target brand, $\hat{A}-\hat{A}$, is given in normal font.

Quality Preferences and Dominance Weighting

Any difference in quality significance, β = γ in, may skew the outcome of the consumer preference dynamics. As one quality starts to dominate, the problem tends to a comparison in a single quality dimension. In the limiting case the brand with the highest perceived value in that quality will gain the entire market, since it is considered to completely dominate all other brands. If a consumer's preference change is strengthened by noting that a brand is completely dominated, additional weighting is given by δ = 0 in: $\alpha_{XY} = \beta H\left(P_X - P_Y\right) + \gamma H\left(Q_X - Q_Y\right) + \delta H\left(Px - P_Y\right) H\left(Q_X - Q_Y\right)$. In the absence of quality preference (β = γ = δ) this results in quantitative but no qualitative differences. For example, the target-decoy position (C placed in zone 1a) results in a market share distribution of:

$$\left(\hat{A}, \hat{B}, \hat{C}\right) = \left(\frac{7}{12}, \frac{1}{3}, \frac{1}{12}\right),$$

as compared to that given in $\left(\hat{A}, \hat{B}, \hat{C}\right) = \frac{5}{9}, \frac{1}{3}, \frac{1}{9}$. As expected, such weighting increases the decoy effect.

Multiple Brands and Additional Quality Dimensions

The analysis can easily be extended to multiple brands. Note that for only two brands which trade off (always the case where one does not dominate the other) we may draw a straight line through both and define this as the trade-off line. For multiple brands which trade-off, the line may not be straight but will still be monotonic: thus none of the results are affected.

Although consumers may only carry out binary comparisons, these may be executed over more than two quality dimensions. The model extends naturally to higher dimensions in quality-space: the trade-off line in two dimensions becomes a plane in three dimensions, given by $P + Q + R = 1$, upon which equal brands would be expected to lie. For more than two brands to all trade off successfully, however, all brands must trade off pairwise.

The asymmetric decoy effect may be replicated with minimal prior assumptions, based only upon the aim of minimized regret. Binary comparisons of products on separate quality dimensions are sufficient to drive consumer preference towards a target brand, producing a shift in market share.

If the rate of change from an inferior decoy to a target is sufficiently strong then the desired increase in market share of the target (and consequently the loss in market share of the competitor) will always occur. Furthermore, with such simple strategies only the target-decoy position will increase the target brand's market share, with analogous results for the competitor-decoy zone.

For simple fluxes the best strategy is for the target-dominated decoy to outrank the competitor in all the qualities in which the target outranks the competitor. If consumers place additional significance on a brand dominating another beyond the fact that it outranks the other on each quality dimension separately, as might be expected in a minimzed regret approach attempting to find a 'safe bet', then the size of the decoy effect is increased. Results may be extended to a market place with multiple brands where consumers evaluate these on multiple quality dimensions. At present there appears to be an absence of experimental research considering the decoy effect either for more than three brands or where choices must be made across more than two quality dimensions.

While the model presented here is clearly not sufficient to explain all the many subtleties of consumer choice behaviour, it shows how complex outcomes may result from quite simple driving forces. This suggests that some current models may call for the application of 'Ockham's razor', since it is hard to judge the value of apparent improvements in psychological or sociological modelling unless their inclusion brings about a genuine difference in behaviour or outcome.

Sociology: Influence of what is being Bought

The simplest model considered at the Study Group to account for 'sociology', i.e. how one consumer influences another, was an extension of the previous deterministic population model, with just two equally good products on the market. Taking X(t) to be the market share of one of these, the model in the absence of sociological influences would be of the type:

$$\frac{dX}{dt} = (1-X) - X = 1 - 2X,$$

where time has been scaled to make $\alpha = 1$.

The sociology appears by having another mechanism for brand switching, in addition to the consideration of quality. Here we suppose that people are more likely to buy, or change to, a product if others are doing so. The probability of a single person changing in some small time interval from the second product to the first should be some increasing function of the number of people presently buying the first, i.e. an increasing function of the first's market share. Taking this function just to be a power, with exponent $\gamma > 0$, and multiplying by the number susceptible to such a change, this gives a rate of increase of the market share X (additional to the $(1 - 2X)$ in above equation) of $KX^{\gamma}(1 - X)$ for some constant K. (This constant would be negative if people aimed to be different. In this case the new term should probably be $KX^{\gamma+1}$ as it is now a loss term from a population of size X.) There will be a corresponding loss term from the first to the second product, $(1- X)^{\gamma}X$. The ODE model is now:

$$\frac{dX}{dt} = 1 - 2X + K(X^{\gamma}(1-X)^{\gamma} X).$$

The size of the constant K can be thought of as a measure of the importance of sociology. (The new term for people trying to be different, $K(X^{\gamma-1} - (1 - X)^{\gamma-1})$ with $K < 0$, is expected to lead to similar qualitative behaviour and is not discussed further here.) Having the rate of movement from the second to the first product given by an attractive function of X less a corresponding function of $(1 - X)$, if it is thought that people are less likely to change from a popular product, would lead to $(X^{\gamma} - (1 - X)^{\gamma})(1 - X)$ in place of $X^{\gamma}(1 - X)$. This supposed positive term becomes negative for $X < 1/2$ so this idea has not been pursued).

If $\gamma = 1$, the social influences are linear, but this leads back to as the new terms cancel out. One might also want to avoid this sort of dependency because it would make quadratic, which would conflict with the symmetry that should be inherent in a supposedly unbiased model. Taking instead γ = 2, the right-hand side of becomes cubic:

$$\frac{dX}{dt} = 1 - 2X = K(X^2(1-X) - (1-X)^2 X)$$

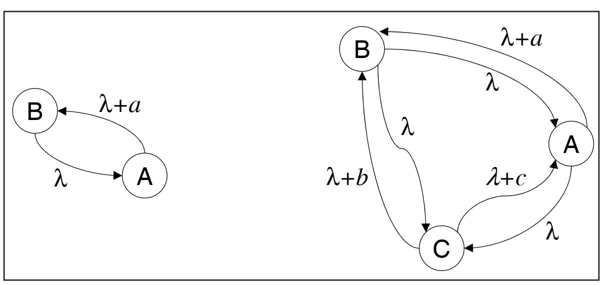
$$= 1 - 2X + KX(1-X)(2X-1) = (1-2X)(1-KX+KX^2).$$

For $K \leq 4$ ('weak' sociology), $1-KX + KX^2 \geq 0$ and the only steady state is the obvious symmetric one of $X_S = 1/2$; this is stable and a global attractor. For $K > 4$ ('strong' sociology), $1 - KX + KX^2 = 0$ has roots $X\pm = \left(K \pm \sqrt{K^2 - 4K}\right)/2K$. 'Pitchfork' bifurcation occurs at $K = 4$. In this case X_S is unstable while $X\pm$ are stable: 'lock-in' occurs with one product winning the majority of custom despite being no better than the other. Clearly, for K only marginally bigger than 4 these two new equilibria are near the original one but for large K they correspond to market dominance by one product or the other: $X_- \to 0$ and $X_+ \to 1$ as $K \to \infty$.

It is also easy to see that even with one product being transparently better than the other, so that the above equation might be replaced by:

$$\frac{dX}{dt} = 1 - \alpha X + KX(1-X)(2X-1)$$

for some α between 1 and 2 if the first product 'should' gain the larger market share, lock-in again occurs. With sufficiently large K there are again three steady states, the smallest and largest of which are stable, and these two will lie close to 0 and 1 if K is very large. In these circumstances, it is possible for the inferior product to hold on to nearly all the market.



A Markov Chain for (left) two products and (right) three products. The transition probabilities between products at each time step are marked with arrows; the (unmarked) probabilities of remaining with the current product can be deduced.

Markov Model with Social Influences

In this topic we present a model based on Markov chains, rather than the continuous time differential equations considered so far. We first develop results for the possibility of a decoy effect. These Markov models display both important similarities to and differences from the previous models, and may be simpler to work with and visualise in certain circumstances.

The Decoy Effect in a Markov Model

We start by considering a simple probabilistic model without sociology, with the intention of examining the possibility of a decoy product. Consider first two products A and B as in figure: the transition probabilities shown between products produce, in the notation of equation $p_{1(m+1)} = \alpha^{*}_{11}p_{1m} + \alpha^{*}_{12}p_{2m}$ and $p_{2(m+1)} = \alpha^{*}_{21}p_{1m} + \alpha^{*}_{22}p_{2m}$, a transition matrix α^{*}_{ij} given by:

$$P = \begin{pmatrix} 1-\lambda-a & \lambda \\ \lambda+\alpha & 1-\lambda \end{pmatrix}.$$

Here λ represents a natural 'churn rate', that is, the effect of a consumer changing product simply because he or she is unable to make a rational choice between the two. The constant a represents a bias which the consumer may feel to leave product A for B, perhaps because B is of higher overall quality (that is, offers a higher value for the consumer's utility function). The equilibrium distribution π (that is, the vector of equilibrium probabilities such that Pπ = π) is found to be:

$$\pi = \left(\frac{\lambda}{2\lambda+\alpha}, \frac{\lambda+a}{2\lambda+a}\right)^{T}.$$

Introducing now a third product C as in figure, with the same churn rate6 but with additional biases b and c as shown, we obtain a transition matrix:

$$P_3 = \begin{pmatrix} 1-2\lambda-a & \lambda & \lambda+c \\ \lambda+a & 1-2\lambda & \lambda+b \\ \lambda & \lambda & 1-2\lambda-b-c \end{pmatrix}$$

with equilibrium distribution:

$$\pi = \left(\frac{\lambda(3\lambda+b+2c)}{(3\lambda+a)(3\lambda+b+c)}, \frac{3\lambda^2+\lambda(2a+2b+c)+a(b+c)}{(3\lambda+a)(3\lambda+a+c)}, \frac{\lambda}{3\lambda+b+c}\right)^{T}$$

In order for a decoy effect to be exhibited, we wish for the market share of product A to be increased in the presence of the decoy product C, that is:

$$\lambda\frac{(3\lambda+b+2c)}{(3\lambda+a)(3\lambda+b+c)} > \frac{\lambda}{2\lambda+a},$$

or,

$$\alpha\gamma - \beta + \gamma > 3$$

where,

$$\alpha = a/\lambda, \ \ \beta = b/\lambda, \quad \gamma = c/\lambda.$$

We also require,

$$\gamma > \beta > \alpha \ \geq \ 0$$

in order that the initial market share of A is lower than B; that the bias from the decoy to B is stronger than the bias from A to B; and that the bias from the decoy to A is stronger still.

Equations $\alpha\gamma - \beta + \gamma > 3$ and $\gamma > \beta > \alpha \ \geq \ 0$ together therefore define the region of interest in (α, β, γ)-space. The fractional increase in the market share of product A through the introduction of the decoy product is:

$$\frac{(2+\alpha)(3+\beta+2\gamma)}{(3+\alpha)(3+\beta+\gamma)}.$$

Note that in order for all the probabilities in the 3-product transition matrix P_3 to remain in the range [0, 1], we must require that both $1 - 2\lambda - a$ and $1 - 2\lambda - b - c$ are non-negative. For given values of α, β and γ satisfying, this is equivalent to:

$$\lambda < \frac{1}{2+\beta+\gamma},$$

which sets a maximum value on the churn rate. The decoy effect is best observed when γ is made large (a high bias from C to A and a low churn rate) whilst at the same time limiting the size of β.

Special Case: Equal Initial Market Shares

If the two products A and B are initially equally placed in the market, then we take a = 0 so that each has a 50% market share before the introduction of the decoy product. Then $\alpha\gamma - \beta + \gamma > 3$ and $\gamma > \beta > \alpha \ \geq \ 0$ reduce to the requirement that:

$$\gamma \ > \ 3 \ + \ \beta.$$

This is likely to be rather difficult to achieve in practice, as it requires making the bias towards A significantly larger than the bias towards B, unless the churn rate λ is small (in which case b and c could both be small as well but differ by more than 3λ). The fractional increase in the market share of A in this case would be:

$$\frac{2(3+\beta+2\gamma)}{3(3+\beta+\gamma)} \leq \frac{4}{3}.$$

If β and γ are large but of similar size then the increase in market share is negligible; hence simply taking λ small is not on its own sufficient for an appreciable decoy effect, and more care must be taken in engineering appropriate values.

Sociology in a Two-product Markov Model

We now return to just two products, as in figure, but introduce a sociological effect whereby consumers have some tendency to prefer a product which other people are already buying. Suppose that we have a total of N consumers, n of whom at a particular time-step are buying product A and the remaining N − n buying product B. The sociological effect is modelled by changing the transition probability for B → A from λ to:

$$\lambda + \mu_1 n / N,$$

and the transition probability for A → B from λ + a to:

$$\lambda + a + \mu_2 (N - n) / N,$$

where μ_1 and μ_2 are constants representing the strength of the sociology. In a more advanced model, μ_1 and μ_2 might vary from consumer to consumer.

Each of the N consumers follows his or her own Markov chain, and the value of n changes whenever a consumer switches product. There is therefore a related Markov chain for the value of n, with states {0, 1,...,N}, and we consider the equilibrium distribution π for this new Markov chain $(\pi \in \mathbb{R}^{N+1})$.

We now use a standard argument from the theory of stochastic processes, in which the transition probabilities above are to be considered as rates of transition per unit time, and consider a time interval δt. The probability that n increases by one during this time interval is $(N - n)(\lambda + \mu_1 n / N)\delta t$, because there are N − n consumers currently buying product B, each of whom might switch to A during the interval with probability $(\lambda + \mu_1 n / N)\delta t$. We take δt sufficiently small that the likelihood of two or more consumers switching simultaneously during the time interval is negligible. Similarly, the probability that n decreases by one is $n\left(\lambda + a + \mu_2 (N - n) / N\right)\delta t$.

At equilibrium, there must be a balance between the numbers flowing from state n to n + 1 and vice versa. Therefore,

$$\pi_n (N-n)\left(\lambda + \frac{\mu_1 n}{N}\right) = \pi_{n+1} (n+1)\left(\lambda + a + \frac{\mu_2 (N-n-1)}{N}\right).$$

This recurrence relation allows each of the πn to be determined in terms of $\pi 0$, which is then found (if required) from the normalisation condition $\sum_n \pi_n = 1$. The expected market share of product A is given by $\sum_n n\pi_n$.

Analytic Results

While provides an analytic result, it is difficult to get a clear idea of the distribution. Further progress can be made by considering a continuum model for large N.

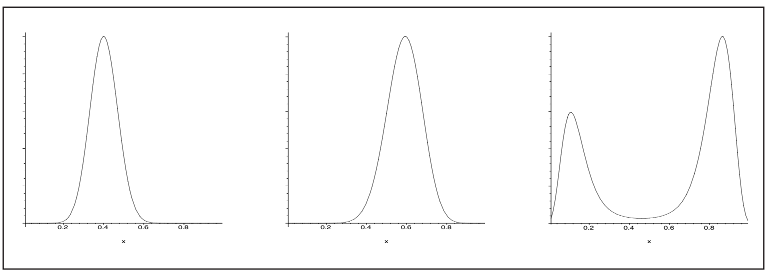
Let x = n/N and consider the function $\varphi(x) = N^{-1}\ln(\pi_{Nx})$. Initially, φ is only defined on the set, 2 N,.$\{0, \frac{1}{N}, \frac{2}{N}, ...1\}$ (i.e. when Nx is an integer), but we can extend this to a continuum approximation to φ defined for x ∈ [0, 1]. From the equation

$$\pi_n (N-n)\left(\lambda + \frac{\mu_1 n}{N}\right) = \pi_{n+1}(n+1)\left(\lambda + a + \frac{\mu_2 (N-n-1)}{N}\right),$$

$$e^{N\phi(x)}(N-n)(\lambda + \mu_1 n/N) = e^{N\phi(x+1/N)}(n+1)(\lambda + a + \mu_2 (N-n-1)/N).$$

Replacing φ(x + 1/N) with the Taylor approximation $\varphi(x) + N^{-1}\varphi'(x)$ we obtain:

$$e^{\varphi'(x)} = \frac{(1 - x)(\lambda + \mu_1 x)}{(x + 1/N)(\lambda + a + \mu_2 (1 - x - 1/N))},$$



Graphs of the equilibrium distribution π_{Nx} for x ∈ [0, 1] (vertical scale arbitrary), given by the approximation exp{Nφ(x)}, showing the long-term distribution of the proportion of consumers purchasing product A. In each case, there are 50 consumers (N = 50), a fairly small churn rate (λ = 0.1) and a bias a = 0.05, so that product B has a small natural advantage (because a > 0). Left: the linear model $\varphi'(x) = \ln \frac{(1 - x)(\lambda + \mu_1 x)}{x(\lambda + a + \mu_2 (1 - x))}$ with no sociological effect (i.e. $\mu_1 = \mu_2 = 0$). The expected market share of product A is calculated to be 40%, which agrees with the value $\lambda/(2\lambda + a)$. Centre: the linear model with $\mu_1 = 0.3$, $\mu_2 = 0.1$, so that both products enjoy a sociological effect but product A has stronger 'bonding' (the number of people buying A has a greater effect on other consumers than those buying B). The expected market share is calculated to be 59%, so the brand managers of product A have effectively countered the natural advantage of product B using sociology. Right: the quadratic model $\varphi'(x) = \ln \frac{(1 - x)(\lambda + \mu_1 x^2)}{x(\lambda + a + \mu_2 (1-x)^2)}$, with $\mu_1 = 1.3$, $\mu_2 = 1$. In this case the marketplace becomes strongly polarised, and consumers clearly 'lock-in' to just one of the products. The two peaks near x = 0 and 1 show that the most likely outcomes are that almost all consumers buy product A, or almost all buy product B: which of the two actually occurs will depend on random initial fluctuations (and it is possible that after a long time the situation might randomly 'flip' to the other peak). The concept of 'expected market share' is effectively meaningless here.

or, in the limit $N \to \infty$ (and nonzero x):

$$\varphi'(x) = \ln \frac{(1 - x)(\lambda + \mu_1 x)}{x(\lambda + a + \mu_2(1 - x))}.$$

This equation may be solved exactly, though the solution is too messy to be included here. The solution for φ represents the long-term distribution of the proportion of people buying product A.

The expected market share of A is easily shown to be:

$$\frac{\int_0^1 x \exp(N\phi(x))dx}{\int_0^1 \exp(N\phi(x))dx}.$$

For large N, this is given approximately by the value of x at which φ has a maximum; this value can easily be found by solving $\varphi'(x) = 0$ analytically. If $\mu_1 = \mu_2$ (i.e. the sociological impacts of A and B are identical) then the market share is found to be $\lambda/(2\lambda + a)$, which is, as expected, identical to the market share without sociology. However, if A and B have different sociological impacts then the market share may be affected significantly.

This Markov model is a linear one, in the sense that sociological effects are modelled as linear functions of n in the equations $\lambda + \mu_1 n/N$ and $\lambda + a + \mu_2(N - n)/N$. The corresponding ODE model comes from taking $\gamma = 1$. Interesting results can also be obtained with a quadratic Markov model (corresponding to the ODE model with $\gamma = 2$) by changing the transition rates given in the respective equations to:

$$\lambda + \mu_1 (n/N)^2$$

and,

$$\lambda + a + \mu_2 \left[(N - n)/N\right]^2$$

respectively. Much of the above analysis is unaltered; the new equation governing $\varphi(x)$ is:

$$\varphi'(x) = \ln \frac{(1 - x)(\lambda + \mu_1 x^2)}{x\left(\lambda + a + \mu_2 (1 - x)^2\right)},$$

which can also be solved exactly. The solution for φ can now be either singly or doubly peaked; the double-peaked solution is akin to the two stable equilibria found in the ODE model. In such a solution, 'lock-in' may be clearly indicated, as shown in figure: either one of the products can capture a significant proportion of the market.

An Agent-based Model with Social Influences

This model borrows ideas from the theory of coupled oscillators. Individual buyers are described by their intrinsic inclination to buy one of two products, which we call the target and competitor products. In the absence of social interaction with other consumers, the probability xi(t) for an individual i to buy the target product evolves in time according to:

$$\frac{dx_i}{dt} = x_s(i) - x_i.$$

In this equation, the 'time' t is an evolutionary parameter that may differ from actual physical time; it can, for instance, measure the number of purchases previously made by the consumer. The quantity $x_s(i)$ represents the 'natural inclination' of consumer i to buy the target product and depends solely on i's psychological profile.

Sociology is built into the model by way of introducing a coupling function $\Gamma(x_i, \{x_j\})$ between individual i and other consumers such that:

$$\frac{dx_i}{dt} = x_s(i) - x_i + \Gamma(x_i, \{x_j\}).$$

The precise form of the coupling function is at the heart of the modelling process. In this work, we construct the simplest possible function that is able to reproduce some of the qualitative collective effects observed in consumer behaviour.

As a first simplifying assumption, we shall postulate that a consumer is affected only by the mean behaviour of the other consumers8. Thus, to begin with, we will assume that:

$$\Gamma(x_i, \{x_j\}) = \Gamma(x_i, X), \qquad X = \frac{1}{N}\sum_{j=1}^{N} x_j,$$

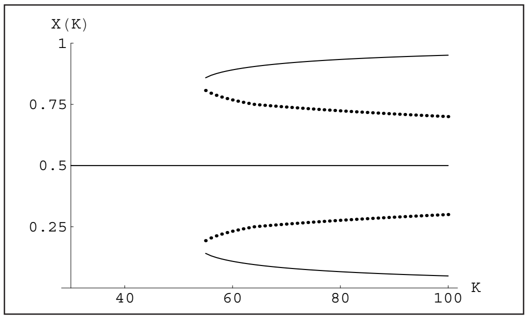
where N is the total number of consumers. The variable X can be interpreted as the market share of the target product. If $X = \frac{1}{2}$, then no clear trend exists in the market and we therefore expect the coupling function to vanish. Hence, we will write:

$$\Gamma(x_i, X) = \tilde{\Gamma}(x_i, X)\left(X - \frac{1}{2}\right)$$

for some $\tilde{\Gamma}$.

We further assume that a given consumer will be more sensitive to sociological effects if he is uncertain of his own choice, i.e. if his current probability of buying the target product is close to $\frac{1}{2}$. To formalize this hypothesis, we set:

$$\tilde{\Gamma}(x_i, X) = \tilde{\Gamma}(X)\left(\frac{1}{2} - \left|x_i - \frac{1}{2}\right|\right).$$



Bifurcation diagram showing all possible states X(K) for $\psi(x_s) = 1$.
Full line: stable solution; dotted lines: unstable solution.

Finally, in order to observe some kind of phase transition in the dynamics, the coupling strength has to increase with $\left|X - \frac{1}{2}\right|$. Since this coupling strength must be positive, we assume that:

$$\tilde{\Gamma}(X) = K\left(X - \frac{1}{2}\right)^2 + O\left(\left(X - \frac{1}{2}\right)^4\right).$$

Thus, the model we study is:

$$\frac{dx_i}{dt} = x_s(i) - x_i + K\left(\frac{1}{2} - \left|x_i - \frac{1}{2}\right|\right)\left(X - \frac{1}{2}\right)^3.$$

The input parameter K is the strength of coupling. We will now examine how the overall share X of the target product evolves as a function of K.

Analytical Results in Steady State

In the steady state,

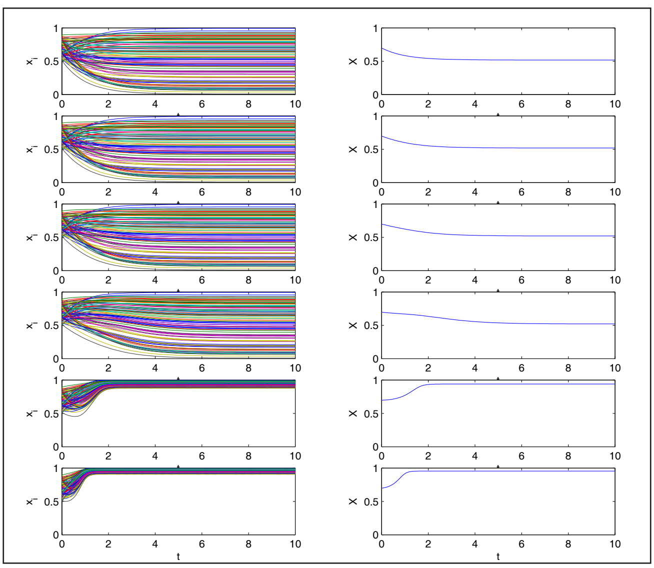
$$x_i = \begin{cases} \dfrac{x_s(i)}{1 - K(X - 1/2)^3} & \text{if } x_i < 1/2 \\[2ex] 1 + \dfrac{x_s(i) - 1}{1 + K(X - 1/2)^3} & \text{if } x_i > 1/2 \end{cases}$$

Accordingly, the psychological profile x_s^* that corresponds to an equiprobable choice, $x_i = 1/2$, for the two products is given by:

$$x_s^* = \frac{1}{2}\left[1 - \frac{K}{2}\left(X - \frac{1}{2}\right)^2\right],$$

provided, of course, that the right-hand side is between 0 and 1. Knowing $x_i = \begin{cases} \dfrac{x_s(i)}{1-K(X-1/2)^3} & \text{if } x_i < 1/2 \\ 1 + \dfrac{x_s(i)-1}{1+K(X-1/2)^3} & \text{if } x_i > 1/2 \end{cases}$, we may now evaluate X:

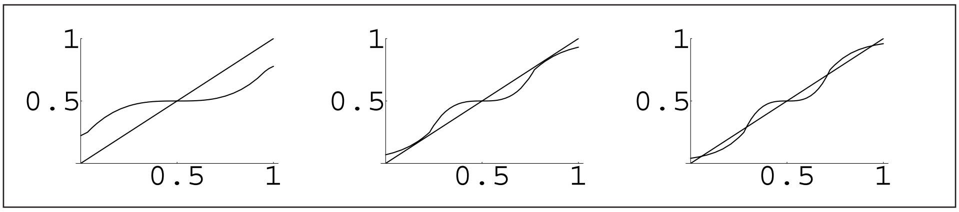
$$\begin{aligned} X &= \frac{1}{N}\sum_i x_i \\ &= \frac{1}{N}\sum_{x_s(i)>x_s^*} \frac{x_s(i)}{1-K(X-1/2)^3} + \frac{1}{N}\sum_{x_s(i)>x_s^*}\left(1 + \frac{x_s(i)-1}{1+K(X-1/2)^3}\right) \\ &= F\,(X,\,K). \end{aligned}$$



Numerical integration of equation

$$\left(x_i \begin{cases} \dfrac{x_s(i)}{1-K(X-1/2)^3} & \text{if } x_i < 1/2 \\ 1 + \dfrac{x_s(i)-1}{1+K(X-1/2)^3} & \text{if } x_i > 1/2 \end{cases} \right),$$

with 100 consumers (N = 100). For each variable x_i, a random number $x_s(i)$ was picked from a uniform distribution between 0 and 1. Left: superposition of individual time-traces. Right: evolution of X(t). From top to bottom: K = 0, 20, 40, 60, 80, 100.



Graphical resolution of the transcendental equation X = F (X, K) with K = 10, 50, and 90 from left to right. A uniform distribution of psychological profiles, $\psi(x_s) = 1$, is assumed. As K increases, new solutions appear which exhibit collective behaviour. The 'indecisive' state $X = \frac{1}{2}$ is always a solution.

The value of X is therefore given by the nonlinear equation X = F (X, K). As we will see, for small values of K, the only possible solution is X = 1/2. However, new solutions appear for larger values of the coupling parameter K. Let us note that if the number of consumers is very large, then we can evaluate the function F (X, K) in the 'continuum limit':

$$F(X,K) = \int_0^{x_s^*} \frac{\psi(x_S)x_S}{1-K(X-1/2)^3} dx_s + \int_{x_s^*}^1 \psi(x_s)\left(1+\frac{x_s-1}{1+K(X-1/2)^3}\right)dx_s,$$

where we have introduced the probability density $\psi(x_s)$ associated with a given psychology profile.

Our simplifying assumptions for the form of the function Γ allow us to illustrate easily the onset of collective behaviour in the consumption process. Figure shows the graphical resolution of equation $F(X, K)$. As the coupling strength K increases, new solutions appear where one product is markedly favoured over the other. A bifurcation diagram representing all the possible solutions is given in figure. One should note that the 'indecisive' state X = 1/2 is always a solution, and moreover is always stable. This means that, in the context of our simplified model, a significant perturbation in the market has to be introduced in order to depart from X = 1/2, e.g. through an advertising campaign. This is illustrated in figure, where the time evolution of the market is plotted. In the initial conditions, we assumed that one product was slightly more fashionable than the other, although the natural inclination to buy either of the two products, quantified by $x_s(i)$, was uniformly distributed. For sufficiently strong social interactions – large K – a rapid transition to 'locked' state with X close to 1 is observed.

Networks

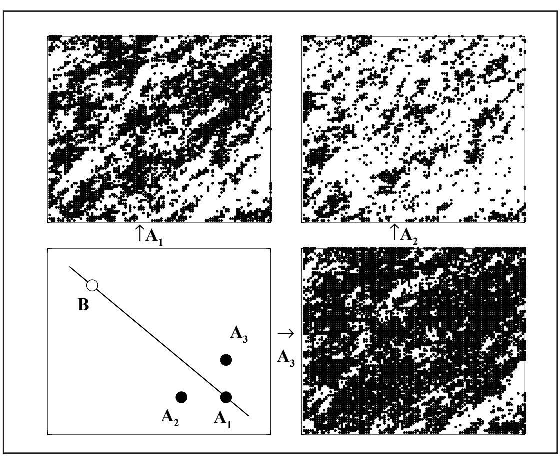
Each node/individual, denoted by the pair (I,J), makes a choice between a number of products depending on the products' properties and on the views or opinions the 'preceding' nodes, i.e. those that lie below or to the left on the square lattice. We consider two or three products, characterised by their qualities, such as affordability. As an individual, a node has a psychology and a sociology, which determine its perception of each product. These can be modelled with various degrees of sophistication.

Propagation of a Consumer Preference through a Network

We consider here a simple linear model. Each node (I,J) is given, as psychology, a sensibility κ_{IJ}^{k} to each quality k. Moreover, each node, as sociology, is influenced by the preceding nodes through a coefficient λ_{IJ}. We have taken the interaction between the nodes so that (I,J) is affected only by its two immediate neighbours, (I − 1, J) and (I,J −1), and both exert the same influence per individual (the area of influence is easy to generalize). In our simulations, the coefficients κ_{IJ}^{k} and λ_{IJ} are positive and randomly chosen from a uniform distribution. Consumer (I,J) forms an opinion or view, in the form of a composite numerical value, on product i according to:

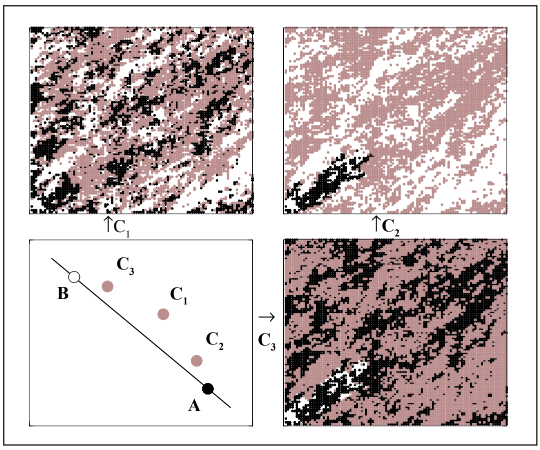
$$V_{IJ}^{i} = \sum_{k} \kappa_{IJ}^{k} Q_{ki} + \lambda_{IJ}(V_{I-1,J}^{i} + V_{I,J}^{i}) \quad \text{for } I > 0, J > 0,$$

with Q_{ki} being the value of quality k for product i; V0J and VI0 are taken as zero for I and J positive. Consumer (I,J) chooses to buy the product i for which V_{IJ}^{i} is largest; if there is no clear-cut 'best' buy, no product is bought. The process here starts from node (1, 1) (but could start at any node or nodes of the lattice). The initial value V00 is always taken to be 1 here (although away from the bottom left in figures, the value of V00 has only minor effect.) This initial information can be regarded as an advertising process injected into the system. (Alternatively, such values can be used in a version with successive propagations over the lattice, to boost or handicap the coming of a new product onto the market, taking into account the loyalty of the consumers; such a model would be able to track the variation of market share over time).



Share of the market between A (black) and B (white) depending on the position of A with respect to the trade-off line. The propagation over the lattice starts from the lower left corner. If A lies above the trade-off line, it achieves much higher market share than if below it.

Six simulations have been carried out using the same uniform random distribution for $\mu_{IJ} = \kappa^1_{IJ}$, $\kappa_{IJ} = K^2_{IJ}$ and $\lambda_{IJ.}$ Figure shows the share of the market on a 10,000-node lattice for two products A and B, depending on different values for their qualities Q_1 = P and Q_2 = Q. We observe its spatial evolution according to the position of the product A on, above or below the trade-off line through B (fixed by having the same distributions for μ and κ). Figure shows the effect of the introduction of a third product C on the market, and the transfer of buying behaviour from A or B to C depending on the position in 'quality space' of C in relation to the other two products.



Share of the market between A (black) and B (white) and C (brown) depending on the position of C, always taken to be above the trade-off line. The propagation over the lattice starts from the lower left corner. Product C acquires market share more heavily from the product to which it is closer in product space.

The introduction of the third product C with low P and Q, so that it lies below the trade-off line, cannot produce a decoy effect in the basic form of the model, since consumers purchase simply according to highest V. A move of the market towards C in a linear model as presented here requires the possibility of negative values for α_{IJ} or κ_{IJ}. The introduction of negative values for μ or κ decreases the role of the psychology (i.e. the contribution of terms $\mu_{IJ}P + \kappa_{IJ}Q$) and makes the sociology the main factor in the propagation, through the term $\lambda_{IJ}\left(V_{I-1,J} + V_{I,J+1}\right)$. Negative values of μ or κ are consistent with irrational behaviour, with people preferring over-priced or inferior products. Negative values of λ could signify people wanting to be different from their neighbours. The model can be easily modified, by introducing functions more sophisticated than simple linear ones, e.g:

$$V_{IJ} = A_{IJ}(P) + K_{IJ}(Q) + L_{IJ}\left(V_{I-1,J}, V_{i,j+1}\right).$$

Some other Models

Consumers vary their position in quality space over time, and it is this position which determines which product(s), if any, they buy. This concept is extended to allow for a large number of products, the number being large enough for the products to be treated as a continuum with a density – a new continuous variable – in quality space.

Particle-dynamics Model

The basic idea is to build a model based on a physical analogy, between the consumers' buying behaviour and particle-particle dynamics. We assume consumers to be particles moving in quality space. The products are considered as sources of attractive potentials, the details of the potentials depending on the products' characteristics. The psychology of people will be regarded as the influence of the potential on the 'mass' of the particles.

This will depend on the consumer but also on the characteristics of each product, weighted by coefficients of 'choice'. The sociology of individuals can be considered as a form of particle-particle interaction (although this is not pursued explicitly here). We then look at the evolution of consumer-particles. We define a critical radius around each product and assume that people buy the product if they get within this distance of it.

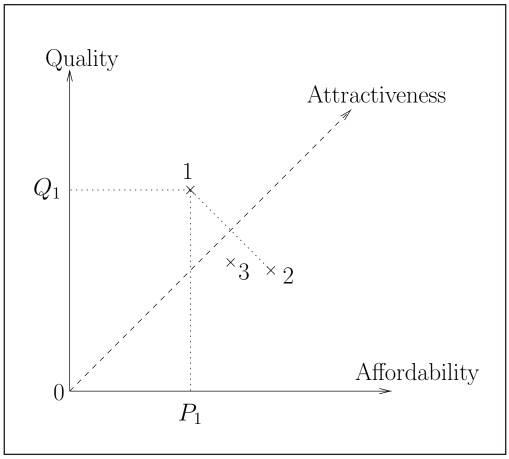
Definition of the product space and potential: Following what has gone before, the product space is defined by just two characteristics for each product i: affordability P_i and quality Q_i. We can define an 'attractiveness' of a product as the 'distance' of the product from the origin in product space: $U_i = (P_i + Q_i)/2$. With this definition, all the products with $P_i + Q_i$ = constant will have the same attractiveness. The attractive potential of the product i will be proportional to U_i. In the following we have taken the simple potential:

$$F_x(x) = -\sum_i (x - P_i)U_i \ , \ F_y(y) = -\sum_i (y - Q_i)U_i$$

where x and y are the coordinates of a consumer in (P, Q) space.

Implementation of psychology: It is the psychological 'mass' ψ of a consumer that makes the difference in the choice of two products of the same attractiveness (although to call ψ a mass is somewhat inaccurate, since it also depends on the consumer's environment). To put some detail on the model, introduce the variations from the mean of P and Q of each product: $D_{pi} = P_i - U_i$ and $D_{qi} = Q_i - U_i$. For each product, ψ will have the following three characteristics:

- For each product it is inversely proportional to its affordability (x direction) or quality (y direction).



Product space with three products.

- It also depends inversely on the distances D_p and D_q, which quantify the importance of P and Q. The distance is modified by comparing it to the sum of all remaining distances:

$$D'_{pi} = \frac{D_{pi}}{\sum_{j \neq i} D_{pj}},$$

and similarly for D'_{qi}. The modified distances indicate the relative importance of particular P_i's (and Q_i's) in comparison to the others. This comparison will also play a key rˆole when introducing a decoy product.

- Both these dependencies are weighted by numerical coefficients (α and β) that give the importances of affordability and quality for the consumer: the more important the criteria is to the consumer, the lower the 'inertia' that is attributed to the 'best' product regarding this criteria.

Putting these observations together, we have, for consumer i,

$$\psi_{xi} = \left[\left(\frac{\alpha_i}{D'_{p1}} + \frac{\beta_i}{D'_{q1}} \right) / P_1 + \ldots + \left(\frac{\alpha_i}{D'_{qn_p}} + \frac{\beta_i}{D'_{qn_p}} \right) / P_{n_p} \right]$$

and the equivalent for ψ_{yi} with Q replacing P. Here n_p is the number of products.

Implementation of sociology: Sociology could be seen as some particle-particle interaction but we have not tried to implement it here.

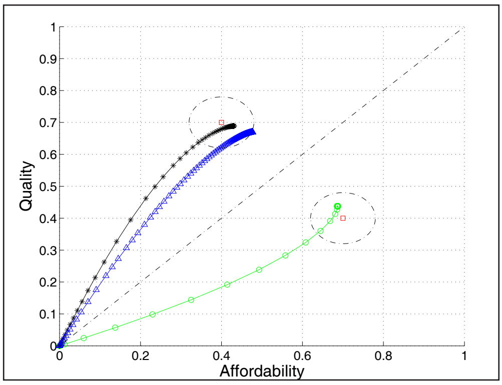
Equations of motion: We assume that the 'velocity' of consumer i in product space is proportional to the attractiveness divided by the mass. For each consumer we have:

$$\frac{dx_i}{dt} = \sum_i F_x(x_i) / \psi_{xi},$$

$$\frac{dy_i}{d_t} = \sum_i F_y(y_i) / \psi_{yi}.$$

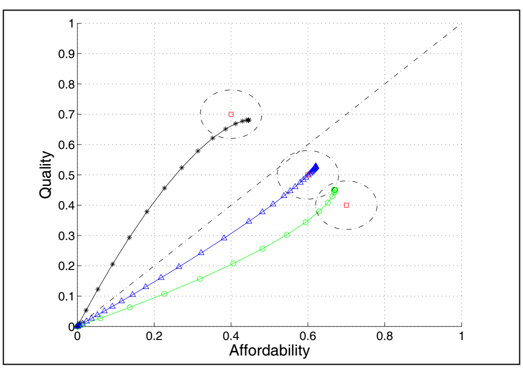
Preliminary Results

- In the figure, we have two products of the same attractiveness and three different consumers. In green and black we have two consumers who are quite sensitive to affordability and quality, respectively, whereas the blue one slightly prefers quality. Their choices reflect their psychology.



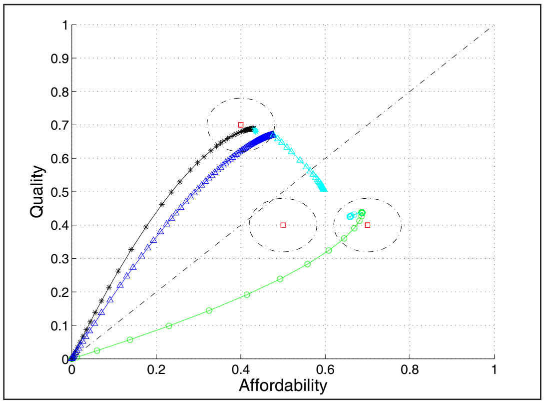
Evolution of three different consumers towards two products of the same attractiveness.

- In the figure, we have the same three consumers with three products of the same attractiveness. This time the behaviour of the first two consumers does not change but the last one will choose the product that offers the best balance between affordability and quality. Here again the results reflect the psychology of the consumers.



Introduction of a third, 'middle-range' product of the same attractiveness.

• Figure introduces a decoy product. We start with the choice of products reached in the first simulation. The decoy will influence the psychology of consumers by fundamentally modifying $\sum D_{pj}$ and $\sum D_{qj}$. The quality and affordability of products relative to the others, i.e. the perception of the product by the consumer, is then modified. This results in the change in the behaviour of the third consumer (cyan line). An improvement of the model would increase this effect for the third consumer.



Influence of a decoy product.

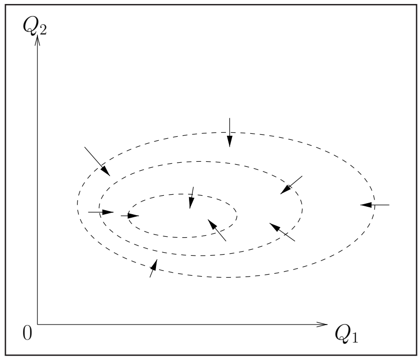
This rough model is able to reproduce a few features of observed consumer behaviour, but there is scope for many things to be improved. For example, the choice of initial conditions and the choice of type of 'attractive potential'. Social (particle-particle) effects are also to be included.

Continuum of Products

The Study Group gave some consideration to 'moving' products, i.e. products whose price and other attributes change over time. There was also some discussion of having so many products that, instead of a finite number evolving over time in quality space, they would form a continuum, with an evolving density in quality space. More progress was made with a static continuum: with respect to quality coordinates Q, the products have a 'density' Y (Q) (= number of different products within a 'unit volume' of quality space). The market shares of individual products, Xi, are likewise replaced by a rate of consumption per unit volume, and so also a density, but one which varies over time, X(Q, t). This population density can be thought of as being made up of individual consumers, who change their preferences, gradually, over time, as they keep purchasing at the same uniform rate.[10] There is then a velocity, dx/dt, associated with consumers at the point x in quality space at any particular time. This velocity will be determined by psychological, and possibly sociological, considerations. The trajectories can be identified with a resulting hyperbolic partial differential equation for the population density X.

The concept of outlier avoidance suggests that consumers should prefer products similar to others, i.e. they change their choice of product to move towards zones (in quality space) of higher product density. This suggests a velocity something like:

$$\frac{d\mathbf{x}}{dt} = \nabla Y.$$

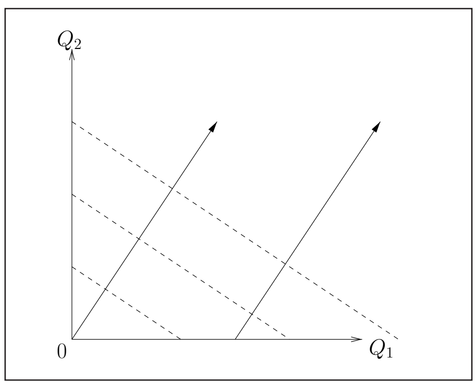


Consumer movement due to outlier avoidance. The dashed curves are lines of constant product density.

On the other hand, with a utility function, U(Q; Y), depending on the distribution Y of products, consumers can be expected to move towards 'better' products and this would suggest:

$$\frac{d\mathbf{x}}{dt} = \nabla U.$$

The idea of minimum anticipated regret suggests similar behaviour. (Decision process change will not arise here as we have a very large number of products).



Consumer movement due influenced by 'overall quality'. The dashed lines are where the utility function is constant.

Combining these psychological considerations, $d\mathbf{x}/dt = a_1\nabla Y + a_2\nabla U$. Here U will be an increasing function of the qualities Q_k (components of Q), such as β·Q with β = $(\beta_1,\ldots,\beta_{nq})$ and all the βk's non-negative, whereas Y will have a global maximum at some point $\mathbf{Q}^*$ (possibly on the boundary of $\mathcal{P}^+$, i.e. $Q_k^* = 0$ for some k) and should decay rapidly as $|\mathbf{Q}| \to \infty$. To avoid consumers drifting off to unrealistically high qualities, the velocity might be modified to give something like:

$$\frac{d\mathbf{x}}{dt} = a_1\nabla Y + a_2 Y\nabla U.$$

The velocity $d\mathbf{x}/dt$ leads to a flux of consumers, $\mathbf{q} = Xd\mathbf{x}/dt$, and then conservation of custom (market share), $\partial X/\partial t + \nabla\cdot\mathbf{q} = 0$, means that:

$$\frac{\partial X}{\partial t} + \nabla\cdot\left(\left(a_1\nabla Y + a_2 Y\nabla U\right) X\right) = 0.$$

If new consumers are not to appear out of thin air, there should be no flow of them across the boundary of $\mathcal{P}^+$:

$$\left(a_1\frac{\partial Y}{\partial Q_k} + Y\frac{\partial U}{\partial Q_k}\right)X = 0 \quad \text{on } Q_k = 0.$$

Solving $\frac{\partial X}{\partial t} + \nabla\cdot\left(\left(a_1\nabla Y + a_2 Y\nabla U\right) X\right) = 0$ by the method of characteristics, i.e. integrating along the path given by $\frac{d\mathbf{x}}{dt} = a_1\nabla Y + a_2 Y\nabla U$, would indicate that market share gets concentrated around points where $a_1\nabla Y + a_2 Y\nabla U = \mathbf{0}$. In particular, if we could write $a_1\nabla Y + a_2 Y\nabla U = \nabla V$ for some function $V(\mathbf{Q})$ (which will not, in general, be the case), the market share would build up near maxima of V and become zero elsewhere.

'Positive' social effects, with people tending to purchase similar products as their friends (without proper networking considerations) might lead to migration towards more popular items, suggesting a velocity of the form:

$$\frac{d\mathbf{x}}{dt} = \nabla X, \text{or} \left|\nabla X\right|^{\gamma} \nabla X.$$

Combining this with $\frac{d\mathbf{x}}{dt} = a_1\nabla Y + a_2 Y\nabla U$ now leads to:

$$\frac{\partial X}{\partial t} + \nabla\cdot\left(\left(a_1\nabla Y + a_2 Y\nabla U\right) X\right) + a_3\nabla\cdot\left(X\nabla X\right) = 0,$$

which is a backward heat equation. Such problems are well known to be ill posed. This 'wrong' diffusivity might possibly be corrected by including an additional random drift term (changing preferences as a Brownian motion) to get:

$$\frac{\partial X}{\partial t} + \nabla\cdot\left(\left(a_1\nabla Y + a_2 Y\nabla U\right) X\right) = \nabla\cdot((1 - a_3 X)\nabla X).$$

However, a 'negative' social effect, people wanting something different from their friends, reverses the direction for the original velocity and a forward (well-posed) diffusion equation results:

$$\frac{\partial X}{\partial t} + \nabla\cdot\left(\left(a_1\nabla Y + a_2 Y\nabla U\right) X\right) = a_3\nabla.\left(X\nabla X\right).$$

An attempt might also be made to include geography as another continuum variable; this means allowing for a continuum of agents. If $\mathbf{y}$ represents location of consumers, e.g. position along a street, the market-share density is now additionally with respect to, and dependent on, this new independent variable: $X = X(\mathbf{Q}, \mathbf{y}, t)$. The psychology gives rise to the same sort of terms as before. Sociology can now lead to influences of neighbours as well as, or instead of, friends, flatmates or family members. If this is such that distributions should tend to equilibriate, we might expect to include a term of the form $D\nabla_y^2 X$ on the right-hand side of $\frac{\partial X}{\partial t} + \nabla \cdot \left(\left(a_1 \nabla Y + a_2 Y \nabla U \right) X \right) + a_3 \nabla \cdot (X \nabla X) = 0.$ Alternatively, if people at $\mathbf{y}$ are influenced according to what neighbours do overall, the model might be changed by adding $a_4 \nabla_y^2 \int_{\mathcal{P}^+} \mathbf{Q} X dQ$ to the velocity.

Modelling agent position as a relevant continuum variable is easier if we return to just two distinct products, so that $X(y, t)$ is the market share of the first at location y and time t. If, the rate of change of market share is given by subtracting the market share from the average of that of the neighbours (in a discrete analogy), we expect $\partial X / \partial t = D \partial^2 X / \partial y^2$. Combining this with the terms which appeared in Section 4, the market share now evolves as:

$$\frac{\partial X}{\partial t} = D \frac{\partial^2 X}{\partial y^2} + (1 - 2X)\left(1 - KX + KX^2\right).$$

Apart from the 'trivial' steady states, $X \equiv X_{\pm}$, this also has steady solutions which link these two lock-in values and others which are periodic in y. In two space dimensions, and taking D to be 'small', this equation exhibits 'motion by mean curvature', with the boundary between regions of $X \sim X_{\pm}$ gradually getting shorter. A biased version, say:

$$\frac{\partial X}{\partial t} = D \frac{\partial^2 X}{\partial y^2} + 1 - \alpha X + KX(1 - X)(2X - 1),$$

with α between 1 and 2 if the first product is to be preferred, has travelling-wave solutions linking $X_{\pm}$. In common with the agent-based Ising-type model, on which Unilever has performed large-scale simulations, the model is of a sort that is used to model phase transitions. It is therefore unsurprising that the models exhibit lock-in behaviour, analogous to having distinct phases.

Pavlovian Model

This model is named after the Russian Physiologist Ivan Pavlov. He experimented on a dog and observed how it responded on the call of a bell and presenting it with a piece of meat. The responses were measured by the amount of saliva secreted by the dog.

Learning is defined as the changes in behavior which occur by practice and, based on previous experience. This is important to marketers as well.

The learning process consists of the following factors:

Drive

This is a strong internal stimuli which impels action. Because of the drive, a person is stimulated to action to fulfil his desires.

Can be innate (in-born) which stem from physiological needs, such as hunger, thirst, pain,cold, sex, etc. Learned drive, such as striving for status or social approval. Cause are weak stimuli that determine when the buyer will respond. We have:

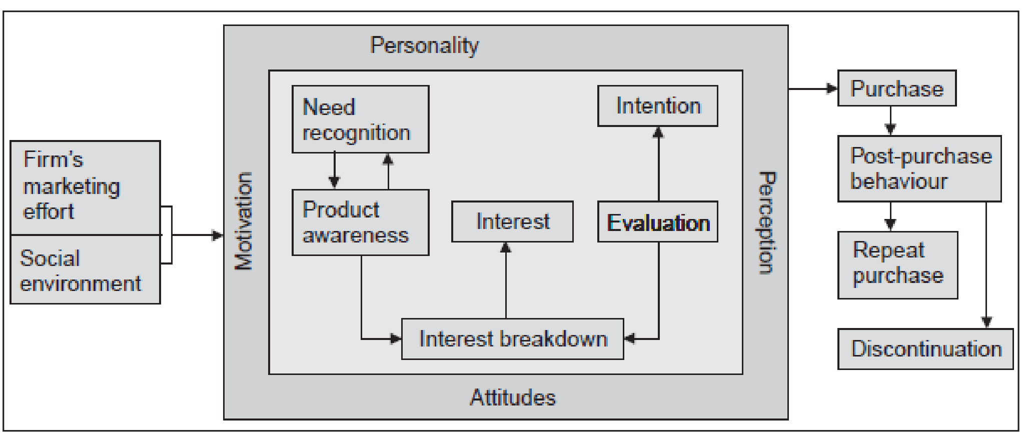
- Triggering Cues: These activate the decision process for any purchase.
- Non-triggering Cues: These influence the decision process but do not activate it.

These are of two kinds:

- Product cues are external stimuli received from the product directly, e.g., color of package, weight, style, price, etc.
- Informational cues are external stimuli which provide information about the product, like advertisement, sales promotion, talking to other people, suggestions of sales personnel, etc.

Response is what the buyer does, i.e., buys or does not buy.

Reinforcement



Input, process and output model.

Thus, when a person has a need to buy, say clothing, and passes by a showroom and is attracted by the display of clothing, their color and style, which acts as a stimulus, and he makes a purchase. He uses it, and if he likes it, an enforcement takes place and he is happy and satisfied with the purchase. He recommends it to his friends as well, and visits the same shop again. Learning part, thus is an important part of buyer behaviour and the marketer tries to create a good image of the product in the mind of the consumer for repeat purchases through learning.

Economic Model

According to economic theory, the buyers are assumed to be rational in their decision making. They follow the law of marginal utility. Consumers evaluate the alternatives available & they choose the alternative which would provide them with highest utility & lowest cost. Consumer allocates his/her expenditure over different products at given price so as to maximize utility. Thus, the law of eque-marginal utility enables him/her to secure maximum utility from limited purchasing power. The purchasing decision is based on economic calculation and reasons.

Economic model of consumer behaviour is un-dimensional. The following presumptions are made about buying behaviour.

- Lower the price of the product, larger will be the quantity bought- price effect.
- Higher is the purchasing power, higher will be the quantity- Income effect.
- Lower the price of a substitute product, lesser the quantity that will be bought of the original product- substitution effect.
- Higher the promotional expenditure higher will be the sales – Communication effect.

In this model, consumers follow the principle of maximum utility based on the law of diminishing marginal utility. The consumer wants to spend the minimum amount for maximizing his gains. Economic man model is based on:

- Price effect: Lesser the price of the product, more will be the quantity purchased.
- Substitution effect: Lesser the price of the substitute product, lesser will be the utility of the original product bought.
- Income effect: When more income is earned, or more money is available, more will be the quantity purchased.

This model, according to behavioral scientists, is not complete as it assumes the homogeneity of the market, similarity of buyer behavior and concentrates only on the product or price. It ignores all the other aspects such as perception, motivation, learning, attitudes, personality and socio-cultural factors. It is important to have a multi disciplinary approach, as human beings are complex entities and are influenced by external and internal factors. Thus, price is not the only factor influencing decision-making and the economic model according to scientists have short comings.

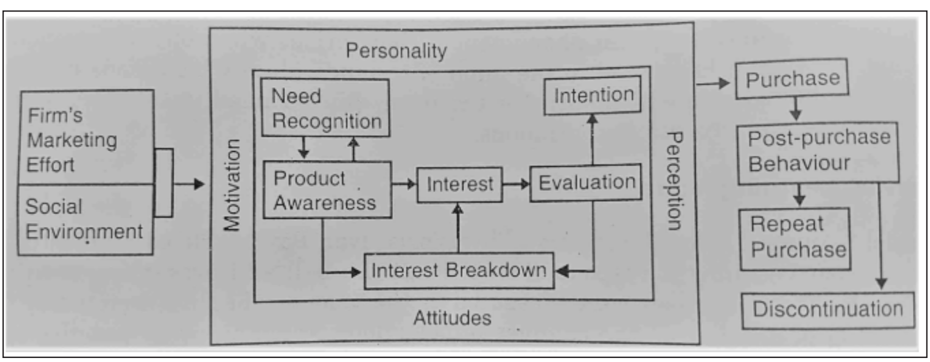
The input, process, output Model focuses on the product that is being marketed, the environmental forces and family background of the consumer. Factors that act as inputs and outputs in this model are:

Inputs are the marketing efforts in terms of product, price, place, promotion taken by an organization and the environmental forces such as family, reference groups, culture, social class etc. that influence the decision making process of a consumer. These factors which act as inputs trigger the consumer to identify his needs and ensure that the consumer gets the intention to purchase products after careful evaluation of the factors.

Process is concerned with the purchase process. A consumer goes through various steps like need recognition, awareness, evaluation and purchase in order to make a buying decision. While a satisfied customer acts as the brand ambassador exerting influence on future purchases, a dis-satisfied customer acts as a negative reference point spoiling the marketing efforts of the company to promote the product.

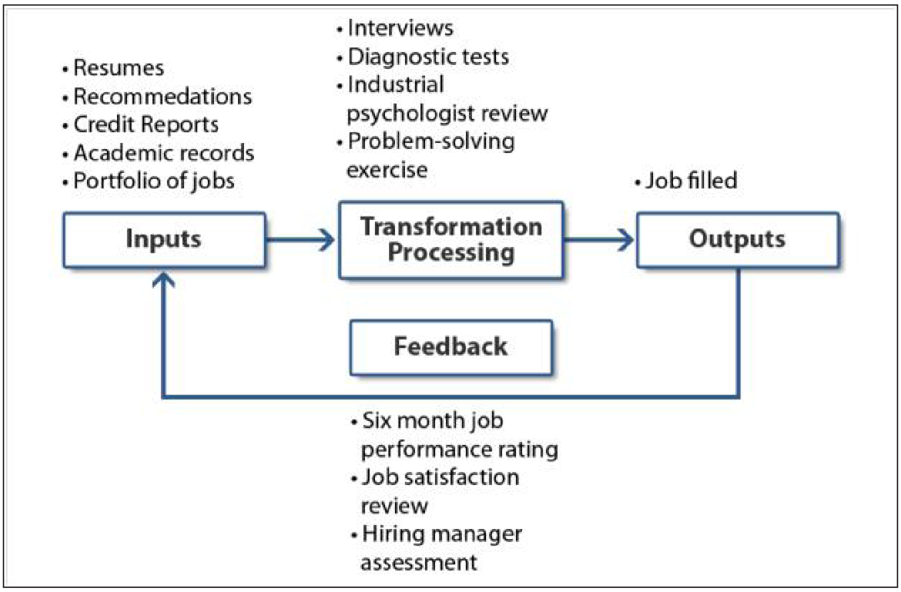
Outputs refer to the consumer's response to the marketing efforts of the organization. Some responses that consumers display are regarding:

- Buying decision.
- Choice of product.
- Choice of brand.
- Choice of dealer or store.
- Purchase timing and amount.
- Post purchase behaviour.



Input, Process and Output Model

nvironment. The social environment consists of the family, reference, groups, culture, social class, etc., which influence the decision making process. Both these factors together constitute the input in the mind of the consumer.



Input, process and output model.

Need Recognition

When one is aware of a want, tension is created and one chooses a product to satisfy his needs. There is also a possibility that a person may be aware of a product before its need is recognized. This is indicated by the arrows going both ways from the need to the product and vice-versa.

Product Awareness

This can be had from advertisement or exposure to different types of media or by the social circle. The awareness and the need lead to the building of interest. In some cases, the interest may also breakdown and the decision process also stops or may be postponed for the time being.

Evaluation and Intention

Evaluation consist of getting more information about the product and comparing and contrasting it with other products. This can be done theoretically or by taking a trial. Once the evaluation is completed, the consumer interest may either buildup his intentions to buy, or he may lose interest and the decision process may again stop or be postponed.

Intention

Once there is intention to purchase the product, the consumer goes ahead and acts or purchases the product. Once the product is purchased, it is used to fulfill the need and the more the product is used, the more the consumer becomes aware of the positive and negative points of the product.

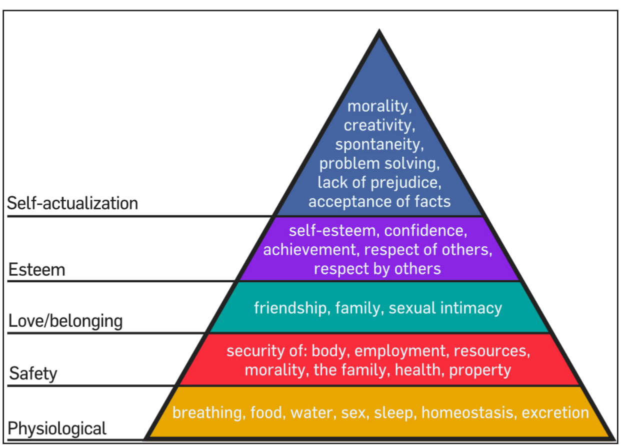
Post Purchase Behavior

If, after the purchase and use of the product, the customer is satisfied, he is happy and goes in for repeat purchases or recommends the same to his friends and acquaintance. If however, the consumer is dissatisfied, he discontinues further purchase of the product and builds a negative attitude towards it, which may be harmful to the company.

The post purchase behavior is very important for the marketer and the company because it leads to proper feedback for improvement and maintaining the quality and features as desired by the purchaser. If the customer is very happy with the purchase, he forms a good impression about the product and the company.

Psychological Model

The Psychological Model is based on the famous psychologist A.H. Maslow's theory of Hierarchy of Needs. The psychological model divides the needs into Psychological Needs, Safety and Security Needs, Social Needs, Ego Needs and Self Actualization Needs. This division of needs is termed as Hierarchy of Needs.

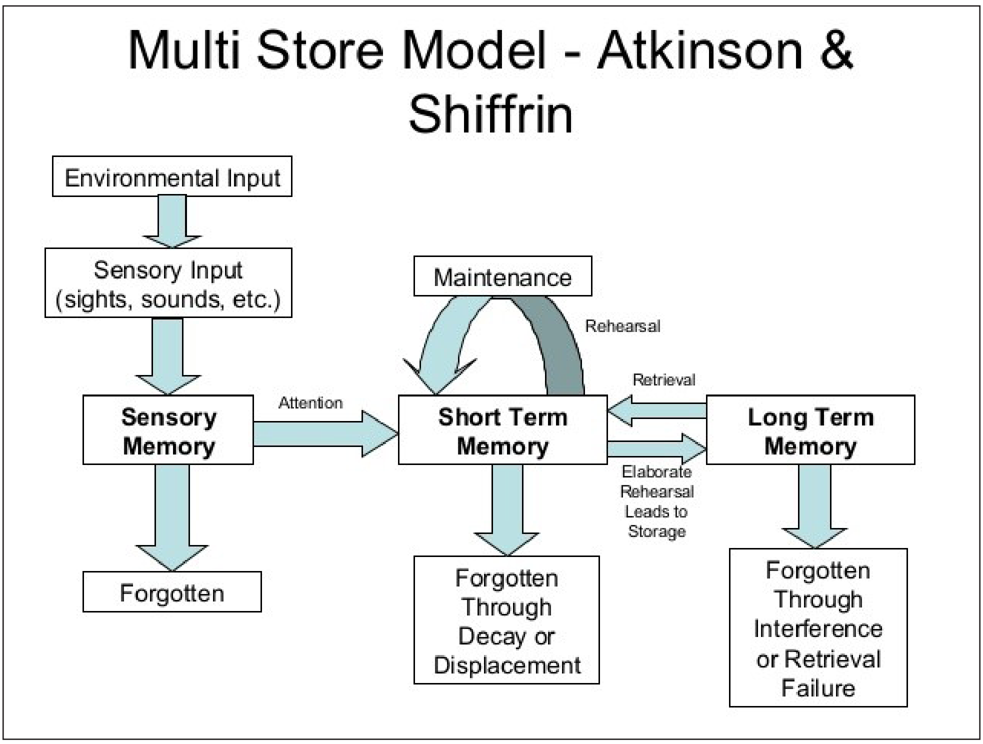


According to this model, the behaviour of consumers gets motivated by their needs and consumer needs never ceases to exist but arise one after another with passing time. A consumer acts according to the strongest need at a particular time, he strives to satisfy the basic needs first and then moves on to a higher level of needs and tries to satisfy them. This process continues till he reaches the highest level in the hierarchy of needs.

The Nature of Perception

The Internal influences that have effect on consumer behaviour consist of an individual's perception, learning, memory, motives, personality, emotions and attitudes.

Perception plays a major role in the processing of information and consumer decision making. It begins with consumer exposure and attention to marketing stimuli and ends with interpretation. These three stages make up the process of perception. Graph provides and overview of the perceptual process.



Information processing.

There is a very small amount of information that the consumer processes during the stages of exposure and attention which make these stages highly selective.

The stimuli that does enter the conscience is not processed objectively. The meaning of the stimulus is interpreted differently from person to person and is influenced by unique biases, needs and experiences. In order for a marketer to communicate their brand or products message effectively to the consumer, it is important for them to understand the nature of perception. Information processing is a process whereby stimuli is perceived, transformed into meaningful information and then stored. As seen in Graph the process begins with exposure which is when stimulus such as an advertisement leads to an immediate response of sensory receptors (e.g. sight, smell, hearing, touch etc.). We process raw data, however perception focuses on what an individual takes away from these sensations and what meaning they assign to them.

Due to the subjective nature of perception, it is vital the message the marketer is aiming to achieve is portrayed in a very clear manner so that the consumer does not interpret the advertisement incorrectly. An example of a controversial advertisement was an image taken as an ad for Benetton of a black man and a white man handcuffed. This ad was interpreted by its consumers as racist as it was perceived falsely. The consumer's prior assumptions influenced this opinion which shaped the advertisements meaning to them. In this way it is paramount to take into consideration the sensitivity of the design and selection of the advertisement in order to avoid controversial interpretation.

Selective Exposure

This then brings us to selective exposure. One factor that determines how much exposure to a certain stimulus a person accepts is experience. The past experiences of an individual influences the perceptual filters and impacts what the consumer chooses to process. A major factor of the selective exposure is perceptual vigilance.

This can be found in the example of consumers being highly selective in the way they shop when they enter a store. Consumers are more likely to process stimuli that has relevance to their personal requirements.

A study was made on selective exposure and it was found that only 21 % of U.S. shoppers walked down each aisle of the store. The remaining 79 % just visited the aisles that they required items from and avoided aisles with products that they were not interested in.

Media Exposure

There are differences in the shopping habits of different cultures. In Belgium, France and Holland consumers were found to be highly selective however in The UK, and Brazil consumers were more likely to walk down every aisle of the shop. Media exposure with the use of Television commercials, radio and magazines and so forth can be a concern to marketers as this allows consumers to self-select what they like to watch, listen to or read. As an example, consumers are able to mute a television commercial when they are not interested in listening to it. 'Zipping, zapping and muting' are ways in which consumers can avoid being exposed to advertisements that they are not keen on watching. 'Zipping' is a term used to describe the action of an individual fast forwarding a commercial or a prerecorded program. Zapping occurs when an individual changes a channel due to a commercial appearing and lastly Muting is turning the sound off during commercials.

These all come down to ad avoidance, which are ways in which consumers can selectively avoid exposure to advertising. This ad avoidance has become a global phenomenon and seems to be increasing as ads are taking up the space of the interest, TV and radio. It is causing people to create negative attitudes of marketing and advertising. A study made by Initiative explored and analysed “ad avoidance” on a global scale and found that it was increased by “Lifestyle, social class and demographics”.

Moving onto another factor that has effect on exposure called Adaption. It focuses on the degree that consumers recognise a certain stimulus over a period of time. The effect that adaption has to its consumer is that over time this stimulus becomes so familiar that it is ignored. As an example, a consumer may pass a particular billboard with an advertisement and pay attention to it, however after passing it multiple times this stimulus becomes unnoticed. There are several factors that can lead to adaption. These include: intensity, duration, discrimination, exposure and relevance. All of these listed factors can affect a consumer and lead to adaption depending upon the individual.

Gestalt Theories

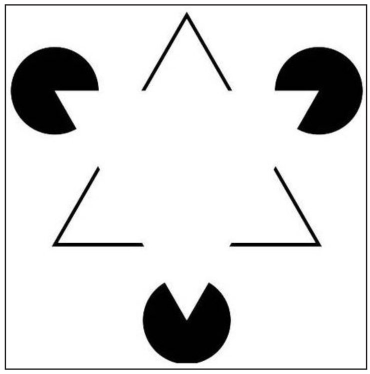
A group of psychologists in the late 1800’s and early 1900’s Germany were the first to study the organisation of perception. The psychologists that had the most influence were: Johann Wolfgang, von Goethe, Ernst Mach, von Ehrenfels, Max Wertheimer, Wolfgang Köhler, Kurt Koffka, and Kurt Lewin. This theory of thought was known to be “The Gestalt School of psychology”. The aspect that was systematically analysed was the way features are organised into whole figures. The meaning behind the name gestalt derives from the term being “roughly whole”. Their beliefs were that humans are bias and see distinct forms even when they see features of an image that are irregular. This theory has had a considerable impact on the understanding of perceptual processes and it applicable to two dimensional objects which makes it suitable for marketing stimuli.

There are a number of laws that were based upon this research such as the Law of Prägnanz which looks at the way that stimuli is organised into shapes and patterns and perceived as one object.

These concepts were created to help understand consumer perception and the ideas that Gestalt influenced were the law of proximity, law of closure, law of similarity and the figure ground principle.

Law of Proximity

Stimuli that is placed near to each other is perceived as being grouped together. A merchandiser’s approach to this principle is the use of display windows, placing items of clothing and accessories together which tells a story and allows the customer to visualize the outfit and potentially buy all the items. This idea is seen in Graph were the dots that are placed close to each other are seen as been a part of a group.



Law of Prägnanz.

Law of Closure

When people look at an irregular geometric figure briefly they fail to notice the intricate details and incompleteness. Instead they see them to be complete and holistic due to prior experiences that assist them to recognise the visual. This law can help to explain the reason why consumers are able to fill in missing words in advertisements for marketing purposes. It encourages consumers to perceive and certain message the process the information in a way that is attractive. Graph gives an example of a triangle with missing elements that people fill in themselves due to prior exposure and familiarity to the object.

Law of Similarity

This idea looks that the way people group objects together due to physical similarity. Wertheimer described in the way that “Other things being equal, if several stimuli are presented together that look similar, the form of the object can be grouped together”. Consumers can automatically classify products based upon their appearance and associate them to a particular brand. This can explain the reason that many brands keep their packaging of their products similar so that customers can recognise the design and associate them to the brand. This can also be seen in Graph with the circles grouped together and the squares grouped together due to the similarity of the shapes.

Figure Ground Principle

The ground figure principle works in a way that people perceive items being separate from other surrounding stimuli by having a distinctive form. This principle allows individuals to understand incoming information and process it accordingly. It can be described as one part of the stimulus appearing to stand out as a solid object with the rest of the stimulus being seen as less prominent (ground). When an object is familiar to an individual they will recognise which item is the figure and which is the ground. In relation to consumers, marketers will often try to make the figure of the image the focal point which is the information that they want to emphasize.

This concept will increase the likelihood of the consumer recalling the information at a later stage. As illustrated in Graph people can perceive the figure and ground of the image differently depending on the viewer.

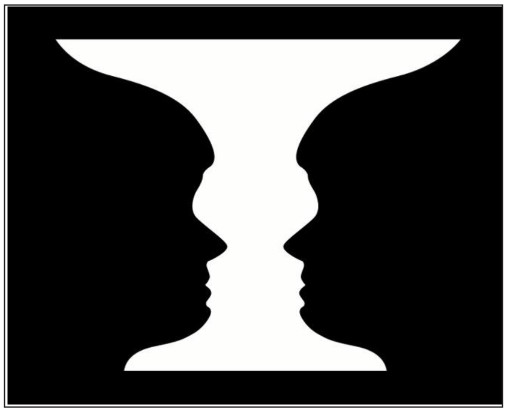


Figure ground principle.

Attention

Attention refers to the degree to which consumers pay attention to stimuli within their range of exposure. It is primarily the contents of short term memory which is derived from internal and external stimuli.

Consumers being bombarded with advertising stimuli has required marketers to become increasingly creative with the promotion of their products to gain consumer attention so that they do not lose their consumers to competitors.

The attention generally occurs when the stimulus activates the sensory nerves which results in the brain processing these sensations. Given that consumers are surrounded by thousands of different marketing stimuli this can often lead consumers to become highly selective with what they decide to purchase. What captures this attention is determined by the relevance of the message and the consumer's motivation.

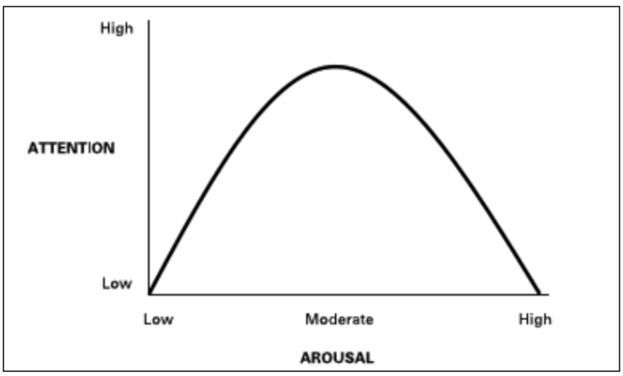
For instance if a consumer has a particular interest in high waisted jeans they will be drawn to this style regardless of what else is on offer.

Other factors that also contribute to the consumer's attention are the prominence and vividness of the message that is being portrayed. Both of these elements have the capacity to capture the attention of consumers on multiple platforms other than advertising.

Most marketers are aiming to ensure that consumers focus entirely on particular stimuli in order to achieve "focal attention". Information that is picked up from a consumer's external environment is temporarily stored in the short term memory which can only store a limited amount of information. Due to this fact consumers tend to only focus their attention to the focal information and ignore the rest of the stimuli. This can explain the reasons why a consumer is more likely to recall elements that captured their attention.

Another significant element of consumer attention is arousal. An aspect that can help in determining the level of attention the consumer is paying is whether not they are aroused. There are many factors that influence an individual's level of arousal and this continuously changes. Being alert can result in a consumer being more perceptive to external stimuli and the amount of information that they can attend to in a given time. Arousal is measures according to a range of low and high levels, a high being alert and perceptive and a low being tired and uninterested.

High levels of arousal can also be influenced by exciting events or psychological stimulants such as caffeine. Studies have found that there is a U-relationship between arousal and attention which has the effect of there being a decrease in the level of attention when arousal is low.



The relationship between arousal and attention.

Graph can help in understanding the reason students find it difficult to concentrate and pay attention in class when they are tired. Essentially when arousal is low, so is attention. Attention then increases when arousal levels reach a moderate level. An individual's cognitive ability is at its best when they are moderately aroused. This in turn will allow them to retain more information. There are multiple factors that can increase arousal in a retail environment such as noise, smell, lighting and temperature. Balance of each of these factors is vital for the consumer to receive the desired level of arousal and not experience the opposite effect.

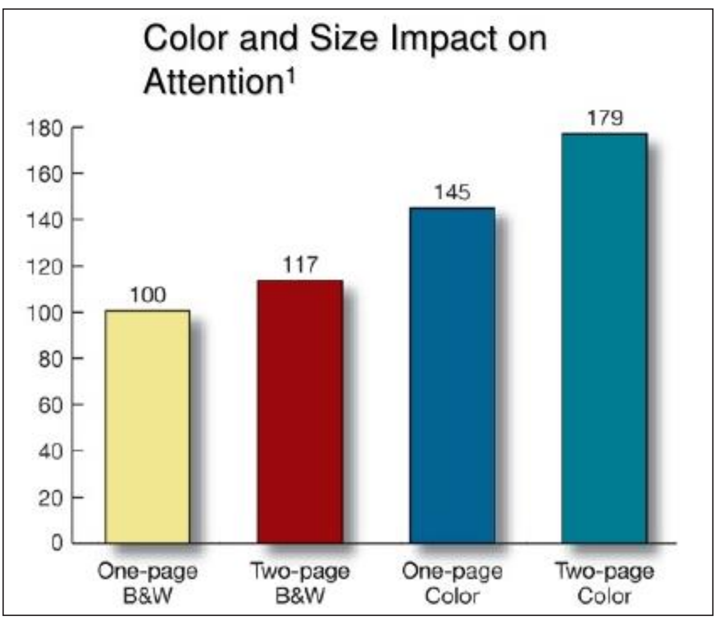
In a marketer's point of view, the visual selective attention of consumers is a particular area of interest. Consumers scan their visual environment and focus their attention on a particular object that catches their attention and take no notice of other stimuli in the background.

This is known as "Visual Selective Attention". What the consumer chooses to focus their attention on is influenced by their perception which triggers the selection process. Studies have found that when a consumer enters i.e. a retail store they conduct a visual search that generally starts by scanning the left hand side of the store and continues to the right.

This can give marketers an insight to the most suitable areas to place displays in order to catch the consumer's attention.

Consumers can be attracted to a product not only visually, but through all senses and stimulus factors. Psychologists Morrin and Ratneshwar found through research that pleasant ambient scents can play a major role in the level of arousal and attention of a consumer, which can later improve brand recall. There are multiple marketing strategies that can be acquired to ensure that products are distinguished from other brands and "break through the clutter" of other products on the shelves.

Many marketers are taking on this strategy of attempting to counter the sensory overload of advertising clutter by buying large blocks of advertising space on the shelves. The main aim with this method is to dominate consumer attention. Another method that is common is "bookend ad's" which is where a commercial for a brand is separated into different parts, advertising many products. It may be a reappearing visual that catches a consumer's attention and motivates them to purchase the product. An outline of stimulus factors that impact a consumer's attention involve: colour and size, intensity, novelty, personal relevance and brand identity. Graph below demonstrates the attention attracting ability and differences of black and white and colour advertising ranging in sizes. The coloured advertisement attracted a significantly higher number of viewers compared to the non-coloured advertisement. This indicates that colour contributes to the amount of attention that an ad receives from consumers.



Stimulus factors.

Interpretation

Interpretation can be defined as the assignment of meaning to sensations. In other words, it is the meaning that individual's assign to sensory stimuli. In the same way people's perception of stimuli differs, the meaning that is attached to the stimuli varies. It is a common occurrence for two people to attend an event and interpret it very differently even though they both endued the same experience. Interpretation can be described as they way people comprehend information based upon the particular stimulus, the situation and themselves. Interpretation can be often referred to as perceptual relativity as it is a relative process that cannot be perceived as absolute.

It is also known to be subjective given its nature of allowing psychological biases. There are so called semantic meanings and psychological meanings related to interpretation. A semantic meaning refers to the relation between signifiers such as words and phrases however the psychological meaning is influenced by an individual's experiences, expectations and the context.

Marketer's interests' lie on the psychological meanings attached to interpretation as it is based on subjectivity rather than reality.

The third aspect is known to be cognitive interpretation, which is an emotional process were consumers place stimuli into categories based on their meanings. This differs based on culture and an individual. What is seen as acceptable in one country may be considered extremely offensive in another. For example in Scandinavia, advertisements that include light nudity are not seen to be inappropriate, yet in America nudity in advertisements are viewed to be improper. For this reason it is important to understand the target audience and take into consideration cultural differences. Products are also categorized into groups of subject or similarity. It is vital for marketers with new product launches to provide consumers with assistance in order for them to better understand the type of product and categorise it accordingly.

Affective Interpretation describes the emotional response which is triggered by a stimulus i.e. an advertisement. Emotional responses are spread across a wide spectrum, from positive and inviting to the complete opposite, negative and frustrating. The affective interpretation an individual gains from stimuli is subjective and may not affect another person in the same way. These emotions can come from past experiences or simply preference.

Individual Characteristics

Individuals base their perception and interpretation of advertising stimuli on their personal needs, desires, experiences and expectations. Consumers are not considered to be passive interpreters of marketing, so it is beneficial for marketers to look into the individual characteristics that make people different. These include traits, learning and knowledge and expectations.

Focusing on consumer traits, there are both physiological and psychological traits that directly affect need and desire and these differences influence the manner in which stimuli is interpreted. An example that highlights these differences is children that are sensitive to leafy greens such as spinach and find it difficult to consume due to its bitter taste. From a psychological point of view, consumers are wired to have cognitive, emotional and behavioural predispositions. Studies have found that there are individuals who are inclined to have stronger emotional feelings than others which is referred to as “affect intensity”. This affect intensity has proven to affect consumers in the way that increases emotional reactions to stimuli.

Consumers learn about marketer-created stimuli like advertisements through experience and prior knowledge. This experience and knowledge that is gained over time effects the overall interpretation of the stimuli. Generally consumers are thought to have bias attitudes for brands that they favour. Through a study made on “perceptions on price unfairness”, consumers were found to infer more positive thoughts on price increases with brands that had a stronger reputation.

The final individual characteristic that affects consumer interpretation is expectations. Consumer’s interpretation is directly linked to their expectations of the brand or product. This can be referred to as expectation bias. The expectations that consumers hold on to is a result of learning which tends to happen very quickly. As the old saying suggests “first impressions matter”, which in a consumers stand point is very true. Once expectations are established it is very difficult to change.

For example many consumers believe high end luxury brands produce higher quality products, as a consequence they compare the performance of the high end product with other cheaper alternative with this bias expectation.

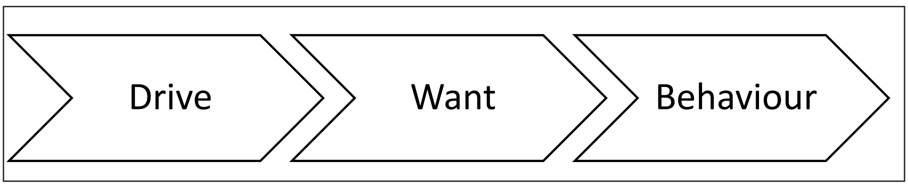
Motivation, Personality and Emotion

Motivation

Motivation, personality and emotion are all influential factors that affect consumer decision making and also marketing strategies. In order to better understand the buying habits of consumers these three elements are important to recognise. Motivation can be described as an “energising force” that activates certain behaviours that in turn provides purpose and direction to these behaviours. In other words it is seen as the processes that lead to certain behaviours. It can answer the question “why” consumers engage in a specific manner. Personality on the other hand reflects the behavioural tendencies that individuals display across array of different situations. It can assist marketers in a sense that it answers that question “what” consumer’s choose to engage in to become satisfied. Lastly Emotions, they are considered to be strong, uncontrollable feelings that have effect on behaviour. These concepts are all interrelated and difficult to separate.

A question that psychologists have pondered for hundreds of years is "What motivates Humans?" There are multiple angles in which this question can be analysed and many different theories that help explain why consumers are motivated to purchase goods and services. Motivation is the driving source of behaviour. It is said to have three features, Direction, Effort and Persistence. Direction describes what an individual is aiming to achieve, Effort is the amount of energy an individual applies into a job in order to achieve their objective and Persistence is the amount of time that they are willing to sacrifice to achieve their objective. These features propose that everything begins with an underlying need which is activated when there is a discrepancy between a desired state of being and the actual state.

As this discrepancy increases an outcome of activation of arousal occurs, this is known as drive. The more powerful the drive becomes the greater the urgency of response. Over a period of time specific behaviour patterns are thought to be more effective than others to receive satisfaction, these then become wants.



Motivation process.

This simple illustration demonstrates the dynamics of the motivation process and the way in which needs can led to an action or behaviour. Needs and motives influence consumer's perception of what is relevant and can impact their feelings and emotions.

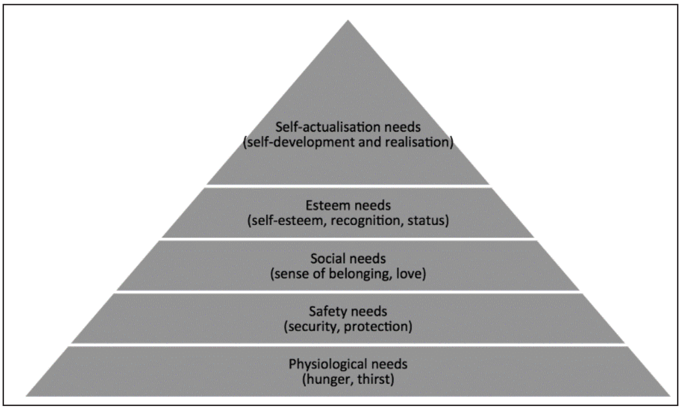
Over years numerous psychologists have produced different theories of Motivation. There are some that have similar theoretical foundations but others that are not comparable. Two approaches that provide useful insights into consumer behaviour are Maslow's Hierarchy of Needs and McGuire's Psychological motives. Maslow's Hierarchy of Needs is a macro theory that emphasizes how human needs can be the underlying factor of consumption.

It is based upon four premises. "The first premises is that all humans acquire the same set of motives through genetic making and social interaction". The Second is "some motives are more critical than others".

Thirdly, "The basic motives need to be satisfied before other motives are activated" and finally "when the basic motives are satisfied even more advanced motives can take place".

Graph demonstrates the hierarchy briefly and describes each level from the most basic Physiological needs to the more advanced Psychological needs.

Physiological needs: account for food, water, sleep and physiological motives. This covers all of a human's basic necessities in order to survive. The next level is Safety which includes physical safety and security, stability and familiar surroundings. This focuses on feeling satisfied and secure in an environment, an example of a consumer fulfilling their safety needs is organizing health care insurance or purchasing a house in a safe area.



Maslow's hierarchy of needs.

The following level is classed as a psychological requirement which is belongingness, this is reflected in the desire to love, hold friendships and be accepted in society. Ways in which consumers can feel belongingness is by attending a concert or visiting a museum.

Esteem is closely linked to this level as it highlights status and self-respect, these requirements relate to an individual's feelings of accomplishment and achievement. Finally the last level which is at the peak of the triangle, this is self-Actualisation. This stage involves an individual's yearning for self-fulfilment and strive to achieve their own full potential.

Maslow's theory proposed a new and innovative way of analysing the motivation of human behaviour. Consumer decisions are often led by the need for selfactualisation and can be used to explain the reason some items are purchased.

The second approach that is used to describe human motivation is found in McGuire's theory of Psychological Motives. He developed a system that classified theories into 16 different categories. His work has assisted marketers in their mission to separate motives that have the possibility to be involved in consumption circumstances. Motivation is divided into 4 categories with the use of 2 criteria. The first is the question "Is the mode of motivation cognitive or affective" and "Is the motive focused on preserving the status quo or focused on growth". The four categories are separated into different forms of motives: Cognitive, Affective, Preservationorientated and growth. They are then divided into categories based upon source and objective to the motive. These subdivided categories look to answer the following questions, "Is the behaviour initiated or is it a response" and "Is the behaviour internal or external in relation to its environment".

McGuire's model has a third criteria which distinguishes motives that are actively or internally aroused compared to those that are more passive. An example of McGuire's Cognitive Motives are seen below in table.

These categories are used to separate outcomes that are internal to an individual and those that are considered to be fixated on the relationship with the external environment.

Table: McGuire's psychological motives.

Cognitive Preservation Motives	Cognitive Growth Motives
Need for consistency (active, internal)	Need for Autonomy (active, internal)
Need for attribution (active, external)	Need for Stimulation (active, external)
Need to Categorize (passive, internal)	Teleological Need (passive, internal)
Need for Objectification (passive, External)	Utilitarian Need (passive, external)

Personality

Personality of a consumer drives an individual's behaviour to accomplish their goals in different situations. Analysts are able to look at personality as a variable to help predict the effects of individual traits on purchase and consumer behaviour. These differences enable marketers to provide a clear understanding of the characteristics consumers possess that are more determinant of behaviour.

It is a difficult task to achieve as every individual is so different, so in order for marketers to be effective they must create advertisements that have a strong appeal to consumers and allow them to think, "What product fits in well with my values, personality and lifestyle".

Personality can be defined as "consistent responses to environmental stimuli". In other words, it is a person's characteristic response tendencies that are repeated in similar situations. The manner in which a consumer responds to environmental stimuli is subject to an individual's psychological makeup. No two consumers are the same, they may have equal tension reduction but their levels in extroversion can be different which can lead them to engage in dissimilar behaviours.

The most useful theories based on personality that are important for marketers to be aware of are trait theories. Trait theories allow marketers to segment consumers based on personality differences. This theory proposes that an individual's personality is made up of predispositional attributes called traits. "A trait can be defined as a distinguishable way in which an individual can be differentiated from another". Marketers find traits such as risk taking and self- consciousness useful when planning strategies. These three assumptions describe the trait theory, the first is that all consumers have traits that are different from others that allows marketers to segment consumer markets. Secondly, these traits are stable throughout an individual's lifetime and finally traits can be gathered from the measurement of behavioural signs.

There are many different dimensions of this trait theory in existence, a common theory for marketers is called the Five Factor Model, which is a multi-trait personality theory. It is the most commonly used multi-trait approach which attempts to capture a significant amount of a consumer's personality using 5 different attributes.

The purpose of this model is to identify five basic traits that are formed through genetics and early childhood learning.

Table: Five factor model of personality.

Core Trait	Manifestation
Extroversion	Moody, Temperamental, Touchy
Agreebleness	Sympathetic, kind polite
Openness to experience	Imaginative, appreciation of art, find novel
Conscientiousness	Careful, precise, efficient

As seen in table above there are five core traits that manifest themselves in certain behaviours caused by different situations. This model has been useful in the way it has improved the understanding of behaviours such as bargaining, complaining and obsessive shopping. The advantage that the MultiApproach model brings is increased knowledge of the determinants of different behaviours, as the saying goes, "the more you know, the better you can satisfy the consumer".

Another theory that focuses more on one single aspect of a consumer's personality is called the Single Trait approach. It is used in order to identify a limited part of consumer behaviour, more so consumption related behaviours. Personality traits are closely related to motivation and can be the cause of certain behaviours.

There are three traits that are labelled as "needs" which are related to consumer behaviour that are called, "Consumer Ethnocentrism, Need for Cognition and need for Uniqueness".

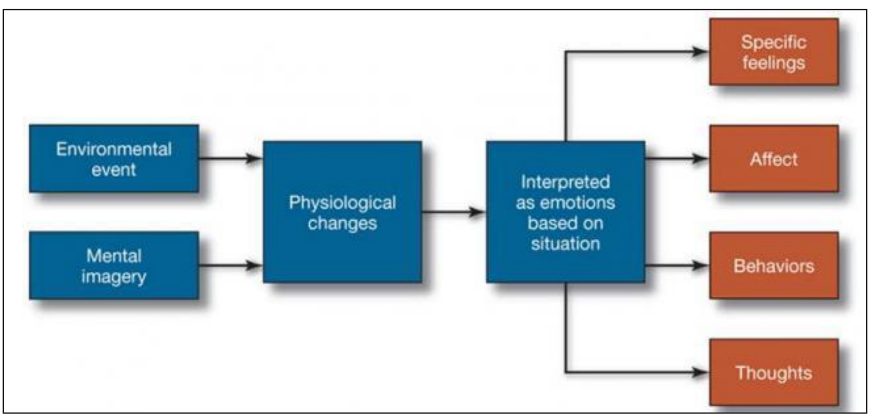
Consumer Ethnocentrism describes an individual's ability to create a bias opinion of the purchasing of foreign products. This can occur in consumers who are conservative and less open-minded about other cultural goods. Need for Cognition describes the levels of engagement and thinking that consumers enjoy in different situations. Individuals that have a high inclination for Cognition tend to enjoy processing information that is verbal rather than visual. Research made on (NFC) proved that women had higher levels of Need for Cognition than men, which is significant for media targeting. Moving on to "Need for Uniqueness", which describes individual differences in terms of the inclination to be different from others. To a certain individual, the uniqueness of a product is what draws their attention to the product regardless of whether the product is trendy, good quality or pricey. This need ties well with the marketing strategy "deliberate scarcity" which refers to limiting the amount of product manufactured to appeal to consumers who look for this uniqueness factor.

Emotion

Emotions can be defined as strong, uncontrollable feelings that have effect on behaviour. Emotions are closely associated to motivation and personality which makes emotions highly individual. If consumer needs are not attained, it often leads to negative emotions, causing anger, frustration or irritation however if a consumer's needs are attained this can lead to positive emotions such as happiness, excitement and contentment. It can be seen as a simple notion yet it is so often overlooked in advertisements that are poorly constructed.

Emotions play a major role in the consumption of products and if a brand produces advertisements that receive positive emotion it is likely that the product will gain consumer satisfaction and brand loyalty.

Consumers that are considered more emotional than others are affected by an increased amount of affect intensity. This refers to having stronger emotions that sway a consumer to be influenced by a marketing appeal. There are common elements involved in emotional experiences, these include emotions that are triggered by the environment, psychological changes such as pupil dilation and cognitive thought which is the ability to think rationally. Another component that is connected to emotion is behaviour. Behaviours vary across individuals immensely, nonetheless there particular behaviours that are associated with different emotions. These include: "avoidance responses, fear triggers, anger triggers, grief triggers etc.". The final component of emotion is "subjective feelings", which is the labels we attach to generic emotions such as happiness, sadness, anger and so forth. A specific "emotion" is seen to be an identifiable feeling and "affect" is seen to be the aspect of satisfaction or dissatisfaction.



Nature of emotions.

Graph demonstrates the nature of emotions and the effect the environment and mental imagery can have on an individual's emotions.

Emotions play an imperative role in marketing in relation to product advertising and retailing.

Emotions are seen to be the driving force in consumer arousal and retail benefit. Many consumers seek products that bring beneficial emotional arousal which can be found in books, films, music etc. There are many brands on the market that aim for consumer emotional arousal through their advertising campaigns and catchy slogans.

Conversely, there are products on the market that bring unpleasant arousal that lead to negative emotions such as over counter medications that treat depression and anxiety. "When consumer's experience emotions that are negative they can become eager to take part in consumption behaviours that lighten their mood."

There are not many people that look for unpleasant arousal when purchasing products so brands that produce products that have the opposite effect are great mood lifters. These could include personal grooming products which can lead to stress reduction or fitness programmes that promote healthy body image and selfesteem. So in a marketer's perspective creating associations between certain products and mood lightening effects will increase the likelihood that consumer's in a bad mood will purchase them.

Advertising can often lead to strong emotional arousal, marketers can use this method to engage with consumers regardless of the product they are promoting. Emotional branding strategy is a common advertising technique that many popular company's use to engage with consumers on a more personal level. Take Nike's story of heroism advertising campaign as an example, the use of heroism inspires consumers to fight the villain (laziness) and as their slogan goes, "Just do it".

This form of advertising is stimulating and motivating which heightens its appeal to consumers.

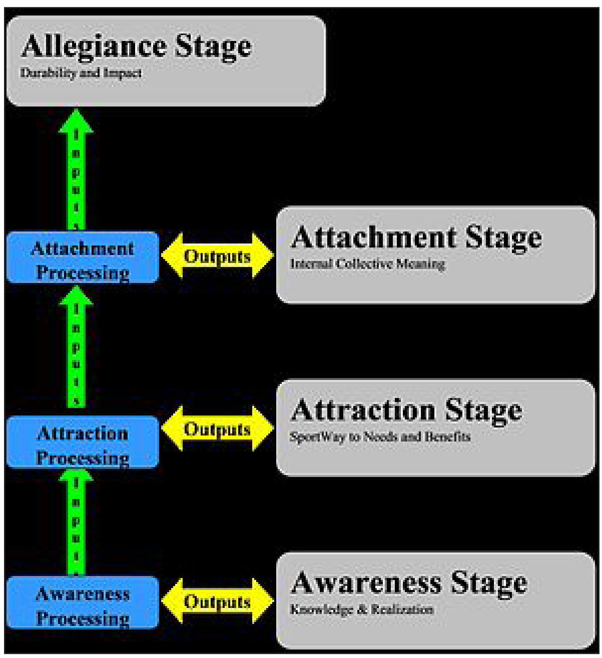
Nike's emotional branding strategy.

As seen in graph, Nike's branding celebrates achievement and encourages determination which leads to victory. This target's the consumer's desire for greatness and ultimately enhances their "attention, attraction and maintenance capabilities".These forms of advertising are noticed by more individuals comparing to advertisements that are neutral. As emotion is essentially increased psychological arousal, advertisements that utilise emotional branding impact consumers to become more alert and attentive which allows messages to be processed more thoroughly. As a result these advertisements will be better retained for recall.

Psychological Continuum Model

The psychological continuum model (PCM) is a framework to organise prior literature from various academic disciplines to explain sport and event consumer behaviour. The framework suggests four stages—awareness, attraction, attachment and allegiance—to describe how sport and event involvement progressively develops with corresponding behaviours (e.g., playing, watching, buying). The PCM uses a vertical framework to characterise various psychological connections that individuals form with objects to explain the role of attitude formation and change that directs behaviours across a variety of consumption activities. Explaining the how and why of sport and event consumer behaviour, it discusses how personal, psychological and environmental factors influence a wide range of sport consumption activities.

Framework



The figure shows the four stages of the PCM - awareness, attraction, attachment and allegiance. On each stage, there is a horizontal decision making process. Inputs (green arrows) influence the internal processing (blue boxes) that creates outputs (yellow arrows). The outcomes are shown in the four different stages of the PCM (grey boxes). The unique decision making process is based upon the level of involvement of the consumer towards a sport/team/event. The following sequence is shown in each stage:

Inputs --> Internal Processing <--> Output

The PCM framework states that, through the processing of internal and external inputs, individuals progress upward along the four psychological connection stages. The overall evaluation of an object at a specific stage is the product of the processing of personal, psychological and environmental factors.

Stages

Awareness

Awareness stands for the notion when an individual first learns that a certain sport, event or team exists. In this stage the individual has not formed a preference or favourite. The PCM suggests that awareness of sport, teams and events stems from formal and informal channels, for examples parents, friends, school and media. In most cases awareness begins during childhood, but can also derive from other socializing agents. The value placed on the specific sport and event from a societal perspective is important in the awareness stage. The examples of I know about football and I know about Liverpool FC illustrate the awareness stage box.

Attraction

In the attraction stage, the individual has a favourite sport, event, team or leisure hobby. Attraction is based upon a number of extrinsic and intrinsic motives. In other words, the sport, event, or leisure hobby provides the opportunity to satisfy needs and receive benefits. The motives stem from a combination of personal, psychological and environmental factors. The Attraction processing creates outcomes of positive affect and intentions, as well as engaging in consumption behaviour related to the sport and event. The examples of I like football and I like Liverpool FC illustrate the attraction stage box.

Attachment

In the attachment stage the benefits and the sport object are internalised taking on a collective emotional, functional, and symbolic meaning. The psychological connection towards a sport, event, team or leisure hobby strengthens. Internal processes become more important and the influence of socializing agents decreases. Examples for the attachment stage are I am a football player or I am a Liverpool Fan.

Allegiance

As the attachment processing continues, the internal collective meaning becomes more durable in terms of persistence and resistance and has greater impact on activities and behaviour. This is noted by the examples of I live for football and I live for Liverpool FC within the allegiance stage.

Howard Sheth Model

The Howard Sheth theory of buyer behaviour is a sophisticated integration of the various social, psychological and marketing influences on consumer choice into a coherent sequence of information processing. It aims not only to explain consumer behaviour in terms of cognitive functioning but to provide an empirically testable depiction of such behaviour and its outcomes.

Utilizing the learning theory thoroughly and systematically, John Howard came out with the first truly integrative model of buyer behaviour. He was the first to introduce the difference between problem solving behaviour, limited problem solving and automatic response behaviour. The model is essentially an attempt to explain brand choice behaviour over time and therefore especially pertinent to our field. Focussing on repeat buying, the model relies on four major components - stimulus inputs, hypothetical constructs, response outputs and exogenous variables.

These are the three levels of decision making:

- Extensive problem solving: Early stages of decision making in which the buyer has little information about brands and has not yet developed well defined and structured criteria by which to choose among products.
- Limited problem solving: This is a more advance stage, choice criteria are well defined but the buyer is still undecided about which set of brands will best serve him. Thus the consumer still experiences uncertainty about which brand is best.
- Routinized response behaviour: Buyers have well defined choice criteria and also have strong predispositions toward the brand. Little confusion exists in the consumer's mind and he is ready to purchase a particular brand with little evaluation of alternatives.

The model then borrows from learning concepts to explain brand choice behaviour over time as learning takes place and the buyer moves from exclusive to routinized problem solving behaviour.

The Input Variables

The input variables consist of informational cues about the attributes of a product or brand (i.e. quality, price, distinctiveness, service and availability). This informational cues may be significative if they influence the consumer directly through the brand's attributes or symbolic if they derive from the same factors as they are portrayed in the mass media and by salespeople, influencing the consumer in a indirect way. These two sources are commercial, in that they represent the efforts of the firm to build and project these values in the product. A third set of informational cues may come from the buyer's social environment, including the family, reference groups and social class - which are influences that are internalized by the consumer before they can affect the decision process.

Hypothetical Constructs

Hypothetical constructs have been classified in two groups - perceptual constructs and learning constructs. The first deals with the way the individual perceives and responds to the information from the input variables, accounting for stimulus ambiguity and perceptual bias. The second deals with the stages from the buyer motives to his satisfaction in a buying situation. The purchase intention is an outcome of the interplay of buyer motives, choice criteria, brand comprehension, resultant brand attitude and the confidence associated with the purchase decision. The motives are general or specific goals impelling to action, impinging upon the buyer intention are also the attitudes about the existing brand alternatives in the buyer's evoked set, which result in an arrangement of an order of preference regarding brands. Brand comprehension and the degree of confidence that the buyer has about it, choice criteria and buying intentions converge upon the intention to buy.

As a feedback component of learning, the model includes another learning construct-satisfaction which refers to the post purchase evaluation and resultant reinforcing of brand comprehension, attitudes etc.

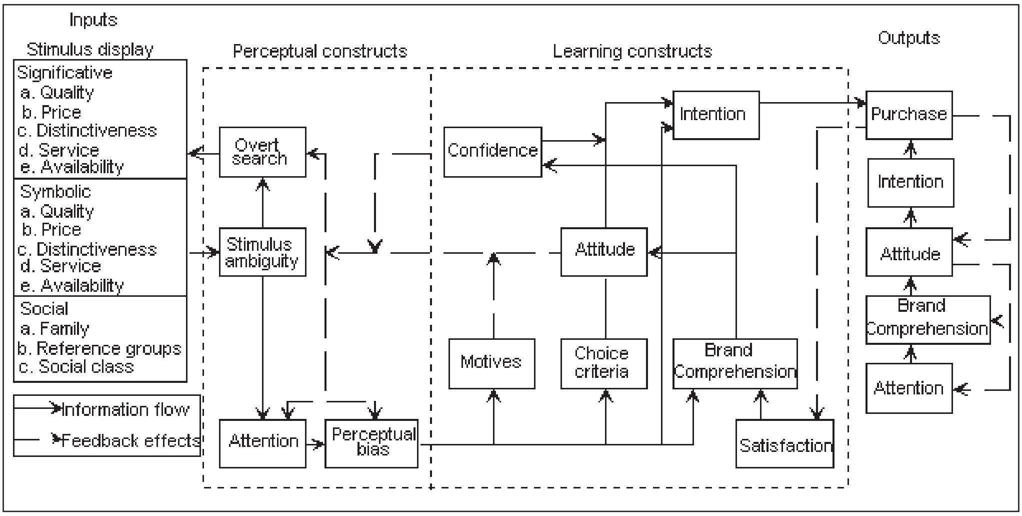
Output Variables

The five output variables in the right hand portion of the model are buyer's observable responses to stimulus inputs. They are arranged in order from Attention to Actual Purchase. The purchase is the actual, overt act of buying and is the sequential result of the attention (buyers total response to information intake), the brand comprehension, brand attitude (referring to the evaluation of satisfying potential of the brand) and the buyer intention (a verbal statement made in the light of the above externalising factors that the preferred brand will be bought the next time the buying is necessitated.

Exogenous Variables

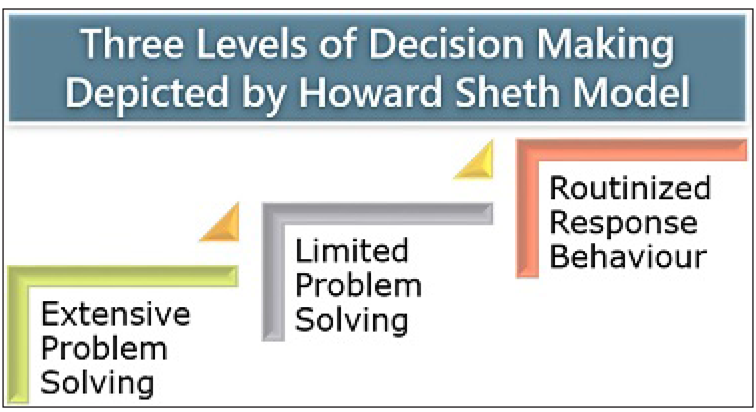
The model also includes some exogenous variables which are not defined but are taken as constant. These influence all or some of the constructs explained above and through them, the output. Some exogenous variables are importance of the purchase, time at the disposal of the buyer, personality traits, financial status etc.

Most scholars agree that the study of consumer behaviour was advanced and given an impetus by Howard Sheth Model. The major advantage and strength of the theory lied in the precision with which a large number of variables have been linked in the working relationships to cover most aspects of the purchase decision and the effective utilization of contribution from the behavioural sciences. The weakness stems from the fact that, there being substantial measurement error, the theory cannot be realistically tested. The distinction between the exogenous and endogenous variables is not clear cut. And some of these variables do not lend themselves easily to measurement and other defies precise definition.



Three Levels of Decision-making in Howard Sheth Model

The model has described the three significant stages of the buyer's decision-making or selection of a particular brand.



Extensive Problem Solving

This is the initial stage of decision-making, where the buyer is new to the market. He/she has no or little information about the brands and has no preference for a particular product or service.

Thus, a consumer is an information seeker at this level, who check out different brands available in the market, before making a buying decision.

Limited Problem Solving

At this level, the buyer has inadequate or incomplete information about the product, market or the brands operating in it. Sometimes the buyer is confused among the various alternatives.

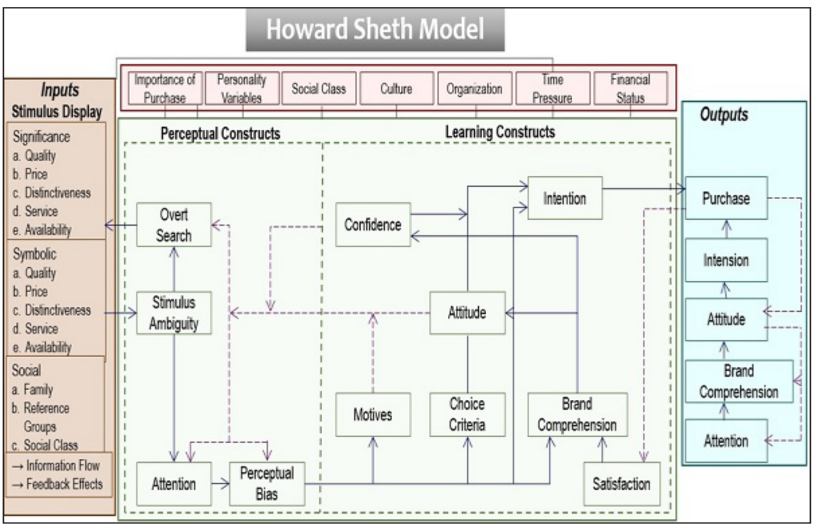
Therefore, to make a buying decision, he/she look for a comparative study of the different brands and the products available in the market.

Routinized Response Behaviour

The habitual response behaviour stage is where the buyer is entirely aware of the products offered by different brands and the features, pros and cons of each product.

He/she is capable of evaluating and comparing the multiple options available in the market.Here, the buyer decides in advance, which product is to be purchased.

To understand the Howard Sheth Model, we must have an idea of its arrangement.



Variables of Howard Sheth Model

Beginning with the stage of extensive problem solving, the buyer slowly converts into a regular customer of the organization, at the routinized response behaviour level.

This whole process of buyer's decision-making functions on four pillars of this model or the four essential elements of this model. These variables are elaborated below:

Input Variables

The stimulus inputs refer to the idea or information clue about the brand and its product in terms of product quality, distinctiveness, price, service offered and availability.

These can be further classified as follows:

- Significant Stimuli: The significant stimuli are the physical traits of the product and the brand. It includes the product's price, quality, availability, distinctive characteristics and service.
- Symbolic Stimuli: The marketing strategies like advertisement and publicity creates a psychological impact on the buyer's perception of a product's rhetorical and visible features.
- Social Stimuli: The social stimuli comprises of the various environmental factors which are considered as a source of information for the buyers. It includes family, social class and reference groups.

Hypothetical Constructs

The hypothetical constructs depict the central part of the model. It includes all those psychological variables which play a vital role in the buyer's decision-making process.

It can be further bifurcated into the following two categories:

Perceptual Constructs

These components define the consumer's procurement and perception of the information provided at the input stage.

It is an essential element since it drives the buyer's brand selection and purchases, which includes:

- Sensitivity to Information: The buyer's level of understanding or openness towards the information received by him/her.
- Perceptual Bias: On the grounds of individual perception of each brand, the buyer is partial towards a particular brand.
- Search for Information: The buyer also seeks for more information to ensure the right decision-making.

Learning Constructs

The learning constructs define the buyer's knowledge, opinion, attitude and end decision on product or brand selection.

Following are the various learning constructs of a buyer:

- Motive: The specific goal or purpose for which the product purchase is carried out.

- Choice Criteria: The set of principles or benchmarks defined for product selection.
- Brand Comprehension: The information about the product or brand pertained by the buyer.
- Attitude: The buyer's perspective and willingness to purchase a product of a particular brand defines his/her attitude.
- Confidence: The trust or faith of the buyer in a specific brand and its products builds his/her confidence.
- Intention: The buyer's purchase motive, preference criteria, brand comprehension, consumer attitude and confidence, results in the selection of a particular brand.
- Satisfaction: After-purchase, the buyer evaluates his/her level of contentment, to find out whether the product has fulfilled the expectations or not.

Output Variables

The output or as we say, the result of the buyer's decision-making can be seen in the form of his/her response towards the input variables.

It consists of five major components which are arranged systematically below:

- Attention: The buyer's level of concentration and alertness with which he/she understands the information provided, is termed as attention.
- Brand Comprehension: The awareness of the buyer regarding a particular brand and its products is known as brand comprehension.
- Attitude: The buyer's evaluation of a brand in terms of individual likes and dis-likes, determines his/her behaviour, interest and awareness towards it.
- Intention: The aim or objective of the buyer for purchasing a product can be seen as the buying intention.
- Purchase Behaviour: All the above elements result in the actual purchase of a product by the buyer.

Exogenous Variable

There are certain other external factors which influence the buying behaviour of an individual or a firm by hampering the product purchase of a prefered brand.

The exogenous variables are the environmental forces or components of this model. These are as follows:

- Importance of Purchase: If the buyer perceives the product to be less crucial, involving a low cost, then there is a little brand preference.

- Personality Variables: Personal traits like ego, self-esteem, anxiety, dominance, authoritarian, etc. influences a buyer's decision-making while purchasing a product.
- Social Class: A buyer's social group, including the family, friends and other reference groups impact the selection or rejection of a particular brand.
- Culture: The buyer's values, beliefs and ideas frame his/her purchase motive and inhibitors.
- Organization: The buyer's interaction with the social groups define their authority, status and power. The hypothetical constructs of a buyer are affected by such formal or informal communications.
- Time Pressure: The buyer, at times, is under the pressure of taking a timely decision, which makes him/her look for alternatives if the product of the preferred brand is unavailable at the moment.
- Financial Status: The buyer's inability to purchase a product or unaffordability restricts him/her from buying it.

Family Decision Making Model

Family decision making is a collective decision by the family, even if the individual is going to buy the product or service entirely with his/her own money.

Every individual has his/her own taste of buying and consumption. This pattern is largely inherited by the family or the people surrounding the individual. The buying behaviour of the individual depends a lot on age, gender, location, income and willingness to spend. The family members who comprise of parents, siblings, grandparents and relatives play a very important role in deciding what to buy and what not to buy. The person generally discusses with the family members before buying any product which largely influence his/her decision. Most of the economists have ignored the family decision making in their theories and concept which actually plays a huge role in demand of goods and services especially in country. For Ex- A bachelor guy may freely spend money on spirits & beverages, attending late night parties at bars and gadgets but once he gets married, his buying pattern changes. He is more interested in buying mutual funds, insurance or house. If there is a child, more money is spent on toys, nutritious food and education. Similarly, a wife/mother can also buy a men shirt or perfume for his husband or son which she could not have done as a single lady.

Individual members perform different roles in a family which ultimately leads to a unique buying tendency of the family as a whole. The roles are:

- Information Gatherers: These are the individual who share information about the product of relevance among the family members. These people have great power as they can selectively transfer information which they favour and discard any information which is not liked by them, thus playing a crucial role in family decision making.
- Influencers: These people do not have the power to buy things but they have a great power to influence the decision. For Ex- Children in family can really influence the decision for which movie to watch in movie theatre.
- Decision Maker: The decision maker has the power to decide whether to buy or not, what to buy, when to buy, where to buy, etc.
- Purchaser: The purchase is the one which actually purchase the items following the orders to decision maker. But it can also decide the product in case of unavailability of product or may/may not buy according to his/her will.

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

- Influencers: The members who influence the purchase of the product by providing information to the family members, the son in a family may inform the members of a new fast food joint. He can influence the family members to visit the joint for food and entertainment.
- Gate keepers: These members control the flow of information for a product or brand that they favour and influence the family to buy the product of their choice. They provide the information favourable to themselves and, withhold information about other product which they do not favour.
- Deciders: These are the people who have the power or, money and authority to buy. They play a major role in deciding which product to buy.
- Buyers: Buyers are the people who actually buy. A mother buying ration for the house etc. Father buying crayons for his children.

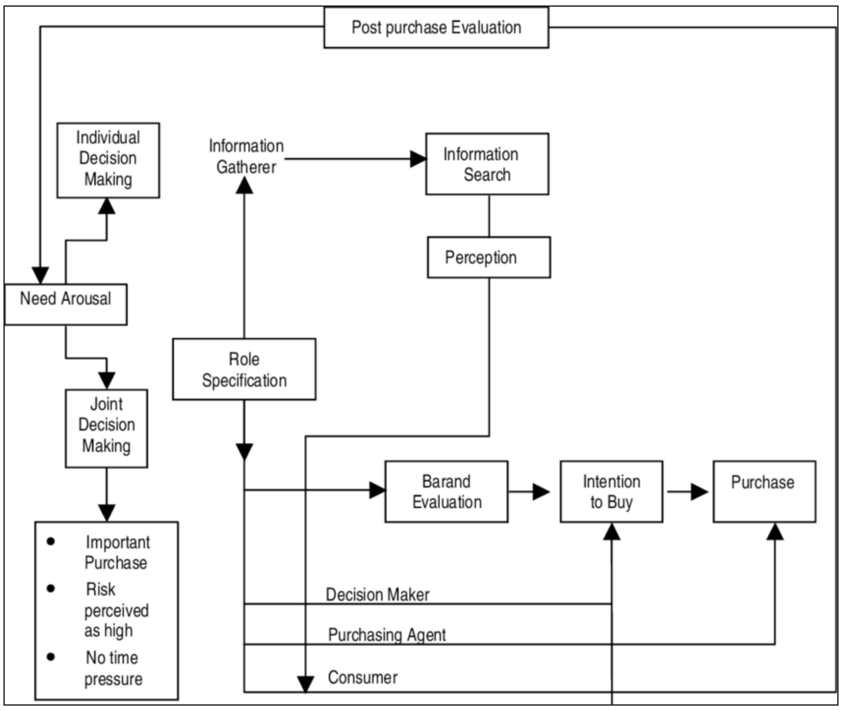
Preparers

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

User

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

The roles that the family members play are different from product to product. Some products do not involve the influence of family members vegetables bought by the house wife. She can play many roles of a decider, preparer as well as the user. In limited problem solving or extensive problem solving there is usually a joint decision by family members.



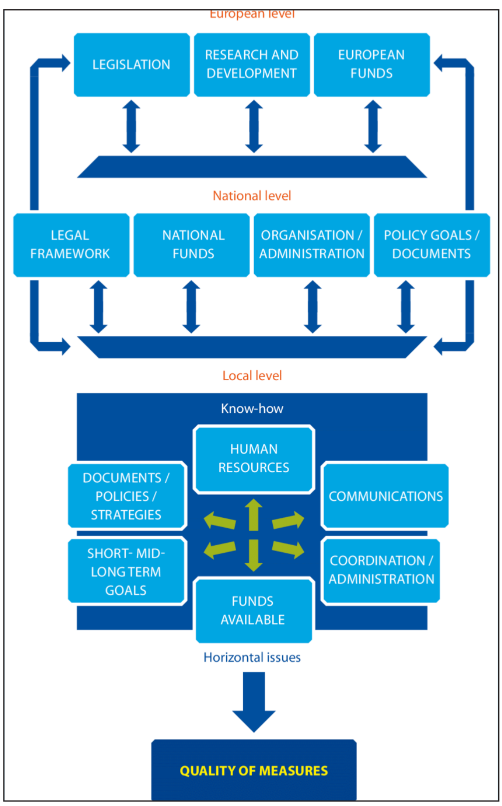
Engel-Blackwell-Kollat Model

The Engel-Blackwell-Kollat Model of Consumer Behavior was created to describe the increasing, fast-growing body of knowledge concerning consumer behavior. This model, like in other models, has gone through many revisions to improve its descriptive ability of the basic relationships between components and sub-components.

The Engel Kollat Blackwell Model of Consumer Behavior or consists of four distinct stages:

- Information Input Stage: At this stage the consumer gets information from marketing and non-marketing sources, which also influence the problem recognition stage of the decision-making process. If the consumer still does not arrive to a specific decision, the search for external information will be activated in order to arrive to a choice or in some cases if the consumer experience dissonance because the selected alternative is less satisfactory than expected.

- Information Processing Stage: This stage consists of the consumer's exposure, attention, perception, acceptance, and retention of incoming information. The consumer must first be exposed to the message, allocate space for this information, interpret the stimuli, and retain the message by transferring the input to long-term memory.
- Decision Process Stage: The central focus of the model is on five basic decision-process stages: Problem recognition, search for alternatives, alternate evaluation (during which beliefs may lead to the formation of attitudes, which in turn may result in a purchase intention) purchase, and outcomes. But it is not necessary for every consumer to go through all these stages; it depends on whether it is an extended or a routine problem-solving behavior.
- Variables Influencing the Decision Process: This stage consists of individual and environmental influences that affect all five stages of the decision process. Individual characteristics include motives, values, lifestyle, and personality; the social influences are culture, reference groups, and family. Situational influences, such as a consumer's financial condition, also influence the decision process.



It can be seen that many of the elements of the model are similar to Howard Sheth model of consumer behavior, however the structure of presentation and relationship between the variables differs somewhat.

The Engel Kollat Blackwell Model of Consumer Behavior incorporates many items, which influence consumer decision-making such as values, lifestyle, personality and culture. The model did not show what factors shape these items, and why different types of personality can produce different decision-making? How will we apply these values to cope with different personalities? Religion can explain some behavioral characteristics of the consumer, and this will lead to better understanding of the model and will give more comprehensive view on decision-making.

Nicosia Model

Nicosia Model of Consumer Behavior was developed in 1966, by Professor Francesco M. Nicosia, an expert in consumer motivation and behavior. This model focuses on the relationship between the firm and its potential consumers. The model suggests that messages from the firm (advertisements) first influences the predisposition of the consumer towards the product or service. Based on the situation, the consumer will have a certain attitude towards the product. This may result in a search for the product or an evaluation of the product attributes by the consumer. If the above step satisfies the consumer, it may result in a positive response, with a decision to buy the product otherwise the reverse may occur. Looking to the model we will find that the firm and the consumer are connected with each other, the firm tries to influence the consumer and the consumer is influencing the firm by his decision.

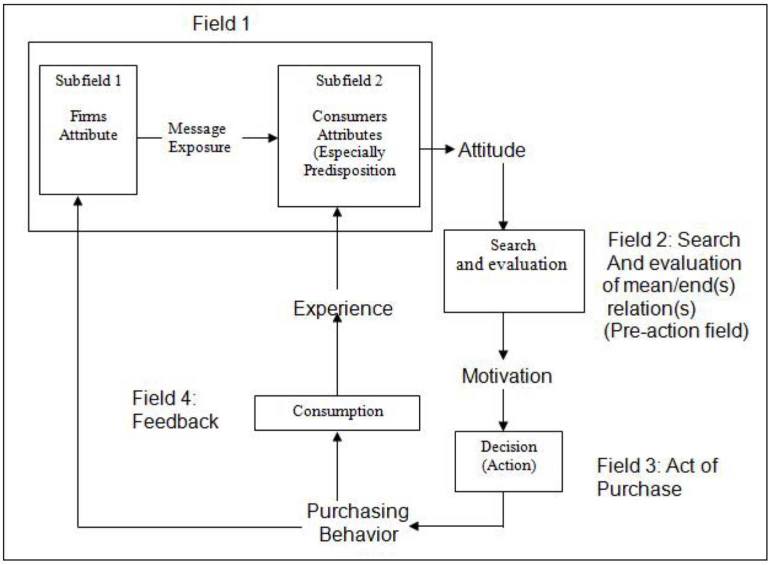
The Nicosia model of Consumer Behavior is divided into four major fields:

- Field 1: The firm's attributes and the consumer's attributes. The first field is divided into two subfields. The first subfield deals with the firm's marketing environment and communication efforts that affect consumer attitudes, the competitive environment, and characteristics of target market. Subfield two specifies the consumer characteristics e.g., experience, personality, and how he perceives the promotional idea toward the product in this stage the consumer forms his attitude toward the firm's product based on his interpretation of the message.

- Field 2: Search and evaluation. The consumer will start to search for other firm's brand and evaluate the firm's brand in comparison with alternate brands. In this case the firm motivates the consumer to purchase its brands.

- Field 3: The act of the purchase. The result of motivation will arise by convincing the consumer to purchase the firm products from a specific retailer.

- Field 4: Feed back of sales results. This model analyses the feedback of both the firm and the consumer after purchasing the product. The firm will benefit from its sales data as a feedback, and the consumer will use his experience with the product affects the individuals attitude and predisposition's concerning future messages from the firm.



With this model Nicosia was able to represent consumer's behavior when receivers of a message and has agents in the buying process generated by that flow of information from a company.

The Nicosia model of consumer behavior offers no detail explanation of the internal factors, which may affect the personality of the consumer, and how the consumer develops his attitude toward the product. For example, the consumer may find the firm's message very interesting, but virtually he cannot buy the firm's brand because it contains something prohibited according to his beliefs. Apparently it is very essential to include such factors in the model, which give more interpretation about the attributes affecting the decision process.

Stage 1

Problem Recognition

The buying process starts when the buyer recognizes a problem or need. This need can be triggered by internal stimuli (such as feeling hungry or thirsty) or external stimuli (such as seeing an advertisement) that then becomes a drive.

By gathering information from a number of consumers, markets can identify the most frequent stimuli that spark interest in a product category. They can then develop marketing strategies that triggers consumer interest and lead to the second stage in the buying process. An aroused customer who recognizes a problem will be inclined to search for more information. We can distinguish between two levels of arousal.

At the milder search strategy heightened attention, a person simply becomes more receptive to information about a product. At the active information search level, a person surfs the internet, talks with friends and visits stores to learn more about the product.

Consumer Sources

Family, friends, neighbors and acquaintances.

Commercial Sources

Advertising, web sites, sales persons, dealers, packaging, displays.

Public Sources

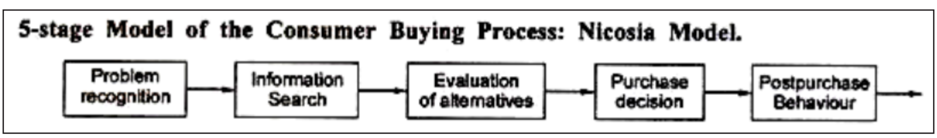
Mass Media, consumer-rating, organizations.

Experimental Sources

Handling, examining, using the product.

The consumer usually receives the most information from commercial (marketer-dominated) sources, although the most influential information comes from personal sources.

Stage 2



Stage 3

Evaluation of Alternatives

Once the consumer has conducted an information search, how does he process competitive brand information and make a final judgment? There are several evaluation processes; the most current models view the process as being cognitively oriented, meaning that consumers form judgments largely on a conscious and rational basis.

When the consumer tries to satisfy a need, he seeks certain benefits from the product and he sees each product as a bundle of attributes with varying abilities of delivering the benefits to satisfy this need. A person wanting to buy a camera may like to see picture sharpness, camera size, and price etc.

Knowing that customers pay, the most attention to attributes that deliver the benefits they seek, many successful marketers segment their markets according to the attributes that are salient to different consumer groups.

In the course of evaluating alternatives the consumer develops a set of brand beliefs about where each brand stands on each attribute. The set of beliefs about a particular brand, which make up the brand image, will vary with the customer's experiences as filtered by the effects of selective perception, selective distortion and selective retention. Ultimately, consumers develop attitudes towards various brand alternatives through an attribute evaluation procedure.

Stage 4

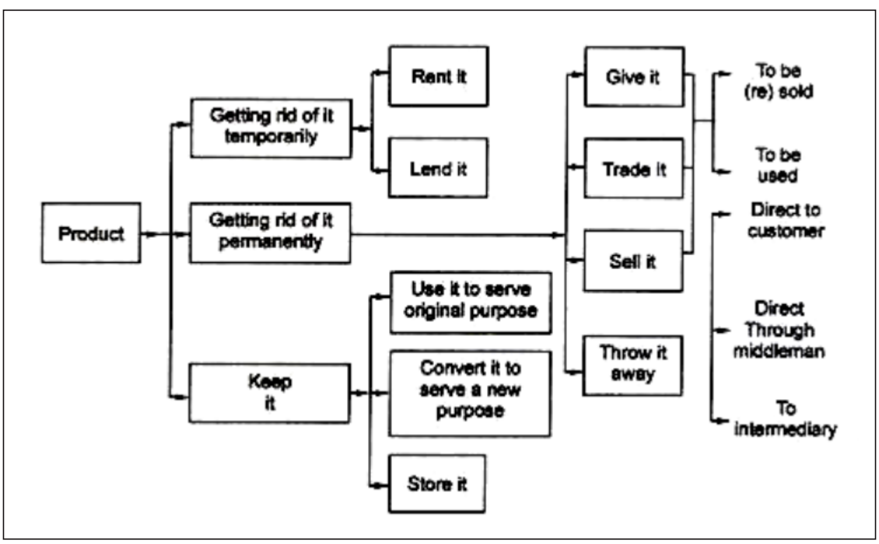
Purchase Decision

In the evaluation stage, the consumer forms preferences among the brands in the choice set and may also form an intention to buy the most preferred brand. However, two factors can intervene between the purchase intention and the purchase decision.

The first factor is the attitudes of others i.e., family members or friends. The second factor is unanticipated situational factors, i.e., sudden death or birth in the family, sudden loss of job etc. Smart marketers study, the factors that provoke a feeling of risk in consumers and then provide information and support to reduce the perceived risk.

Stage 5

Post Purchase Behaviour



After purchasing the product, the consumer moves into the final stage of the consumer buying process, in which he will experience some level of satisfaction or dissatisfaction. This is why the marketer's job does not end when the product is bought.

In particular, marketers must monitor post purchase satisfaction, post-purchase action and post purchase product uses. Satisfied customers tend to say good things about the brand to others, which is why many marketers say "our best advertisement is a satisfied customer". Dissatisfied customers, on the other hand, may abandon or return the product, seek information that confirms its high value, take public action by complaining to the company or taking the course of law.

Marketers use post purchase communications to buyers as a way to reduce product returns or order cancellations. They seek customer suggestions for improvements and providing channels for speedy resolution of customer complaints.

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Consumer Decision Making

3

- **Buyer Decision Process**
- **Consumer Decision Making Process**
- **Levels of Consumer Decision Making**

Consumer decision making is a process in which the consumers identify their needs, evaluate alternatives, gather information and then make their buying decision. There are various factors which influence consumer decision making such as economical, psychological and environmental factors. This chapter has been carefully written to provide an easy understanding of the varied facets of consumer decision making.

Consumer Decision making is a process through which the customer selects the most appropriate product out the several alternatives.

The Consumer decision making process consists of a series of steps that a buyer goes through in order to solve a problem or satisfy a need. They are as follows:

- Need/Problem Recognition: A purchase process starts with a need, a problem or a motive within a consumer`s mind. Any internal or external stimulus may drive a customer to believe that he lacks something and motivates him to look for something that will satisfy his need or solve his problem.
- Information Search: When a need/problem receives heightened attention from a buyer, he become more receptive about information that may solve his problem and starts gathering data about products/services that will satisfy this need. He uses his personal sources (friends, family, peers etc.) and commercial sources (radio, T.V., newspapers, internet etc.) to look for relevant information.
- Evaluation of Alternatives: After collecting information from various sources, the customer evaluates the benefits and disadvantages of various product alternatives and develops a set of choices regarding the product attributes, brand, store etc. that suit his/her needs, taste & preference, personality, lifestyle etc.

- Selection and Trial: After keeping a set of choices in mind the customer makes the first product trial. He may buy different products in small quantities (1 kg, 1 packet, 1 bottle) or actually use products individually for some time (tasting food, inspecting phones, taking a test drive) to form an opinion and develop an attitude towards the product.
- Purchase Decision: When the customer believes that a product or service offers the best solution to his need or problem, he makes the actual purchase. This includes making a product choice, choosing a brand, a dealer and deciding the amount and time of purchase.
- Post Purchase Dissonance/Behaviour: A person seeks reassurance after making a purchase. A purchase generally has the following three outcomes:
    - Actual Performance is equal to expected performance: Customer`s behaviour is natural as the product performed according to his expectations. This leads to repeat purchases.
    - Actual Performance is less than expected performance: The customer is dissatisfied as the product did not meet his expectations and hence he rejects the product.
    - Actual Performance is more than expected performance: This leads to customer delight/satisfaction as the product performance is better than his expectations. This leads to customer loyalty.

Levels of Consumer Decision Making

- Extensive Problem Solving: Consumers are highly involved in the product and critically evaluate the product on the basis of established product criteria that will fulfill his/her need.
- Limited Problem Solving: Consumer conducts a general search for a product that will satisfy his/her basic product criteria from a selected group of brands.
- Routine Response Behaviour: The consumer has very low involvement in the product and he selects any product or brand that fulfills the basic need.

Models/Four Views of Consumer Decision Making

- Economic View or Model: This model assumes that a consumer is rational person and he takes rational decisions. He compares various products, evaluates its benefits and disadvantages, and then makes a purchase decision on the basis of information collected. He is aware of all product alternatives and is capable of ranking products in terms of benefits and disadvantages. However this model is considered unrealistic as people are limited by skills, habits, existing values and perceptions and they are not always rational when making a purchase decision.

- Passive View or Model: This model assumes that the consumers take decisions according to the promotional efforts of the marketers and respond directly to the sales and advertisement appeals offered by the marketers. It is opposite to the economic model, as it assumes people will evaluate a product depending upon how it is promoted and positioned in the market. However this model is also unrealistic as the consumers are capable of collecting and evaluating information about product alternatives and then making a purchase.
- Cognitive View or Model: The cognitive view is the best of the four models of consumer decision making. This model states that the consumers make decisions on the basis of their own interests and understanding of the market demand and not according to their rational needs or promotional efforts of the marketers. Every marketer must help consumers to develop a short-cut decision rules that shorten the decision making process and lead to instant purchases.
- Emotional View or Model: The Emotional model states that all consumers are emotional and act upon their emotions while making a purchase decision. Consumers make more impulsive purchases when they relate themselves with a product or service. They take less time to think whether the product is necessary for them or not, but develops negative or positive emotions related with the product. Hence products that bring negative emotions are avoided and products that bring positive emotions in a consumer are bought by him.

Consumer Decision Rules

- Compensatory Decision Rule: In such a decision rule the consumer evaluates each brand in terms of each relevant attribute and then selects the brand with the highest score.

  Result: Consumer selects a product after carefully evaluating all product attributes and balancing the pros and cons of each attribute.
- Non-compensatory Decision Rule: According to this decision rule, a positive evaluation of a brand or product attribute does not compensate for negative evaluation of the same brand or product on some other attribute i.e. a positive attribute of the product does not make the consumer overlook the negative attributes of the product.
- Conjunctive Decision Rule: Consumers establish a minimum cut-off point for each product attribute and brands that fall below the cut-off point on any one attribute are not considered.

Result: Consumer selects a product which has no negative attributes or bad features.

- Disjunctive Decision Rule: Consumers establish minimum cut-off points for only those product attributes that are relevant to him.

  Result: Consumer selects a product that excels in at least one attribute.

- Lexicographic Rule: Consumers first rank the product attributes in terms of importance and then compares the important attributes.

  Result: Consumer selects the product that excels in the attribute that is important to the consumer.

- Affect Referral Decision Rule: A type of consumer decision rule in which a consumer makes a product choice on the basis of his previously established experience and rating of the product/brand rather than on specific attributes.

Buyer Decision Process

The buying decision process is the decision-making process used by consumers regarding the market transactions before, during, and after the purchase of a good or service. It can be seen as a particular form of a cost–benefit analysis in the presence of multiple alternatives.

Common examples include shopping and deciding what to eat. Decision-making is a psychological construct. This means that although a decision cannot be “seen”, we can infer from observable behavior that a decision has been made. Therefore, we conclude that a psychological “decision-making” event has occurred. It is a construction that imputes a commitment to action. That is, based on observable actions, we assume that people have made a commitment to effect the action.

Nobel laureate Herbert A. Simon sees economic decision-making as a vain attempt to be rational. He claims that if a complete analysis is to be done, a decision will be immensely complex. He also says that peoples’ information processing ability is limited. The assumption of a perfectly rational economic actor is unrealistic. Consumers are influenced by emotional and nonrational considerations making attempts to be rational only partially successful.

Stages

The stages of the buyer decision process were first introduced by John Dewey in 1910. Later studies expanded upon Dewey’s initial finding. Engel, Blackwell and Kollat in.

Consumers shopping at London's Burlington Arcade engage in a variety of recreational and functional purchasing activities - from window shopping through to transporting their purchases homewards.

- Problem/Need Recognition: Recognize what the problem or need is and identify the product or type of product which is required. Page text.
- Information Search: The consumer researches the product which would satisfy the recognized need.
- Evaluation of Alternatives: The consumer evaluates the searched alternatives. Generally, the information search reveals multiple products for the consumer to evaluate and understand which product would be appropriate.
- Purchase Decision: After the consumer has evaluated all the options and would be having the intention to buy any product, there could be now only two things which might just change the decision of the consumer of buying the product that is what the other peers of the consumer think of the product and any unforeseen circumstances. Unforeseen circumstances for example, in this case, could be financial losses which led to not buying of the product.
- Post Purchase Behavior: After the purchase, the consumer may experience post-purchase dissonance feeling that buying another product would have been better. Addressing post-purchase dissonance spreads the good word for the product and increases the chance of frequent repurchase.

These five stages are a framework to evaluate customers' buying decision process. While many consumers pass through these stages in a fixed, linear sequence, some stages such as evaluation of alternatives may occur throughout the purchase decision. The time and effort devoted to each stage depend on a number of factors including the perceived risk and the consumer's motivations. In the case of an impulse purchase, such as the purchase of a chocolate bar as a personal treat, the consumer may spend minimal time engaged in information search and evaluation and proceed directly to the actual purchase.

Problem/Need-recognition

Problem/Need-recognition is the first and most important step in the buying decision. Without the recognition of the need, a purchase cannot take place. The need can be triggered by internal stimuli (e.g. hunger, thirst) or external stimuli (e.g. advertising). Maslow held that needs are arranged in a hierarchy. According to Maslow's hierarchy, only when a person has fulfilled the needs at a certain stage, can he or she move to the next stage. The problem must be the products or services available. It's how the problem must be recognized.

Information Search

The information search stage is the next step that the customers may take after they have recognized the problem or need in order to find out what they feel is the best solution. This is the buyer's effort at searching the internal and external business environments to identify and observe sources of information related to the focal buying decision. The field of information has come a long way in the last forty years, and has enabled easier and faster information discovery. Consumers can rely on print, visual, and voice media for getting information.

Evaluation of Alternatives

Shoppers inspect the quality of fresh produce at a market in Jerusalem.

At this stage, consumers evaluate different products/brands on the basis of varying product attributes, and whether these can deliver the benefits that the customers are seeking. This stage is heavily influenced by one's attitude, as "attitude puts one in a frame of mind: liking or disliking an object, moving towards or away from it". Another factor that influences the evaluation process is the degree of involvement. For example, if the customer involvement is high, then he/she will evaluate a number of brands; whereas if it is low, only one brand will be evaluated.

Customer involvement	High	Medium	Low
Characteristics	High	Medium	Low
Number of brands examined	Many	Several	Few

Number of sellers considered	Many	Several	Few
Number of product attributes evaluated	Many	Moderate	One
Number of external information sources used	Many	Few	None
Time spent searching	Considerable	Little	Minimal

Purchase Decision

This is the fourth stage, where the purchase takes place. According to Kotler, Keller, Koshy, and Jha, the final purchase decision can be disrupted by two factors: negative feedback from other customers and the level of motivation to comply or accept the feedback. For example, after going through the above three stages, a customer chooses to buy a Nikon D80 DSLR camera. However, because his good friend, who is also a photographer, gives him negative feedback, he will then be bound to change his preference. Secondly, the decision may be disrupted due to unanticipated situations such as a sudden job loss or the closing of a retail store.

Post-purchase Behavior

These stages are critical to retaining customers. In short, customers compare products with their expectations and are either satisfied or dissatisfied. This can then greatly affect the decision process for a similar purchase from the same company in the future, mainly at the information search stage and evaluation of alternatives stage. If customers are satisfied, this results in brand loyalty, and the information search and evaluation of alternative stages are often fast-tracked or skipped completely. As a result, brand loyalty is the ultimate aim of many companies.

On the basis of either being satisfied or dissatisfied, a customer will spread either positive or negative feedback about the product. At this stage, companies should carefully create positive post-purchase communication to engage the customers.

Also, cognitive dissonance (consumer confusion in marketing terms) is common at this stage; customers often go through the feelings of post-purchase psychological tension or anxiety. Questions include: “Have I made the right decision?”, “Is it a good choice?”, etc.

Models of Buyer Decision-making

Making a few last minute decisions before purchasing a gold necklace from a Navy Exchange vendor.

There are generally three ways of analyzing consumer buying decisions:

- Economic models: Largely quantitative and are based on the assumptions of rationality and near perfect knowledge. The consumer is seen to maximize its utility can also be used in some circumstances.

- Psychological models: Psychological and cognitive processes such as motivation and need recognition. They are qualitative rather than quantitative and build on sociological factors like cultural influences and family influences.
- Consumer behavior models: Practical models used by marketers. They typically blend both economic and psychological models.

In an early study of the buyer decision process literature, Frank Nicosia identified three types of buyer decision-making models. They are the univariate model (He called it the "simple scheme".) in which only one behavioral determinant was allowed in a stimulus-response type of relationship; the multi-variate model (He called it a "reduced form scheme".) in which numerous independent variables were assumed to determine buyer behavior; and finally the "system of equations" model (He called it a "structural scheme" or "process scheme".) in which numerous functional relations (either univariate or multivariate) interact in a complex system of equations. He concluded that only this third type of model is capable of expressing the complexity of buyer decision processes. In chapter 7, Nicosia builds a comprehensive model involving five modules. The encoding module includes determinants like "attributes of the brand", "environmental factors", "consumer's attributes", "attributes of the organization", and "attributes of the message". Other modules in the system include consumer decoding, search and evaluation, decision, and consumption.

Some neuromarketing research papers examined how to approach motivation as indexed by electroencephalographic (EEG) asymmetry over the prefrontal cortex predicts purchase decision when brand and price are varied. In a within-subjects design, the participants have presented purchase decision trials with 14 different grocery products (seven private labels and seven national brand products) whose prices were increased and decreased while their EEG activity was recorded. The results showed that relatively greater left frontal activation (i.e., higher approach motivation) during the decision period predicted an affirmative purchase decision. The relationship of frontal EEG asymmetry with purchase decision was stronger for national brand products compared with private label products and when the price of a product was below a normal price (i.e., implicit reference price) compared with when it was above a normal price. The higher perceived need for a product and higher perceived product quality were associated with greater relative left frontal activation.

For any high-involvement product category, the decision-making time is normally long and buyers generally evaluate the information available very cautiously. They also utilize an active information search process. The risk associated with such a decision is very high.

Cognitive and Personal biases in Decision-making

It is generally agreed that biases can creep into our decision-making processes, calling into question the correctness of a decision. Below is a list of some of the more common cognitive biases.

- Selective search for evidence: We tend to be willing to gather facts that support certain conclusions but disregard other facts that support different conclusions.
- Selective perception: We actively screen out information that we do not think is salient.
- Premature termination of search for evidence: We tend to accept the first alternative that looks like it might work.
- Conservatism and inertia: Unwillingness to change thought patterns that we have used in the past in the face of new circumstances.
- Experiential limitations: Unwillingness or inability to look beyond the scope of our past experiences; rejection of the unfamiliar.
- Wishful thinking or optimism: We tend to want to see things in a positive light and this can distort our perception and thinking.
- Recency: We tend to place more attention on more recent information and either ignore or forget more distant information.
- Repetition bias: A willingness to believe what we have been told most often and by the greatest number of different sources.
- Anchoring: Decisions are unduly influenced by initial information that shapes our view of subsequent information.
- Group think: Peer pressure to conform to the opinions held by the group.
- Credibility bias: We reject something if we have a bias against the person, organization, or group to which the person belongs: We are inclined to accept a statement by someone we like.
- Incremental decision-making and escalating commitment: We look at a decision as a small step in a process and this tends to perpetuate a series of similar decisions. This can be contrasted with zero-based decision-making.
- Inconsistency: The unwillingness to apply the same decision criteria in similar situations.
- Attribution asymmetry: We tend to attribute our success to our abilities and talents, but we attribute our failures to bad luck and external factors. We attribute other's success to good luck and their failures to their mistakes.

- Role fulfillment: We conform to the decision-making expectations that others have of someone in our position.
- Underestimating uncertainty and the illusion of control: We tend to underestimate future uncertainty because we tend to believe we have more control over events than we really do.
- Faulty generalizations: In order to simplify an extremely complex world, we tend to group things and people. These simplifying generalizations can bias decision-making processes.
- Ascription of causality: We tend to ascribe causation even when the evidence only suggests a correlation. Just because birds fly to the equatorial regions when the trees lose their leaves, does not mean that the birds migrate because the trees lose their leaves.

Consumer Decision Making Process

Need Recognition

Need recognition is not only an important concept in consumer buying behavior but also in marketing. Need recognition is the first step in consumer buying behavior and is also called problem identification. It occurs when a consumer discovers an unmet need that must be fulfilled. The conceptual difference between a need and a want has important implications for marketing. A need is a specific requirement you have to live and function in society. Needs can be physiological, personal, or socio-economic. Examples of needs include food, shelter, transportation, wealth, power, and social status. A want, on the other hand, is a means by which needs are satisfied. A steak fulfills the need for food, a house fulfills the need for shelter, a car fulfills your transportation needs, investment products can provide you wealth, and some products indicate power and status.

The Consumer Decision Processes (also known as Buyer Decision Processes) refer to the decision-making stages that a consumer undergoes before, during, and after they purchase a product or service. John Dewey introduced 5 stages which consumers go through when they are considering a purchase:

- Problem or need recognition.
- Information search.
- Evaluation of alternatives.
- Purchase.
- Post-purchase behavior.

Problem or Need Recognition

This is the first stage of the Consumer Decision Process in which the consumer is able to recognize what the problem or need is and subsequently, what product or kind of product would be able to meet this need. It is oftentimes recognized as the first and most crucial step in the process because if consumers do not perceive a problem or need, they generally will not move forward with considering a product purchase.

Making a Decision: When making a decision, a person first needs to identify and define the problem.

A need can be triggered by internal or external stimuli. Internal stimuli refer to a personal perception experienced by the consumer, such as hunger, thirst, and so on. For example, an elderly, single woman may feel lonely so she decides that she wants to purchase a cat. External stimuli include outside influences such as advertising or word-of-mouth. For example, a consumer who just moved to Minnesota may not realize he needs a heavy winter coat until he sees store advertising for it, which triggers the need in his mind.

Maslow's Hierarchy of Needs

American Psychologist Abraham Harold Maslow believes that needs are arranged in a hierarchy. Only after a human has achieved the needs of a certain stage, does he move to the next one. None of his published works included a visual representation of the hierarchy. The pyramidal diagram illustrating the Maslow needs hierarchy may have been created by a psychology textbook publisher as an illustrative device.

Abraham Maslow: Abraham Harold Maslow was an American Psychology professor who created Maslow's Hierarchy of Needs.

This now iconic pyramid frequently depicts the spectrum of human needs, both physical and psychological, as accompaniment to articles describing Maslow's needs theory and may give the impression that the Hierarchy of Needs is a fixed and rigid sequence of progression. Maslow described human needs as being relatively fluid—with many needs being present in a person simultaneously.

According to Maslow's theory, when a human being ascends the levels of the hierarchy having fulfilled the needs in the hierarchy, one may eventually achieve self-actualization. Maslow eventually concluded that self-actualization was not an automatic outcome of satisfying the other human needs. Human needs as identified by Maslow:

- At the bottom of the hierarchy are the "Basic needs or Physiological needs" of a human being: food, water, sleep and sex.
- The next level is "Safety Needs: Security, Order, and Stability". These two steps are important to the physical survival of the person.
- Once individuals have basic nutrition, shelter and safety, they attempt to accomplish more. The third level of need is "Love and Belonging", which are psychological needs; when individuals have taken care of themselves physically, they are ready to share themselves with others, such as with family and friends.
- The fourth level is achieved when individuals feel comfortable with what they have accomplished. This is the "Esteem" level, the need to be competent and recognized, such as through status and level of success.
- Then fifth is the "Cognitive" level, where individuals intellectually stimulate themselves and explore.
- Finally, there is the "Aesthetic" level, which is the need for harmony, order and beauty.

At the top of the pyramid, "Need for Self-actualization" occurs when individuals reach a state of harmony and understanding because they are engaged in achieving their full potential.

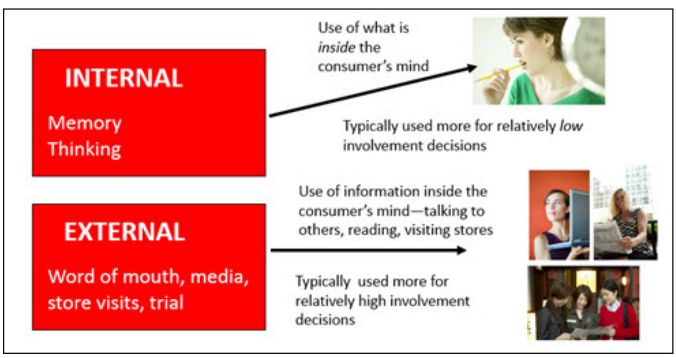
Information Search and Decision Making

Consumers engage in both internal and external information search.

Internal search involves the consumer identifying alternatives from his or her memory. For certain low involvement products, it is very important that marketing programs achieve "top of mind" awareness. For example, few people will search the Yellow Pages for fast food restaurants; thus, the consumer must be able to retrieve one's restaurant from memory before it will be considered. For high involvement products, consumers are more likely to use an external search. Before buying a car, for example, the consumer may ask friends' opinions, read reviews in Consumer Reports, consult several web sites, and visit several dealerships. Thus, firms that make products that are selected predominantly through external search must invest in having information available to the consumer in need—e.g., through brochures, web sites, or news coverage.

A compensatory decision involves the consumer "trading off" good and bad attributes of a product. For example, a car may have a low price and good gas mileage but slow acceleration. If the price is sufficiently inexpensive and gas efficient, the consumer may then select it over a car with better acceleration that costs more and uses more gas. Occasionally, a decision will involve a non-compensatory strategy. For example, a parent may reject all soft drinks that contain artificial sweeteners. Here, other good features such as taste and low calories cannot overcome this one "non-negotiable" attribute.

The amount of effort a consumer puts into searching depends on a number of factors such as the market (how many competitors are there, and how great are differences between brands expected to be?), product characteristics (how important is this product? How complex is the product? How obvious are indications of quality?), consumer characteristics (how interested is a consumer, generally, in analyzing product characteristics and making the best possible deal?), and situational characteristics.



Appeoaches to Search for Problem Solutions.

Two interesting issues in decisions are:

- Variety seeking (where consumers seek to try new brands not because these brands are expected to be "better" in any way, but rather because the consumer wants a "change of pace," and
- "Impulse" purchases—unplanned buys. This represents a somewhat "fuzzy" group. For example, a shopper may plan to buy vegetables but only decide in the store to actually buy broccoli and corn. Alternatively, a person may buy an item which is currently on sale, or one that he or she remembers that is needed only once inside the store.

A number of factors involve consumer choices. In some cases, consumers will be more motivated. For example, one may be more careful choosing a gift for an in-law than when buying the same thing for one self. Some consumers are also more motivated to comparison shop for the best prices, while others are more convenience oriented. Personality impacts decisions. Some like variety more than others, and some are more receptive to stimulation and excitement in trying new stores. Perception influences decisions. Some people, for example, can taste the difference between generic and name brand foods while many cannot. Selective perception occurs when a person is paying attention only to information of interest. For example, when looking for a new car, the consumer may pay more attention to car ads than when this is not in the horizon. Some consumers are put off by perceived risk. Thus, many marketers offer a money back guarantee. Consumers will tend to change their behavior through learning—e.g., they will avoid restaurants they have found to be crowded and will settle on brands that best meet their tastes. Consumers differ in the values they hold (e.g., some people are more committed to recycling than others who will not want to go through the hassle).

Evaluation of Alternatives

After gathering enough information at the first stage the consumer gets into comparing and evaluating that information in order to make the right choice. In this stage the consumer analyzes all the information obtained through the search and considers various alternative products and services compares them according to the needs and wants. Moreover, another various aspects of the product such as size, quality, brand and price are considered at this stage. Therefore, this stage is considered to be the most important stage during the whole consumer decision making process.

The process of evaluation of alternatives can sometimes be difficult, time consuming and full of pressure for a consumer. This is because it is quite hard to find an ideal product or service that satisfies the needs of the customer as there are numerous factors that hinder the consumer purchasing decision making process. For instance, when it comes to online hotel reservation or furniture purchasing evaluation process, it can be quite complex. Several factors and aspects need to be considered before making a purchasing decision. Factors such as age, culture, taste and budget have all impact on the evaluation process by the consumer. For example, when purchasing a furniture, the young people consider the factors such as convenience and price where as the old people are likely to consider the quality and design.

Moreover, celebrity endorsement is seen as another factor with great potential impact on evaluation of alternatives stages of consumer decision making process. Explain the effectiveness of celebrity endorsements with perceived greatness people associate with their idols and the willingness and desire to become like their idols.

Evaluation of alternatives is the third stage in the Consumer Buying Decision process. During this stage, consumers evaluate all of their product and brand options on a scale of attributes which have the ability to deliver the benefit that the customer is seeking. The brands and products that consumers compare - their evoked set - represent the alternatives being considered by consumers during the problem-solving process.

An Exhibition Hall

This is an exhibition hall, where customers have a range of options to explore and evaluate.

Sometimes known as a consideration set, the evoked set tends to be small relative to the total number of options available. When a consumer commits significant time to the comparative process and reviews price, warranties, terms and condition of sale and other features it is said that they are involved in extended problem solving.

Unlike routine problem solving, extended or extensive problem solving comprises external research and the evaluation of alternatives. Whereas, routine problem solving is low-involvement, inexpensive, and has limited risk if purchased, extended problem solving justifies the additional effort with a high-priced or scarce product, service, or benefit (e.g., the purchase of a car). Likewise, consumers use extensive problem solving for infrequently purchased, expensive, high-risk, or new goods or services.

In order for a marketing organization to increase the likelihood that their brand is part of the evoked set for many consumers, they need to understand what benefits consumers are seeking and specifically, which attributes will be most influential to their decision-making process. It is important to note that consumers evaluate alternatives in terms of the functional and psychological benefits that they offer. The company also needs to check other brands of the customer's consideration set to prepare the right plan for its own brand.

During this stage, consumers can be significantly influenced by their attitude as well as the degree of involvement that they may have with the product, brand, or overall category. For example, if the customer involvement is high, then he or she will evaluate several brands, whereas if it's low, he or she may look at only one brand. In low involvement buying, the activity is usually frequent, habitual to a certain extent and there is generally little difference between the brands. No strong attachment exists between the buyer and the brand. Promotions are simple and repetitive. Conversely, high involvement buying involves products with many differences. The behavior is more complex and the research is more detail oriented.

Ultimately, consumers must be able to effectively assess the value of all the products or brands in their evoked set before they can move on to the next step of the decision process.

There are multiple ways in which a consumer can evaluate their options, three of the most common ways: attitude-based heuristic, attribute-based heuristic and alternative-based heuristic. All three types are referred to as heuristics, which are basically problem-solving methods.

Attitude-based Heuristic

When you evaluate alternatives with an attitude-based heuristic, you are essentially only using your stored memory to choose which you like best. This method does not compare the options, but evaluates them in isolation and there are no adjustments for the importance of certain attributes. It is often used for low involvement decisions, like deciding on which type of sandwich you would like to eat.

You've got it narrowed down to three choices: a good ol' PB&J, turkey or club. Without comparing the options, your mind wanders to all of the delicious PB&J sandwiches your mom has made you over the years, immediately causing you to crave one. You evaluated the PB&J without giving any thought to the other options, meaning you used an attitude-based heuristic.

Attribute-based Heuristic

When using an attribute-based heuristic, you compare each option side-by-side using criteria you have selected. This method can be used for both low and high involvement decisions, but is most commonly used in high involvement decisions given the level of effort exerted to make the decision.

Take the sandwich example used above, you may choose the criteria to be: quality of the bread used, proportion of ingredients and overall flavor. As you can see, it is extremely subjective, the criteria is whatever you decide to use.

Once the criteria is established, you rate each sandwich on all three aspects. To make a decision, you may each choose a criteria that is most important to you and choose the highest ranking one. Another way to decide is to set a minimum level for each criteria and the first sandwich to pass all of the minimums is the one you will eat.

Alternative-based Heuristic

The only alternative-based heuristic we will cover is satisficing. When you use satisficing to evaluate your alternatives, you are essentially choosing the first one that satisfies your need. This means the order in which the options appear is crucial. In the case of choosing a sandwich, since PB&J is listed first, and is a sandwich (aka satisfies your need), you will likely choose that one. Satisficing is most commonly used in low involvement decisions, as there isn't much thought behind the decision making.

Purchase Decision

In this stage, the consumer actually buys the product. Generally, a consumer will buy the most favorite brand, but there can be two factors, i.e., purchase intentions and purchase decision. The first factor is the attitude of others and the second is unforeseen situational factors. The consumer may form a purchase intention based on factors such as usual income, usual price, and usual product benefits.

The purchase decision process represents a number of stages that the purchaser will go through before actually making the final purchase decision. The consumer buyer decision process and the business/organisational buyer decision process are similar to each other.

Stage One

Stage one is the recognition of the particular problem or need and here the buyer has a need to satisfy or a problem that needs solving, and this is the beginning of the buyer decision process.

Examples of this could be: I have a really sore back, I need some treatment. Or, my winter boots are falling apart. I really want some new ones. Or, I don't have time to do my bookkeeping anymore. Maybe I need some help.

What problem does your potential client or customer have? Identifying this is key to selling your products/services.

Stage Two

Stage two is where we begin to search for information about the product or service. Buyers here begin to look around to find out what's out there in terms of choice and they start to work out what might be the best product or service for solving the problem or satisfying any need.

How do consumers look around and research their choices? Now, it's primarily on the Internet: first with Google searches, then with perusing websites. If you're not part of this stage because you have a poor Google search ranking or if you don't have a website, you are missing out on a huge chunk of potential business.

Stage Three

Stage three sees the evaluation of the available alternatives whereby the buyer decides upon a set of criteria by which to assess each alternative.

Consumers might have narrowed down their choices to a few that suit their budget and requirements. It is likely at this point that they'll look for testimonials or previous customer experiences with each product/service to find out more about how you do business. This is where social media is crucial. Do you have good reviews? Do people speak highly of you? Do you have a solid set of authentic testimonials? How do you handle yourself online?

Stage Four

We buy or select a product/service/supplier at stage four. Individuals or teams of buyers make the final choice of what to buy and from whom to buy it.

You've won the deal or sold the product! Congratulations! But the buying process doesn't stop there.

Stage Five

Stage five is called the post-purchase evaluation. The process continues even when the product or service is being consumed by the individual or business. Does the quality of the product or service meet the buyer's expectations? Is the after-sales support good or bad? This is the point at which a buyer will leave a glowing testimonial or a poor review – so never make the mistake of assuming that the transaction is complete once you've been paid.

And remember, that glowing testimonial or poor review is likely to inform other potential buyers at different stages in the purchase decision, so it's a cycle that never really ends.

What Influences a Purchase Decision?

found just four advertising channels (websites, personalised direct mail, TV ads and catalogues and flyers) influence up to 92 per cent of a consumer's service-related purchase decision.

The study – which surveyed over 8,500 Australians across seven audience segments – explored consumers' conscious and unconscious channel preferences, to find the ideal blend of channels for optimal influence at three key stages on the journey to purchase: initial consideration, evaluating options and purchase decision.

The report revealed websites have the greatest influence on service purchases – from choosing a superannuation fund, to switching credit card or electricity providers – driving 35 per cent of the decision overall. According to the study, the importance of a service provider's website in the advertising mix is indisputable as the primary source of all product, service and company information.

The report also found that as consumer's age, the number of channels that influence their purchase decision grows. For example, the youth segment focuses on just four channels, whereas retirees consider up to seven channels.

It's important to realise that you can't rely on paid advertising only.

"Consumers know the difference between organic and paid search. They know the banner displays on the top and right hand side of the search are paid for and some will reject those on principle,". "They talk about having 'blinkers', they want to feel in control."

Therefore, you should always focus on organic marketing as well as paid. The research found that social ads have relevance and effectiveness increases when used in conjunction with other mediums. For instance, finance marketers can improve the effectiveness of social ads by pairing them with catalogues or newspaper ads.

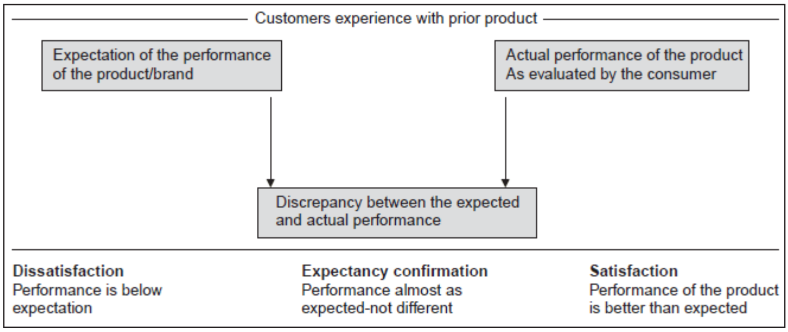
"The report shows that there is an opportunity for marketers to refine the messages they send through their channels to meet different expectations," he added. "In the long run, this means that advertising and marketing dollars can be better optimised to create awareness, familiarity, trust and finally, lead to a purchase."

Post-purchase Evaluation

Post-purchase behavior of the consumer gives, it gives an idea of his likes and dislikes, preferences and attitudes and satisfaction towards the product. It indicates whether or not the purchase motives have been achieved. Purchase is the means, and post purchase is the end. Post purchase behavior indicates whether or not repeat purchases will be made. Whether the customer will recommend the product to others or not. It indicates whether long-term profits can or cannot be expected. All this can be found out by the post-purchase behavior of the customers. Post purchase is the last phase in the decision-making process. The customer while making a decision goes through three phases:

1.	Pre-purchase activity which consists of; Problem recognition → Information search → Evaluation of alternative
2.	Purchase process → { Intention to buy Situational influences
3.	Post-purchase behaviour → { Maintenance Repair Usage cost
4.	Feedback to the marketeer → { Improves the products Changes the marketing mix gives more facilities to the consumer

After purchasing a product, a customer is either satisfied or dissatisfied and his satisfaction or dissatisfaction depends on his expectation and the difference between the performances. Expectation gives the degree of customer's satisfaction/dissatisfaction with the product. This is shown in Figure below.



The figure illustrates that if the performance is below expectations the customer is dissatisfied. However, there can be a match between the two, i.e., performance is in line with expectation. In another position is the product which surpasses the expectancy level, and performs much better than expected. This is a source of satisfaction and delight to the consumer. Satisfaction or dissatisfaction cannot be generalized, i.e., there is no accepted definition of satisfaction or dissatisfaction. It depends on a number of factors outlined below:

- The presence of a particular factor may cause dissatisfaction. If the same factor is removed, it may not unnecessarily lead to satisfaction, i.e., greasy snacks may lead to dissatisfaction but, the absence of greasiness in the same snacks may not lead to satisfaction.

- If is a cumulative effect of many factors put together, the effect of individual factors cannot be gauged easily.

- Dissatisfaction may as such not lead to any complaint, but the dissatisfaction of a high degree may lead to complaint making of a complaint and, handling of satisfaction or dissatisfaction is a logical process. A person will not complain if he sees no use of doing so or feels that the complaint will not entertain. Also, consumers complain if it is convenient for them to do so. They may not go out of their way to make complaints. Complaining also requires resources, i.e., time, money, knowledge, expertise, etc. which one may not possess.

The dissatisfaction by a consumer towards product may lead to:

- Discontinuing purchase of those products or brands by which a customer is dissatisfied. If he had been patronizing that product which has led to his dissatisfaction, he may change to a new brand or a new product.

- Negative Word of mouth He speaks negatively about the product to his friends, peers and associates. Instead of propagating the positive aspects, he starts defaming the product/brand and shows his dissatisfaction openly.

- Lodges a complaint to the concerned authorities. Consumer Forum is one such agency that entertains such complaints. It may be a time-consuming process and difficult for all dissatisfied customers to resort to.
- Complaints directly to the seller and gets his claim settled or the product/brand changed according to his liking or agrees for any such settlement.

It is the effort of every firm to produce satisfied customers. This is essential to fight increasing competition. Some dissatisfied customers however remain repeat purchasers, as they do not find a suitable alternative or, find that brand readily available and buy it due to force of habit or, because of low price. These purchasers may not be brand loyal. A brand loyal or a committed customer is attached to the brand emotionally. He believes in the firm and trusts the brand. Brand loyalty increases if the performance of the brand is more than the expected performance. In case of committed customers, they believe and have faith in line extension and brand extension of the firm. Committed customers also promote the product by positive word of mouth.

Role of a Marketer

The marketer has to watch that the customer is not dissatisfied. Through dissatisfaction, a lot of customers or clientele is lost and the marketer suffers losses. To avoid this, a marketer has to be on the lookout for causes of dissatisfaction and maintain and build consumer satisfaction. This can be done by regularly monitoring consumer reaction. It can be done by interviewing the consumer or serving questionnaires and analyzing and interpreting them carefully. Besides this, a strict vigil is to be kept on the quality of the product. The quality should be the joint responsibility of marketing and production. If necessary, other departments should also be involved, and an integrated marketing procedure be followed.

In case of complaints, they must be given proper attention and redressal be made as soon as possible. All complaints must also be acknowledged to satisfy and assure the customer that appropriate action will be taken as soon as possible. While registering complaints, due courtesy should be shown to visiting customers and their complaints be entertained in a proper manner. To avoid dissatisfaction of the consumer, only realistic claims be made i.e., advertisement of a scooter giving 55 km. per liter may be unrealistic when it can give a maximum of 40 km. This unrealistic claim made by the manufacturer may lead to dissatisfaction of the consumer. The marketer must also help train the consumer for the proper use of the product. If the product is not used in the way it is meant to be used, it gets spoilt, and does not perform up to expectation leading to a discrepancy between the actual and the desired which leads to dissatisfaction of the consumer. A marketer must also assure after sales service and keep in touch with the consumer even after purchase, to give him the promised after sales facility, as well as, importance to the consumer. A marketer must also sell solutions instead of the product. He should emphasize upon the felt need and fulfill it, rather than emphasize the product. He should take care of the marketing concept. If this is not taken care of, it becomes injurious in the long run.

In case of dissatisfaction, post-purchase dissonance occurs which creates anxiety and the consumer feels psychologically uncomfortable. The consumer reduces the negative information received by the following methods:

- Ignoring the dissonance information.
- By selectively interpreting the information.
- By lowering the level of expectation.
- By seeking positive information about the brand.
- By convincing themselves that the purchase was right.

If the disparity between performance and expectation is not great an as simulation effect occurs and consumers ignore the product's defects and their evaluation is positive. If the disparity is great a contrast effect takes place and repeat purchase does not take place.

Product vs. Service Consumption

Products are tangible while services are intangible and the consumption experience is more variable while traveling one trip can be pleasant, other trips may be unpleasant. Once the service can be courteous then it can be discourteous. It is therefore difficult for consumers to assess services rather than products. Therefore, marketers must reduce service variability and build a long-term customer relationship (Relationship Marketing).

Re Donald stresses on uniformity in service, training etc. Products are bought for their utility, feeling of independence, self-image etc.

Levels of Consumer Decision Making

Extensive Problem Solving

In extensive decision making, the consumers have no established or set criteria for evaluating a product in a particular category. Here the consumers have not narrowed the number of brands from which they would like to consider and so their decision making efforts can be classified as extensive problem solving. In this particular set of problem solving phase, the consumer needs a lot of information to set a criteria on the basis of specific brands could be judged.

Extensive problem solving is the purchase decision marking in a situation in which the buyer has no information, experience about the products, services and suppliers. In extensive problem solving, lack of information also spreads to the brands for the product and also the criterion that they set for segregating the brands to be small or manageable subsets that help in the purchasing decision later. Consumers usually go for extensive problem solving when they discover that a need is completely new to them which requires significant effort to satisfy it.

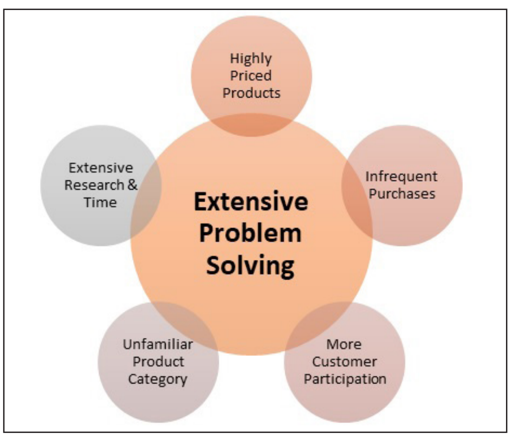
The decision making process of a customer includes different levels of purchase decisions, i.e. extensive problem solving, limited problem solving and routinized choice behaviour.

Elements of Extensive Problem Solving

The various parameters which leads to extensive problem solving are:

- Highly Priced Products: Like a car, house.
- Infrequent Purchases: Purchasing an automobile, HD TV.
- More Customer Participation: Purchasing a laptop with selection of RAM, ROM, display etc.
- Unfamiliar Product Category: Real-estate is a very unexplored category.
- Extensive Research & Time: Locality of buying house, proximity to hospital, station, market etc.

All these parameters or elements leads to extensive problem solving for the customer while taking a decision to make a purchase.



Importance of Extensive Problem Solving

It is very important for marketers to know the process that customers go through before purchasing. They cannot rely upon re-buys and word of mouth all the time for acquiring new customers. The customer in general goes through problem recognition, information search, evaluation, purchase decision and post-purchase evaluation. Closely related to a purchase decision is the problem solving phase. A new product with long term investment leads to extensive problem solving from a customer. This signifies that not all buying situations are same. A rebuy is very much different from a first choice purchase. The recognition that a brand enjoys in a customer's mind helps the customer to make purchase decisions easily. If the brand has a dedicated marketing communication effort, whenever a consumer feels the need for a new product, they instantly go for it.

To help customers in extensive problem solving, companies must have clear transparent communication. It is thus very important for marketers to use a proper marketing mix so that they can have some cognition from their customers when they think of new products. With the advent of social media, the number of channels for promotion has hugely developed and they require a clear understanding on the segment of customer that each channel serves. The communication channels should lucidly differentiate themselves from other brands so that they are purchased quickly and easily.

Example of Extensive Problem Solving

Let us suppose that Amber wants to buy a High Definition TV. The problem being, she has no idea regarding it. This is a case of extensive problem solving as the amount of information is low, the risk she is taking is high as she is going with the opinion that she gathers from her peers, the item is expensive and at the same time it also demands huge amount of involvement from the customer. Similarly, buying high price and long-term assets or products like car, motorcycle, house, etc. leads to extensive problem solving decision for the customers.

Limited Problem Solving

Limited problem solving is another type of consumer problem-solving process that consumers use when they purchase products occasionally or need information about unfamiliar brands in a familiar product category; it requires a moderate amount of time for information gathering and deliberation. For instance, consumers with sensitive skin may fall under this category of purchasing process. People with sensitive skin usually are more conscious about skin care products. Once they have a specific brand that they been using, it will take some times for the person to switch to another unfamiliar brand. Product brand such as SIMPLE skin care products are the specific product category for women with sensitive skin. The products have been more than 50 years in the global market and the products are working very well. If someone is using SIMPLE products and the products really work well on that person, for that person to switch to another brand for the same solution might requires a careful evaluation and it won't be immediate process.

The consumer is familiar of the product or service offering; but he is unaware of the various brands. The case is one where the buyer is familiar with the product category but unfamiliar with the brands. The consumer: - is aware of some brands and also of the various criteria used to evaluate the product or service offering. - is unaware of the new brands that have been introduced. - has not evaluated the brands amongst the awareness set and has not established preferences amongst the group of brands. The result is that the purchase process is more of a recurring purchase and it involves only a moderate effort on part of the consumer. He has to gather knowledge to add/modify the existing knowledge that he has in his memory. Thereafter he has to make a decision. The types of products and situations where we generally have LPS:

- These goods are ones of low involvement; they are generally moderately priced; they are frequently bought; there is lesser amount of risk involved.
- These are generally recurring purchases. Exceptions: They may also be cases where an expensive product is being repurchased.

Examples: A laptop replacing a desktop, a second TV for the home.

Routinized Problem Solving

The consumer is well informed and experienced with the product or service offering. The consumer is aware of both the decision criteria as well as the various brands available. Here, the goods are ones of low involvement; they are inexpensive; they are frequently bought; there is no risk involved. These are routine purchases and are a direct repetition, where the consumer may be brand loyal. The result is that the purchase process involves no effort on part of the consumer. It is simple and the process is completed quickly; purchases are routine and made out of habit. The types of products and/ situations where we generally have RPS:

- These goods are ones of low involvement; they are inexpensive; they are frequently bought; there is no risk involved. 2.These are routine purchases and the consumer is brand loyal.

Examples: Staples, Cold drinks, Stationery etc.

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Online Shopping and Consumer Behavior

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- Impact of E-commerce on Consumer Behavior
- Consumers' Online Identity
- Consumer Activism through Social Media
- Online Advertising and Customer Experience
- Motivation of Online Buyer Behavior

The type of behavior shown by customers while browsing websites to search, select and purchase various goods and services is called online shopping behavior. The topics elaborated in this chapter will help in gaining a better perspective about consumer behavior in relation to online shopping.

Online Shopping

Online shopping is the process of researching and purchasing products or services over the Internet. The earliest online stores went into business in 1992, and online retailing took over a significant segment of the retail market during the first decade of the twenty-first century, as ownership of personal computers increased and established retailers began to offer their products over the Internet.

Online Shopping cart.

Electronic commerce is used for both business-to-business (B2B) and business-to-consumer (B2C) transactions. Buying products from an online shop, eshop, e-store, internet shop, webshop, webstore, online store, or virtual store is similar to purchasing from a mail order catalog. Online stores describe products for sale with text, photos, and multimedia files. Typically the customer selects items to be listed on an order form known as a "shopping cart," and pays with a credit card or some form of electronic payment. The products are then shipped to the customer's address, or in the case of digital media products such as music, software, e-books or movies, may be downloaded onto the customer's computer. Online shopping has some advantages over shopping in retail stores, including the ability to easily compare prices from a range of merchants, access to a wide selection of merchandise, and the convenience of not having to drive to a physical store. Online merchants have refined shipping methods and developed incentives such as generous return policies to overcome obstacles like delays in receiving purchases and the inability to try on or sample merchandise before buying. However, online shopping cannot replace the experience of shopping in a retail store or the entertainment value of going to a mall or market.

The idea of online shopping predates the World Wide Web. A technology for real-time transaction processing from a domestic television, based on Videotext, was first demonstrated in 1979 by Michael Aldrich, who designed and installed systems in the UK, including the first Tesco pilot system in 1984. The first business-to-business (B2B) computer network was created by Thomson Holidays in 1981.

In 1990 Tim Berners-Lee created the first World Wide Web server and browser. In 1992 Charles Stack created the first online bookstore, Book Stacks Unlimited, two years before Jeff Bezos started Amazon.com. In 1994 other advances took place, such as online banking and the opening of an online pizza shop by Pizza Hut. During that same year, Netscape introduced SSL encryption (Secure Sockets Layer) of data transferred online, which has become essential for secure online shopping. In 1995 Amazon expanded its online shopping, and in 1996 eBay appeared.

Growth

The majority of the earliest online shoppers were young educated males who were familiar with computer technology, but by 2001 women made up 52.8 percent of the online population. Online shopping had caught the attention of the general public by 1999, and both Internet start-ups and well-known retailers launched Web sites offering their products. During the Christmas shopping season of 1999, when many consumers attempted to do their shopping online for the first time, retailers found themselves unprepared to process and ship their orders efficiently. Online retailers improved their customer service and shipping companies such as FedEx and UPS expanded their operations to accommodate the increasing traffic. By December 2008, many online retailers were able to boost their sales by offering guaranteed overnight delivery to last-minute shoppers on Christmas Eve.

Excitement over the potential of online retailing led to unrealistic business expectations during the "dot.com bubble" of 1999-2001. Start-ups attempted to sell products like groceries and dog food over the Internet without accounting for the prohibitive cost of maintaining warehouses and delivery systems. Companies with established retail stores and vendors of specialty items, however, were able to expand their customer base using the infrastructure they already had in place.

Customers

Online shopping requires access to a computer, and some form of payment such as a bank account and a debit card, credit card, or Paypal account. Increased exposure to technology increases the probability of developing favorable attitudes towards new shopping channels. Online shoppers are most likely to belong to the middle and upper classes, but as the growth of technology has made computers less expensive and available to more people, and increased the ease of connecting to the Internet, the customer base has expanded.

The popularity of online shopping is a global phenomenon. Surveys of Internet users have revealed that 99 percent of South Korean internet users have shopped online, closely followed by 97 percent of internet users in Germany, Japan and the United Kingdom. Ninety-four percent of Internet users in the United States reported that they had purchased something online. Using a credit card to purchase items on the Internet is especially appealing to consumers in emerging markets who cannot easily find or buy items they want in local retail stores.

Merchants

Many successful virtual retailers sell digital products, (including information storage, retrieval, and modification), music, movies, education, communication, software, photography, and financial transactions. Examples of this type of company include: Google, eBay and Paypal. Large numbers of successful marketers, including numerous sellers on eBay, use Drop shipping or affiliate marketing techniques to facilitate transactions of tangible goods without maintaining real inventory. Small items such as books, CDs and jewelry that have a high value-to-weight and can easily fit into a standard mailbox are particularly suitable for virtual stores. The initial success of Amazon, perhaps the longest-enduring dot-com company, was based on selling items that were easy to ship.

High-volume websites, such as Yahoo!, Amazon.com and eBay, offer hosting services for online stores to small retailers. These stores are presented within an integrated navigation framework. Collections of online stores are sometimes known as virtual shopping malls or online marketplaces.

Logistics

Consumers find a product of interest by using a search engine, visiting the Website of the retailer directly, or doing a search across many different vendors using a shopping search engine that offers price and quality comparisons.

Most online retailers use shopping cart software that allows the customer to select multiple items to add to an order and adjust quantities. Once the order is complete, the customer moves through a “checkout” process during which payment and delivery information is collected. Some stores allow consumers to sign up for an online account that keeps payment information and shipping addresses on permanent record so that the checkout process can be automated. The consumer typically sees a confirmation page and is sent an e-mail confirmation once the transaction is complete. Additional emails notify the customer when the order has been shipped and may provide tracking information for the shipment.

Less sophisticated stores may simply display a catalog on their Web site and rely on consumers to order by telephone or email.

Payment

Online shoppers commonly use credit card to make payments, however some systems enable users to create accounts and pay by alternative means, such as:

- Debit card.
- Various types of electronic money.
- Cash on delivery (C.O.D., offered by very few online stores).
- Electronic bank check.
- Wire transfer/delivery on payment.
- Postal money order.
- PayPal.

- Google Checkout.
- Amazon Payments.
- Bill Me Later.
- Money bookers.
- Reverse SMS billing to mobile phones.
- Gift cards.
- Direct debit in some countries.

Some merchants are not prepared to ship overseas and will not allow international credit cards and or shipping addresses outside the country in which site does its business. Other sites allow customers from anywhere to send gifts anywhere in the world. The financial part of a transaction may be processed in real time (for example, letting the consumer know immediately that a credit card has been declined), or might be done later as part of the fulfillment process.

Product Delivery

Once a payment has been accepted the goods or services can be delivered in a number of ways:

- Download: This is the method often used for digital media products such as software, music, movies, or images.
- Shipping: The product is shipped to the customer's address.
- Postal service: The merchant uses regular mail services to send the product.
- Drop shipping: The order is passed to the manufacturer or third-party distributor, who ships the item directly to the consumer, bypassing the retailer's physical location to save time, money, and space.
- In-store pickup: The customer orders and pays online, finds a local store using locator software and picks the product up at the closest store. This is the method often used in the bricks and clicks business model.
- If the purchase is an admission ticket or a gift card, the customer may receive a numerical code, or a ticket that can be printed out and presented at the gate. To prevent duplication, the same right of admission cannot be used twice.
- Electronic check-in: A customer purchasing an airline ticket receives only a

confirmation email, and checks in at the airport by swiping the same credit card or a passport at a kiosk.

Shopping Cart Systems

- Simple shopping cart systems do not use an online database. The merchant creates an offline database of products, categories, graphics and prices, and then uploads it to an online shopping cart.
- Sophisticated shopping cart software can be bought or rented as a standalone program or as an addition to an enterprise resource planning program. It is usually installed on the company's own Web server and may be integrated into the company's existing supply chain system so that ordering, payment, delivery, accounting and fulfillment can be automated to a large extent.
- A merchant can register and create an online shop on a portal that hosts multiple shops and offers additional services such as credit card processing.
- Open source shopping cart packages include advanced platforms such as Interchange, and off the shelf solutions as Satchmo, osCommerce, Magento, Zen Cart, VirtueMart and PrestaShop. These can be tailored to suit the merchant's needs.

Web Site Design

Customers choose online shopping because of its high level of convenience, and because it offers a broader selection; competitive pricing and greater access to information. For a retailer, a shopping Web site increases sales, increases customer access to its products, and strengthens brand awareness and customer loyalty.. Good Web site design is crucial to the success of an online shopping Web site. Many retailers continue to face challenges in creating a satisfactory and appealing online shopping experience for their customers.

Online shopping sites provide detailed product information that is not usually available in a retail store, along with a means of easily comparing the attributes of several similar products. The amount of information and the way in which it is presented directly affects the customer's inclination to buy products and services online. Two important factors that have been found to influence buying behavior are complexity and novelty. "Complexity" refers to the number of different elements or features of a site; a site that presents the same information in several different ways has the potential to induce impulse purchases. Novelty involves adding unexpected, new, or unfamiliar aspects to a site, such as weekly special offers, seasonal products, news articles, and pop-up windows; novelty keeps customers exploring the shopping sites.

User-centered design is very important. The purpose of an online shopping site is to build relationships with customers and make money. The primary focus of the Web site should be satisfying the consumers' expectations, not supporting the organization's culture and brand name. Consumers seek efficiency, good customer service, a sense that the company cares about them, and a consistent experience each time they return to the site. An organization must invest substantial resources to define, design, develop, test, implement, and maintain a shopping Web site. Errors should be corrected as soon as they are discovered. To retain customers, a customer service network must return emails in a timely fashion, notify customers of problems, be honest, and be a good steward of the customers' data. Internet sales cannot be fully automated; a large number of online shoppers contact the company by telephone or email to ask questions before making a purchase, and to resolve problems afterwards.

Web design must allow for the cultural peculiarities and tastes of prospective customers. Design elements that appeal to a Japanese or Chinese customer may have the opposite effect on a German customer. It is important to make the information on a site available in the language of the customers to avoid misunderstandings and increase their confidence in the product. A user's familiarity with the internet also affects behavior on a shopping site. Experienced users focus more on the variables that directly influence the task at hand, while novice users concentrate on locating and understanding the information on a shopping site.

Online Shopping and Retail Shopping

Online shopping offers certain benefits and advantages, but it will never replace the experience of shopping in a retail store. A customer who knows exactly what he or she wants can look it up online, read and compare the information, and purchase from the site that offers the best price or service. A shopper who is uncertain what to look for, or who just enjoys browsing through items on display, will prefer a retail store where the merchandise can be seen, handled and sampled. The décor, music and arrangement of goods in a retail store creates a multi-dimensional shopping environment that cannot be duplicated online. For many people, going shopping at a mall, department store or market is a form of entertainment and a social experience.

Many people who are currently unfamiliar with computers and do not feel comfortable using the Internet to shop are not likely to change their habits.

Online stores must describe products for sale with text, photos, and multimedia files, while in a retail store, the actual product and the manufacturer's packaging are available for direct inspection which might involve a test drive, fitting, or other experimentation. In a conventional retail store, clerks are typically available to answer questions. Some items, like clothing and shoes, may need to be tried on before the customer can be certain that they are the right size. Online shopping sites offer size charts, diagrams and multi-sided views to help the customer make a selection. Most offer generous return policies to encourage customers to place an order.

Advantages of Online Shopping

Online stores are available 24 hours a day, and many consumers have Internet access both at work and at home. A visit to a conventional retail store requires travel and must take place during business hours. During the holiday season and on weekends, shoppers in retail stores must contend with crowds and long lines.

Searching or browsing an online catalog can be faster than browsing the aisles of a physical store. One advantage of shopping online is being able to quickly seek out and compare prices for items or services from many different vendors using search engines and online price comparison services. In certain market segments such as books and music, computers and consumer electronics, shoppers find a greater selection online and may be able to locate refurbished or second-hand items at much lower prices.

Collectors and hobbyists can find supplies and rare items online that are rarely available in retail stores, and can use auction sites to sell, trade and research collectibles, antiques and one-of-a-kind pieces. Specialty products such as ethnic foods and wines, outdoor equipment, and sporting goods are also sold at competitive prices online. Online shopping is also an efficient way to buy automobile parts and replacement parts for appliances, since it is difficult for a retail outlet to keep them in stock.

Some online stores provide or link to supplemental product information, such as instructions, safety procedures, demonstrations, manufacturer specifications, advice, or how-to guides. Many shopping sites allow customers to comment or rate their items. There are also dedicated review sites that host user reviews for different products.

Shipping

In most cases, merchandise purchased online must be shipped to the customer. This introduces a significant delay and potential uncertainty about whether or not the item was actually in stock at the time of purchase. Many retailers inform customers how long they can expect to wait before receiving a package and provide a delivery tracking number. Even if a purchase can be made 24 hours a day, the customer must often be at home during normal business hours to accept the delivery.

In the event of a problem with the item, the customer may need to contact the retailer, visit the post office and pay return shipping, and then wait for a replacement or refund.

Shipping costs reduce the price advantage of online merchandise, though depending on the jurisdiction, a lack of sales tax may compensate for this. Online retailers sometimes make a profit by charging a standard shipping fee that exceeds the actual cost of shipping the item.

Bricks and clicks stores offer the ability to buy an item online and pick it up in a nearby store. Orders are filled immediately so that they are ready before the customer has time to arrive at the store. This feature gives retail stores a competitive edge over other online retailers who might offer lower prices but must ship out merchandise, and satisfies customers who want their goods immediately. It also brings online customers onto the store premises where they might buy additional merchandise or seek assistance with a product.

Trends

A large proportion of people that shop online use a search engine to find what they are looking for while others find websites by word of mouth. Many shoppers respond to special offers in emails and advertising, or find a merchant through a price comparison Web site.

Trust is a significant factor in selecting an online merchant. Sixty percent of online shoppers who have a good first experience with a certain Web site return to that website to buy more. An established retailer with a well-known brand is more likely to be trusted than an unknown merchant.

Books and music are the most popular online purchases, followed by clothing and accessories, shoes, videos and DVDs, games, airline tickets and electronic equipment. Cosmetics, nutrition products, and groceries are increasingly being purchased online. About one fourth of travelers buy their airplane tickets online because it is a quick and easy way to compare airline travel and make a purchase.

Many successful purely virtual companies deal with digital products, (including information storage, retrieval, and modification), music, movies, office supplies, education, communication, software, photography, and financial transactions. Examples of this type of company include: Google, eBay and Paypal. Other successful marketers use Drop shipping or affiliate marketing techniques to facilitate transactions of tangible goods without maintaining real inventory. Examples include numerous sellers on eBay.

Bricks-and-mortar retailers often use their online shopping sites to drive sales both online and at their retail stores by posting information about in-store specials online and by offering free add-ons such as batteries or accessories to customers who research products on their Web sites.

Concerns

Fraud and Security Concerns

Online shoppers have a higher risk of being defrauded by a merchant because they are unable to physically examine merchandise before purchasing it. Dishonest sellers occasionally accept payment for an order and never send the merchandise. Most credit card services offer protection against this type of fraud. Merchants also risk losses from purchases made using stolen credit cards, or fraudulent repudiation of online purchases.

Secure Sockets Layer (SSL) encryption prevents credit card numbers from being intercepted in transit between the consumer and the merchant. Identity theft is still a concern for consumers if hackers break into a merchant's web site and steal names, addresses and credit card numbers. Computer security is a major concern for merchants and e-commerce service providers, who deploy countermeasures such as firewalls and anti-virus software to protect their networks.

Phishing, in which consumers are fooled into thinking they are dealing with a reputable retailer, and are manipulated into giving private information to a malicious party, is another danger. Denial of service attacks are a minor risk for merchants, as are server and network outages.

Consumers can protect themselves when using online retailer services by:

- Using known stores, ensuring that there is comprehensive contact information on the website before using the service, and noting if the retailer has enrolled in industry oversight programs such as trust mark or trust seal.
- Ensuring that the retailer has posted a privacy policy stating that it will not share private information with others without consent.
- Ensuring that the vendor address is protected with SSL when entering credit card information. The URL of the credit card information entry screen should start with "HTTPS."
- Using strong passwords, which do not include personal information such as names or birthdates.
- Reading independent consumer reviews of personal experiences with a company or product. These can often be found by typing the company name into a search engine.
- Confirming that special offers in emails or online advertising are genuine by going directly to the merchant's site.

Most companies offer shipping insurance in case a product is lost or damaged; if an item is particularly valuable the customer should confirm that it is insured.

Privacy

Protection of personal information is important to some consumers. Legal jurisdictions have different laws concerning consumer privacy, and different levels of enforcement. Many consumers wish to avoid spam and telemarketing which could result from supplying contact information to an online merchant. Most merchants promise not to use consumer information for these purposes, or provide a mechanism to opt-out of such contacts.

Retail stores also collect consumer information. Some ask for addresses and phone numbers at the cash register, though consumers may refuse to provide it. Larger companies sometimes use the address information encoded on consumers' credit cards to add them to a catalog mailing list.

Online Shopper Behavior

The internet has played a significant role in our daily life in that people can talk through the internet to one who is actually on the other side of the Earth, can send email around the clock, can search information, can play game with others, and even can buy things online. Meanwhile, Internet shopping has been widely accepted as a way of purchasing products and services It has become a more popular means in the Internet world. It also provides consumer more information and choices to compare product and price, more choice, convenience, easier to find anything online. Online shopping has been shown to provide more satisfaction to modern consumers seeking convenience and speed. On the other hand, some consumers still feel uncomfortable to buy online. Lack of trust, for instance, seems to be the major reason that impedes consumers to buy online. Also, consumers may have a need to exam and feel the products and to meet friends and get some more comments about the products before purchasing. Such factors may have negative influence on consumer decision to shop online.

Offline and Online Consumer Decision-making Process

The process of making decision are very similar whether the consumer is offline or online. But one some major differences are shopping environment and marketing communication. According to traditional consumer decision model, Consumer purchase decision typically starts with need awareness, then information search, alternative evaluations, deciding to purchase and finally, post-purchasing behavior.

In terms of online communication, when customers see banner ads or online promotion, these advertisements may attract customers' attention and stimulate their interesting particular products. Before they decide to purchase, they will need additional information to help them out. If they do not have enough information, they will search through online channels, e.g., online catalogs, websites, or search engines. When customers have enough information, they will need to compare those choices of products or services. In the search stage, they might look for the product reviews or customer comments. They will find out which brand or company offers them the best fit to their expectation. During this stage, well-organized web site structure and the attractive design are important things to persuade consumers to be interested in buying product and service. Moreover, the information sources' nature may influence buyer behavior. The most useful characteristic of internet is that it supports the pre-purchase stage as it helps customers compare different options. During the purchasing stage, product assortment, sale services and information quality seem to be the most important point to help consumers decide what product they should select, or what seller they should buy from. Post-purchase behavior will become more important after their online purchase. Consumers sometimes have a problem or concern about the product, or they might want to change or return the product that they have bought. Thus, return and exchange services become more important at this stage.

All five stages are affected by external factors of risks and trusts. The search process is a significant component of customer's online shopping behavior. The source risk comes in the stage of information search and evaluation because the information in the web sites might contain some mistakes. Some websites require customers to register before searching their website. As such, in addition to product risk, consumers also face the risk of information security. Because of the nature of online purchasing, customers take the risk as they are not able to examine the product before purchasing. They also take the risk in the payment process because they may need to provide personal information including their credit card number. Security problem does not stop at the purchase stage but continues to the post-purchase stage because their personal information might be misused.

A Framework of Online Consumer Decision

A framework that compares online consumer decision with offline decision making was developed by Laudon and Traver, who suggest that a general consumer behavior framework requires some modification to take into account new factors. When consumers want to buy product, they will look at the brand and the characteristics of product or service. Some products can be purchased and shipped easily online such as, software, books. On the other hand, some products are hard to decide through online channel. Web site features, firm capabilities, marketing communication stimuli, and consumer skills are also important, in terms of the proposed framework. When consumers want to buy product, they will look at the brand and the characteristics of product or service. Some products can be purchased and shipped easily online such as, software, books. On the other hand, some products are hard to decide through online channel. Web Site feature is one of the important things that can influence consumers to buy product online. For example, online retailers can use high technology to improve their websites in order to influence consumer perceptions of the web environment. If the web site is too slow, not navigability, or not safe enough, will have negatively impact consumer willingness to try or buy products from the website. Consumer experience with online shopping or consumer skills, which refer to the knowledge that consumers have about product, and how online shopping works also influences online shopping behaviors. Clickstream behavior is another aspect that becomes more important in the online world. It refers to the behavior that consumers search for information through web sites many sites in the same time, then to a single site, then to a single page, and finally to a decision to purchase. All these factors lead to specific attitudes and behaviors about online purchasing and a sense that they can control their purchasing environment thru the online world.

Influences of Online Shopping Decision

Motivations that Lead Consumer to Buy Online

There are many reasons why people shop online. For examples, consumers can buy anything at anytime without going to the store; they can find the same product at a lower price by comparing different websites at the same time; they sometime want to avoid pressure when having a face-to-face interaction with salespeople; they can avoid in store traffic jam, etc. These factors can be summarized into four categories convenience, information, available products and services, and cost and time efficiency.

- Convenience: Empirical research shows that convenient of the internet is one of the impacts on consumers' willingness to buy online. Online shopping is available for customers around the clock comparing to traditional store as it is open 24 hours a day, 7 days a week. Research shows that 58 percent chose to shop online because they could shop after-hours, when the traditional stores are closed and 61 percent of the respondents selected to shop online because they want to avoid crowds and wailing lines, especially in holiday shopping. Consumers not only look for products, but also for online services. Some companies have online customer services available 24 hours. Therefore, even after business hours, customers can ask questions, get necessary support or assistance, which has provided convenience to consumers.

Some customers use online channels just to escape from face-to-face interaction with salesperson because they pressure or uncomfortable when dealing with salespeople and do not want to be manipulated and controlled in the marketplace. This is especially true for those customers who may have had negative experience with the salesperson, or they just want to be free and make decision by themselves without salespersons' presence.

- Information: The internet has made the data accessing easier. Given customers rarely have a chance to touch and feel product and service online before they make decision, online sellers normally provide more product information that customers can use when making a purchase. Customers put the weight on the information that meets their information needs. In addition to get information from its website, consumers can also benefit from products' reviews by other customers. They can read those reviews before they make a decision.

- Available products and services: E-commerce has made a transaction easier than it was and online stores offer consumers benefits by providing more variety of products and services that they can choose from. Consumers can find all kinds of products which might be available only online from all over the world. Most companies have their own websites to offer products or services online, no matter whether they already have their front store or not. Many traditional retailers sells certain products only available online to reduce their retailing costs or to offer customers with more choices of sizes, colors, or features. Boccia Titanium, for instance, has stores in many states but not in Connecticut. The company offers website to reach and to fulfill the need of Connecticut customers to order online. Similarly, Yves Rocher, a French company, does not have the front store in the U.S. It offers the website so that U.S. customers can just add products they want into the online shopping cart and the product will be shipped to their house. Moreover, online shopping sometimes offer good payment plans and options for customers. Customers can decide their payment date and amount in their own preference and convenience.

- Cost and time efficiency: Because online shopping customers are often offered a better deal, they can get the same product as they buy at store at a lower price. Since online stores offer customers with variety of products and services. it gives customers more chances to compare price from different websites and find the products with lower prices than buying from local retailing stores. Some websites, Ebay for example, offer customers auction or best offer option, so they can make a good deal for their product. It also makes shopping a real game of chance and treasure hunt and makes shopping a fun and entertainment. Again, since online shopping can be anywhere and anytime, it make consumers' life easier because they do not have to stuck in the traffic, look for parking spot, wait in checkout lines or be in crowd in store. As such, customers often find shop from the website that is offering convenience can reduce their psychological costs.

Factors that Impede Consumers from Online Shopping

Major reason that impede consumers from online shopping include unsecured payment, slow shipping, unwanted product, spam or virus, bothersome emails and technology problem. Business should be aware of such major problems which lead to dissatisfaction in online shopping.

- Security: Since the payment modes in online shopping are most likely made with credit card, so customers sometime pay attention to seller's information in order to protect themselves. Customers tend to buy product and service from the seller who they trust, or brand that they are familiar with. Online trust is one of the most critical issues that affect the success or failure of online retailers. Security seems to be a big concern that prevent customers from shopping online. because they worried that the online store will cheat them or misuse their personal information, especially their credit card. For instance, report indicated that 70 percent of US web users are seriously worried about their personal information, transaction security, and misuse of private consumer data.

- Intangibility of online product: Some products are less likely to be purchased online because of the intangible nature of the online products. For example, customers are less likely to buy clothes through online channel because they have no chance to try or examine actual product. Customers viewing a product on computer screen can show a different effect than actually seeing it in the store. In sum, customers cannot see, hear, feel, touch, smell, or try the product that they want when using online channel. In many cases, customers prefer to examine the product first and then decide whether or not they want to buy. Some people think the product information provided in website is not enough to make a decision. Online shoppers will be disappointed if the product information does not meet their expectation.

- Social contact: While some customers likely to be free from salesperson pressure, many online shopping would feel difficult to make a choice and thus get frustrated if there is no experienced salesperson's professional assistance. Moreover, some customers are highly socially connected and rely on other peoples' opinions when making purchase decision tend. There are also consumers who sometimes shop at traditional store because they want to fulfill their entertainment and social needs which are limited by online stores.
- Dissatisfaction with online shopping: customers' past online shopping experience often affect their future purchase decision. In online shopping, for example, they may get unwanted product or low quality products, product does match what is described or expected. The product may be fragile, wrong, or not working. Some online sellers may not agree to refund those products even though it is not what the customer wanted. Delivery is another thing that affects online purchasing decision. Slow or late shipping, for instance, makes customer walk away from online shopping.

Implications

Implications Managerial

Online shopping is an important business model in e-commerce. If the online sellers want to persuade and retain online buyer, they need to know what the issues online buyers use to decide their online purchase. To better understand online customer shopping behavior, seller can improve or create the effective marketing program for their customer. There are couple ways that company or seller can do or should do to persuade those who do not shop online to become more interested, and, finally, to be a potential customer.

After looking at major motivations that lead customers to shop online, online sellers should keep those issues in mind and try to satisfy customer whenever possible. Also, understanding what make some customers hesitate to shop online, sellers should find ways to reduce those negative aspects in order to gain more customers by building trustable and securer website, attractive and useful website, offering online service, and offering additional option.

- Trustable and Securer website: Consumer willingness to buy and patronize online store are affected by consumer's trust in giving personal information and security for payment through credit card transactions. They also concern about transaction security and data safety when purchase online. Getting approved certificate from an organization such as eTrust is one of the ways to make a website more trustable. By doing so, a website will be more secure and it will increase customer confidence and lead to sale increase. For example, Scribendi, English language editing and proofreading services, bought SSL Certificate from VeriSign—the most trusted mark on the internet; by then site visitors who saw the green address bar made the sale leapt by 27%. When the companies have this certificate, the address bar of their website will change to green color and the Web address will begin with so customers know that the website is secure and trustable.

- Another way seller can do to reduce customers' risk concern when purchasing online is to carry brand name product in the website or even have its own brand name such as Amazon. Holding and selling brand name product can improve the trust of the website. Brand name is one of the most important issues which affect customer's buying decision. It is imperative for online companies to ensure customer that they will never use customers' information to other purposes by clarifying customer privacy policy. This will at least ease consumer concern about their identify security. Online stores may use integrated mechanism in order to build the trust in safeguarding consumer's personal information and avoidance of misuse of credit card mode of payments.

- User Friendly Website: Customers can be influenced by the image of the web site when they decide what website or buyer they should buy from. Not only should companies create their secured website, but also should create it to be more attractive and more useful. Online stores can change a shopper into a buyer if the stores provide variety and useful information of product, good customer service, and easy-to-access website. Their websites should have enough information but should not be too overwhelming. Putting unstructured or useless information in the website can reduce internet usefulness and ease of use. Also, companies and sellers should double-check any single words in their website to reduce mistakes and customers' misunderstanding. Information quality and visual design is important effect on repurchasing. The willingness to purchase online will be low if the online store lacks of ease in searching and comparing shopping, and product updates. Online store should make their website to be easy for consumers to search product and service. Making web designs and portals novel and sophisticated and web atmospherics friendly is a key to attract visitors. Moreover, if online stores want to convert visitor into buyer, they should improve their website by offering customer a comfortable, logical, interesting and hassle-free process and easy language by creating fast website with functional design as smooth as possible. Online payment process is another issue that should be taken care of because it affects the willingness to pay. Online stores should make their payment process to be as easy and secure as possible. To sum, if online stores want to increase the customer, they should take care of their website design to be more user-friendly.

- Online Service: Customer service is as important as quality of website. According to Hermes, 72 percent of online consumers revealed that customer service is a major factor in online shopping satisfaction. If the customer service is not available or reachable, customers will perceive that companies are trying to hide something or not intending to solve their problems. Online stores should provide the added-value of service to customers and have customer feedback channel in their website. There should be interactivity customer service in the website, so that customers can contact with the seller anywhere and anytime. Software downloading, e-form inquiry, order status tracking, customer comment, and feedback are some of example that online sellers can use to fulfill their online service.
- Additional Option: Because customers are not able to touch or try products before they buy, online store should offer them some additional options.. For instance, a money-back guarantee is one of the means to reduce customers' concern. Sellers might consider to offer money-back guarantee policy including shipping expenses refund to reduce purchasing risk In addition, to avoid shipping delay and product lost,, online store may cooperate with other companies with expertise in logistic to improve their distribution channels.

Offering customers more flexible prices and promotions or offering a one-stop shopping service are some more examples that online stores can use to make their business succeed. Online sellers may offer customers to use their bank account number, or stored-value card to complete their purchase. It is also suggested that online stores may offer customer an e-wallet which transfers balance from customer's online bank account to the store payment system. This may help sellers to gain more sales from those who want to buy online products or services but do not have credit card or do not want to use their credit card online.

Impact of E-commerce on Consumer Behavior

The internet is being developed rapidly since last two decades, and with relevant digital economy that is driven by information technology also being developed worldwide. After a long term development of internet, which rapidly increased web users and highly speed internet connection, and some new technology also have been developed and used for web developing, those lead to firms can promote and enhance images of product and services through web site. Therefore, detailed product information and improved service attracts more and more people changed their consumer behavior from the traditional mode to more rely on the internet shopping. On the other hand, more companies have realized that the consumer behavior transformation is unavoidable trend, and thus change their marketing strategy. As the recent researches have indicated that, the internet shopping particularly in business to consumer (B2C) has risen and online shopping become more popular too many people. There are many reasons for such a rapid developing of internet shopping, which mainly due to the benefits that internet provides. First of all, the internet offers different kind of convenience to consumers. Obviously, consumers do not need go out looking for product information as the internet can help them to search from online sites, and it also helps evaluate between each sites to get the cheapest price for purchase. Furthermore, the internet can enhance consumer use product more efficiently and effectively than other channels to satisfy their needs. Through the different search engines, consumers save time to access to the consumption related information, and which information with mixture of images, sound, and very detailed text description to help consumer learning and choosing the most suitable product. However, internet shopping has potential risks for the customers, such as payment safety, and after service. Due to the internet technology developed, internet payment recently becomes prevalent way for purchasing goods from the internet. Internet payment increase consumptive efficiency, at the same time, as its virtual property reduced internet security.

Difference between Online/Offline Stores

Even the internet shopping has been rapidly developed, especially in consumer goods industry, but there still have a big difference between traditional and online consumer shopping. Referred to sales in the Indian consumer goods industry, the online sales occupied at a very low percentage rate. That could be caused by many reasons, but the most importance is the advantages exist in both traditional shops and online market; both of them have specific characteristics. For example, the traditional seller can provide convenience in parking and shopping, it allows customers come to read and check the quality of goods before they purchase, and the after service is more directly to customers. However, the traditional store has limited number of goods, and the selling cost is higher than online store. By comparison, we can find out the limitations of traditional store are more likely as the advantages of online store, in contrast, the weakness of online store is also seems as the advantages of traditional store. It is clear from the overview of internet and internet shopping development that e-commerce is being used in many corporations due to the dramatic development of technology and competitive advantages of web selling. Moreover, the expansions of the usage by individuals also become main contributors to the development of internet shopping. Relatively few studies have investigated in the internet shopping and impact on consumer behavior. The previous studies are more focus on the marker’s point of view, such as how to establish a more efficient marketing channel online rather than the traditional offline channel. Therefore, this research will combines with previous studies from literature reviews, and focus on the impact of the internet shopping on consumer behaviors to find out a comprehensive analytical framework which showing the essential ingredient of marketing and business to satisfying the consumer's needs, and a deeply understanding of online consumer behavior as a reference for any ecommerce company to make marketing strategies.

Impact of Internet on Consumer Behavior

The influences on consumer behavior are often made between external and internal factors. External factors are come from the environmental conditions, and internal factors are usually from the consumer's mind. There are many factors could influence consumer's behaviors., the external influences could divide into five sectors: Demographics, socio-economics, technology and public policy; culture; sub-culture; reference groups; and marketing. The internal influences are variety of psychological processes, which include attitudes, learning, perception, motivation, self image, and semiotics (Malcolm). In addition to these, the consumers have two types of motives while shopping, which are functional and non-functional. The functional motives are mostly about the time, shopping place and consumer's needs, which could be like one-stop shopping to save time, the environmental of shopping place such as free parking place, lower cost of products and available to choose from widely range of products. The non-functional motives are more related with culture or social values, such as the brand name of the store. The traditional shopping is simply about the customer to purchase their needs. This behavior will be influenced by the seller's advertising and promotion which attracts customers goes there and purchase goods, afterwards a part of new products will be taken home and be used.

Internet Shopping

Internet shopping and traditional shopping are sharing many similarities, at the same time, it still exists some differences between them, such as the Internet shopping could provide convenience and interactive services, and the traditional shopping could gives customers more comfortable shopping environment and good quality of products. Both aspect of shopping malls are trying to improving their services by learn commutatively from each other, such as traditional shopping malls provide more parking spaces, more counters, and closer to residential area in order to improve services in convenience; Internet shopping malls adopt virtual reality and 3D techniques to improve the presentation of products.

Convenience

Internet provides a big convenience for shopper as the main reason for the shopping online has been agreed by most of researcher and customers. Due to the feature of Internet, it allows customer to shopping online anytime and anywhere, which means customer can browse and shopping online 24-hours a day, 7 days a week from home or office, which attracts some time-starved shoppers come to Internet for save time to searching products in physical store. Additionally, Internet offers some good ways to save money and time. For example, shoppers do not need go out to the physical store and thus there is no transportation cost. Compare with the traditional shopping, there is no waiting line for shoppers on the Internet, and some shoppers reported that they feel pressure from the sales people sometimes, but Internet offers them more enjoyable while shopping online.

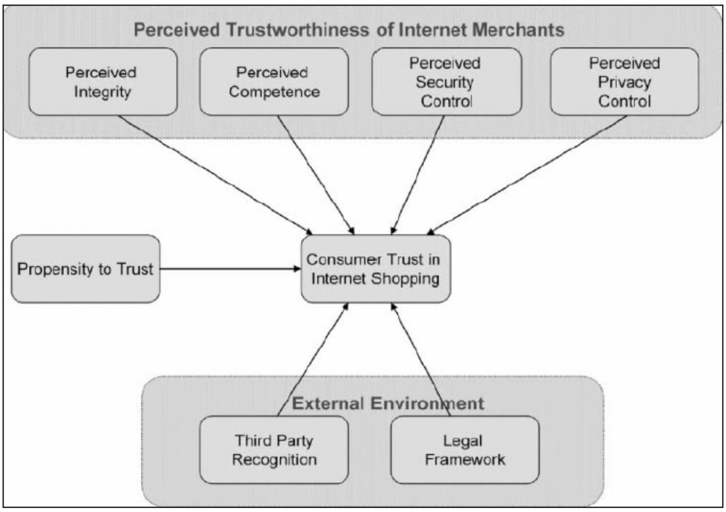
Technology

The convenience based on Internet is mainly according to the technology development, and which plays a key role during the development of Internet shopping. In the last decade, organizations have realized that the new technology could impact on Internet shopping deeply, and thus there are many important technologies like virtual reality and 3D techniques have adopted to gain big competitive advantages. Information technology has used in the form of the Internet improved better quality of product information, which help shopper's decision making. Through the wide range of surveys about the Internet use, the growth of Internet and the rate of growth of Internet usage have been rapid increased in the last decade. According to the BMRB International, the number of Internet users in Great Britain has increased to 22.7 million among 48.4% of the adult population, and about 53% of Internet users have reported that shopping is a primary use of the Web. Moreover, a statistical report on the Internet Development in China from CNNIC (China Internet Network Information Centre) have released in July 2006. From this report, in the aspect of Internet shopping, there are 30 million users often shopping online, and near 1/4 Internet users have online shopping experience. Both surveys shows that more and more Internet users prefer online payment while they shopping, thus the security of online payment certainly will become a significant factor to influence the Internet shopping.

Consumer Trust in Internet Shopping

Mayer, Davis, and Schoorman defined trust as, "the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party". This definition is widely recognized and the most frequently cited.

People purchase products and services are the most based on their level of trust in this product or services, and sellers either in the physical store or online shops. Online trust is the basic and essential element for building a relationship with customers. A present research shows that online trust is lower level than the face-to-face interactions in the physical store, and the result from Cheung and Lee shows that trustworthiness of Internet merchant (perceived integrity, perceived competence, and perceived security control) and external environment (third-party recognition and legal framework) have considerable impact on consumer trust in Internet shopping. The trustworthiness of E-commerce web site is very relying on the how much privacy security can be provided. For example, a highly technical competence can be a factor to influence the trustworthiness. The web merchant can provide third-party verification to E-commerce web site, and while this privacy and security strategies are used, customers will think their E-commerce transactions through Internet are secure and thus the site is more reliable to them. Beside this point, if the Ecommerce web site can provide the information about their customer services, location of the office, contact telephone number, and a help button on the web site, customers could also increase their trustiness as they can feel that the online retailers is truly exist.



An Integrative Model of Consumer Trust in Internet Shopping.

Consumers' Online Identity

As the Internet continues to evolve into a more social and interactive space, new threats to online consumers emerge. Beyond the now commonplace malware, these threats target the relationship between online services and consumers by attacking the core of their relationship: identity. While consumers are increasingly aware of online dangers, they must be able to trust the idea of an interactive Internet to support the transformations possible through web services.

Trust is paramount. The identity mechanisms that allow users to exist as individuals on the web are under attack, exposing consumers to potential privacy invasion and real risks of identity fraud. We outline many of these risks, highlighting several emerging threats to online trust relationships, and explain the technical details in a policy context. By understanding the technology and the roles and incentives of each party, we can offer several policy recommendations to promote consumer trust without restricting innovation.

Identity Online

Identity on the web plays the critical role of differentiating between different entities. The National Academy's 2002 study serves as an excellent theoretical introduction. Simply put, it serves to treat different people differently. Some interactive mechanism is needed to allow recognition of some individual properties so that web sites can deliver customized content, and databases can offer different sets of data to different users. Identity allows individuals to have a personal context in an online sphere that encompasses the whole globe. Over two thirds of the global top 100 web sites use some sort of digital identity system.

There are several key concepts in any discussion of online identity. "Identity" has many different connotations in different fields, and even in information systems, there is some ambiguity. The National Academies 2002 report begins with the assumption that identity is relative to a context: "the identity of X relative to Y" while NIST declares that a person has exactly one identity. This distinction aside, online identity mechanisms follow a basic model. An entity asserts that it is tied to a specific identity by presenting a set of credentials. The most common credentials are a username and password. The process of confirming and verifying the claimed identity is referred to as authentication. Authorization is a separate process, when the entity is given access to some part of the online system.

The classic means of authentication are the use of "Something you know, something you have, or something you are." While this can encompass cryptographically generated one-time passwords, sophisticated smart cards or biometrics, these technologies are expensive to deploy and even more expensive to effectively manage. Most web sites use the now-familiar password, something that is ostensibly known only to the user and the web service.

Passwords place the smallest initial burden on both parties to initially form a trusted relationship. They are, however, a serious weak link in the chain of trust. Users have been shown to be bad at devising passwords robust against guessing. They reuse them across domains, so that if one web server has been compromised, an attacker can take advantage of an entity's identity across multiple sites.

Passwords serve as a basis of trust, but trust requires an infrastructure for delegation and transfer. The most basic model of trust is simply the user trusting the website. This classic model reflects the human model of trust, but does not work for the complex online world, where much of the transaction is hidden. In between the user and the service provider lie a number of technical and organizational layers: the browser, the Internet service provider, and the standards and systems ensuring interoperability.

These layers have different models of trust, some stronger than others. The certificate management system used to trust digital certificates for the secure exchange of information via SSL/TLS uses a monolithic system of trust through association. There is a large set of Certificate Authorities from whom a web site can obtain a certificate used for these secure transactions. The web browser will automatically only engage in a secure connection with a web browser if the web site's certificate is approved by the one of the established set of Certificate Authorities. Recent work by Roosa and Schultze highlights the key flaw in this trust model: users have no way of differentiating between Certificate Authorities, and there is increasing evidence that some are not trustworthy at all.

An alternative model of trust is the tree-like model of delegated trust used in the Secure Domain Name System. Here, an authoritative root is automatically trusted. Each top level domain must reliably verify itself to the root, verifying its identity. Each layer down must authenticate with its parent in the tree. This parent has responsibility for that subdomain, and has the incentives to create a trustworthy environment. There is thus a chain of trust from a single trusted root down to the final entity.

The Expanding Role of Identity

As systems have developed, the importance of identity has expanded. Interactive web sites and user-generated content increase the importance of the individual on the Internet. Customization allows for a more personalized experience. Social media expands the zone of identity outside the boundaries of specific web sites to encompass all content on the web. Innovative collaborations between firms require the sharing of identity information across technical and organizational boundaries.

Businesses have had to expand the role of identity systems and manage change across converging domains due to increasing organizational streamlining and technical consolidation. Consumers use identity mechanisms to access resources they see as under their own control, in the care of a third party provider. One's email on a website is still one's email. Users have had to manage growth across more and more distinct domains, each with their idiosyncrasies. Interestingly, the public sector faces both these challenges in the transition to e-government. Internally, stovepipes have had to be torn down, and systems coerced into interoperating. At the same time, the citizen-facing functionality has proliferated, and both managers and citizens have had to deal with greater complexity.

Risks from a Compromised Identity

An attack on an online identity can lead to real harms. While online services spend a great deal securing their systems, breaching the identity mechanisms can expose the whole value of the system. The financial sector is an attractive target, since compromise might allow an attacker to remove funds. Losing the keys to systems that safeguard sensitive information such as medical data can have substaintial consequences for many.

The risk in the identity mechanisms of the web is that credentials serve as keys to all the value held inside the systems. A social security number may be a unique identifier for all Americans, but it is also widely used as an authenticating secret, something that – it is assumed – only the individual knows and can therefore be used to verify the their identities as well. Moreover, risks spill across systems. When a popular social media website was attacked and the passwords of its users were compromised, experts warned that many users would use these passwords for other sites. Several other sites pre-emptively reset their own customers' passwords to mitigate the risk. This concentration of value makes identity information an attractive target.

Attacks on Online Identity

Trust online can be eroded by a wide range of threats, targeting the user's privacy or property. These threats can come from one of many different components in the online ecosystem. Each exploits a different side of the consumer's online experience.

Online Surveillance

A recent academic survey reported that most Americans were uncomfortable with the idea of being closely tracked on the web, particularly across different web sites. Less than one quarter of respondents said it would be "OK" for a website to use information about what they did on other web sites, even to offer them a discount. This reflects a key component of trust: a separation of contexts so that activities in domains that are perceived to be unrelated do not affect each other. Unfortunately, it is very possible to track users as they move across the web in a number of different ways. Cookies, small tokens that are stored in the web browser, can track users across different web sites. Under certain conditions, a cookie that is set by an advertisement on one website can be read by a second web site's ads, allowing the advertiser to know that the user visited both sites.

There are more sophisticated ways of tracking user behavior across the Internet. Because most individuals have slightly different configurations on their computers, when you consider the combination of OS and browser version along with the specific version of installed browser plugins, a user may be recognized by the unique fingerprint left in the way their computer interacts with the web server. Thus, a user who has tried to establish separate identities by, say, rejecting cookies, could still be identifiable. A recent study showed that 94 percent of browsers with common features, such as Flash and Java, are uniquely identifiable in a very large sample, with a very high likelihood of being trackable over time. Browser fingerprints are a form of identifier that can be correlated with other identifiers and user behavior without the user's knowledge. This enables a very robust form of tracking online, even if the user has specifically taken action to avoid being tracked by disabling cookies or using a browser's private mode.

One's browser history is also open to a form of surveillance. In an attack known as "history sniffing" a website can learn whether the user has visited an arbitrary list of online resources. The attack works due to a browser specification that displays links to visited URLs differently. A website can query the browser to learn whether a link will be displayed as visited, ostensibly to allow more control over how to render the web page. However, an unscrupulous website can send a series of invisible queries to the user's browser to learn a great deal about that user's past web browsing habits if they happened to ask about the right links. A recent study demonstrated that it was possible to detect as many as 30,000 links per second. The researchers also found that this attack works even if the user is using security-enhancing plugins. A UCSD research team discovered 46 of the top 50,000 web sites engaging in this behavior. One of them was a pornographic website that has since been sued.

Local Network Threats

When communicating via a wireline, it is intuitive to most that the data traffic is leaving the computer through a data cord to an interface that connects with the Internet Service Provider. Users have an established relationship with the service provider, and a reasonable understanding of the physical integrity of the cables, if not the information systems. It is quite difficult for a typical cyber criminal to intercept data on a broadband or telephone-modem cable that he had not physically tapped. The same cannot be said of wireless network communications. Malicious actors can learn a great deal from unencrypted Wi-Fi links in their vicinity.

First, if the wireless connection is not itself encrypted using a modern standard (i.e. WPA2), then any nearby attacker can listen to all unencrypted traffic traveling between the computer and the wireless router. The data are being broadcast to the surrounding area by both the computer and the router in the same way that noise from a conversation is vulnerable to eavesdroppers. Thus, information that is not encrypted at the end points of the transaction can be intercepted. Tools to capture this traffic and reassemble the data packets into web pages are widely available, and usable to any moderately sophisticated computer user.

Fortunately, standard practice on the Internet dictates that identity information should be exchanged between the user to the web server via a set of encrypted transactions. Almost every website will do this, so there is little risk of a password or other authenticator being intercepted. End-to-end encryption using SSL/TSL keeps the password safe between the browser and the web server. Many sensitive web sites, such as most financial services sites, also encrypt the entire session. All communication between the user and the web service is encrypted, so a wireless eavesdropper would not be able to obtain critical information.

However, encrypting entire sessions is computationally more expensive that not doing so, and may sites avoid it to keep from slowing the user's experience. As an alternative, many web sites encrypt the authentication step, and return a token called a "session cookie". This cookie is hard to forge, so the user can continue to resend the cookie to the web server to maintain the session without having to resend the password. This cookie becomes the identifier of the session as well as the authenticator of the user.

The chief threat here is that if the session cookie is not transmitted securely, then an eavesdropper might be able to intercept it. On a Wi-Fi network, where eavesdropping is easy, the cookie is easily recoverable by a third party. This third party can then present the session cookie to the web server and claim to be the original, authenticated user. Since the attacker has the session cookie, it is now inside the trusted perimeter, functionally indistinguishable from the original user. This attack, known as "session hijacking" allows an attacker to easily log in as the authorized user, since it has adopted, for the time being, the user's full identity.

The danger of this is obvious. While in an unencrypted Wi-Fi network, the attacker would already be able to observe the user's online behavior, now a malicious actor can gain complete control of the user's account, access any data and perpetrate any actions available to the original user. It is one threat to have ones email read or behavior on a social networking site observed; quite another to have a malicious actor actually take over the email or social networking account. Moreover, since the attacker is passively eavesdropping, there is nothing the victim can do to detect a successful attack.

The risks of this attack have become more immediate. While this attack has been known for quite some time, people have progressively developed tools to make it easier. Some new tools, including Hamster, developed by Robert Graham, still required some technical knowledge. In October of 2010, Eric Butler and Ian Gallagher introduced Firesheep, a very simple browser extension that any average computer user could use. It installs quickly, and is instantly usable, allowing the casual user to obtain critical identity credentials for everything from newspapers to widely used web-based email accounts. By January of 2011, the tool had been downloaded over a million times.

Browser-based Web Attacks

As the Web has matured, and web technologies grown more sophisticated, the browsers have taken on a more central role in delivering applications and interfaces to users. Web applications run on web servers, but some aspects of the code runs inside the user's browser. Browsers must be capable of interpreting and executing scripts sent from web pages. A new class of security vulnerabilities has emerged that allows injection of unauthorized code into the browser side of a web application. These cross-site scripting attacks exploit the automatic trust relationship assumed when a browser visits a web page. They are further complicated because the target web service may be different from the venue of the attack (the vulnerable web site). Attack venues are often popular web sites with community-driven features such as social network sites, blogs, message boards and chat rooms.

Unlike some online threats, this family of attacks does not directly target the web server. The attacker uploads some content to the venue. This uploading may be ostensibly legitimate (social media) or through an exploited vulnerability on the venue web server. This content contains some exploit code (usually written in the web languages of HTML and JavaScript). The code is downloaded as part of the web page when the victim visits the venue site. Alternatively, the user can be tricked into clicking a link that will reflect some malicious executable code back to the browser. While interpreting the legitimate code on the venue site to display for the user, the browser will execute the malicious code. The attacker can then access user information, such as the session cookie of any target website the user has logged into, such as an email account. Some attacks can even force the user to execute arbitrary code from her browser.

These attacks have a few unique features. They do not exploit any vulnerability in the web browser or operating system, nor do they exploit a vulnerability in the software on the target website's web server. Rather, it takes advantage of the browser's trust in the website to automatically process the code sent to it from a web server. If the content on a venue website is only that of approved legitimate users, then the trust model holds. However, the Web 2.0 world encourages everyone to share content through blog, public forums and other interactive sites. If this content can be uploaded by an attacker, it will not target the web server, but rather other browsers that load the shared content. If the content is not carefully filtered, it can contain malicious code masquerading as benign code. Since the content comes from a site that is ostensibly trusted by the browser (since it is loading the rest of the page), the browser will interpret the malicious code, perhaps sending cookie information to a third party, or sending a request to the attacker for instructions.

Here, the trusted web application, with whom the user already has some relationship, is a passive medium unknowingly serving malicious code. Web applications can fight back by trying to sanitize content, but attackers continually try to find new holes. The applications also have to ensure that the authorized users can still engage with the site and post desirable content. Attacks can be combined with other social engineering attacks. For instance, if a user can be tricked into clicking a cleverly formatted link for a poorly-protected website, the URL can contain hidden code that will cause some malicious action on the (legitimate) domain. For example, the cookie for legitimate payment website could be accessible to a malicious website, something that should not occur under standard operation of web sites.

Browser-based web attacks are difficult for users to detect. Moreover, because each potential web application behaves a little differently, vulnerabilities may be unique to specific web sites. This makes the process of finding and closing vulnerabilities expensive, more akin to traditional client software vulnerabilities.

Social Engineering

Social engineering attacks directly target users, inducing them to voluntarily turn over identity information or voluntarily take some action to assist the attacker. In the context of online identity, the most common form is "phishing", where the where an attacker manipulates a user to disclose their online identity information to a website in control of the attacker. Users are lured in through the now ubiquitous mass-emails purporting to be from financial sites, online stores, and major online services.

Phishing is noteworthy from a trust perspective. First, as a visible threat to consumers, its very presence can undermine trust in the online economy. Second, when a channel like email is overwhelmed by fraudulent emails from online services, it makes it much harder for legitimate services to use that channel. Consumers will be less likely to trust them—even trained to do so.

Finally, phishing illustrates the important two-way nature authentication. Certainly, any service provider must authenticate the user to make sure the user has the appropriate privileges in the system. But the user must also authenticate the service provider. Social engineering attacks are often devoted to tricking the user into trusting an imposter. Identity systems require reliable mechanisms for mutual trust.

Consumer Activism through Social Media

Social media activism isn't new. Over the past decade, it's become a common way for people to join forces and for social movements to mobilize.

In 2010, we saw the first glimpse of its power in the Arab Uprisings. Often deemed the "Facebook or Twitter revolutions," networks formed online were crucial in organizing young activists, promoting a collective identity and communicating to the rest of the world what was happening on the ground under the current government.

Over the next several years, various groups took to their smartphones to express their opinions and rally with like-minded others. On Twitter's own 10-year anniversary, the platform published a list of the most used hashtags related to social causes. Two of the top three were, non-surprisingly, related to societal issues – #Ferguson being the most used social-issue hashtag in the history of Twitter, while #BlackLivesMatter was third.

The latter formed after a primarily white jury acquitted George Zimmerman of all charges associated with the shooting and killing of Trayvon Martin, an unarmed black teen. The result of this case led three women to prove that black lives do matter. Soon, #BlackLivesMatter extended far beyond a hashtag that was simply attached to social media posts about racial issues in the United States – it was now a social movement with tangible political and policy demands, with a collective motived to protest their government and hold their state or country leaders to be accountable to them. They weren't just a hashtag anymore.

Today, we live in a world where this activism is more intense than ever, reaching much further than the confines of our government and where brands are an easy target.

Consider the case of the founder and CEO of Uber, Travis Kalanick.

Despite multiple allegations of sexual assault and discrimination allegations within the company to intellectual property lawsuits, Kalanick's role at Uber looked relatively safe. That was just the way it's always been – investors, boards and advisory committees have helped to safeguard top executives and company founders from public criticism.

This time, it was different. Each time there was a new scandal in the headlines, social media would ignite entire campaigns against Uber. When it was announced that Kalanick would join President Trump's economic advisory council, widespread use of #DeleteUber erupted on social media and resulted in more than 200,000 Uber accounts deleted. The size and scale of the protest was immense, and the mounting pressure ultimately led to Kalanick stepping down from his position on the council.

Over time, the pressure from the people became too much for even a $6.5 billion Silicon Valley giant to ignore. Kalanick had to leave Uber altogether. At nearly any other moment in time, Travis Kalanick would likely still have his job.

But you don't need to – allegedly – break the law to come under this kind of outcry. These social media-fueled campaigns are happening more frequently and are now one of the most powerful forms of consumer action people can take in shaping how brands behave.

But why now? Well, it likely has to do with the fact that an estimated 3.8 million households in Canada and 24.1 million in the U.S. do not subscribe to traditional televisions services. With more consumers cutting their cables, they are, in turn, not consuming as many ads. As a result, brands have less control over their messaging than they did in the Mad Men, mass advertising era. Sure, you could argue that these companies could just advertise on Facebook, Instagram, Twitter and the like, but social media is the people's court – and it doesn't matter what the ads have to say about a brand, it matters what we, the people, have to say about it.

In the same way that it has been used in political opposition movements, social media has given regular people a voice and a validation as a trusted source when it comes to their opinions on brands. Pepsi was recently forced to apologize for, and withdraw, its Kendall Jenner ad as a result of widespread condemnation among consumers on social media. Earlier this year, Kellogg's also needed to pull advertising in response to social outrage, when it was discovered that the cereal brand was advertising on the far-right news website, Breitbart. Social media has given average consumers an activist platform to apply the same kind of pressure as they would on politicians, on companies – to force them to listen.

Instead of appealing to wealthy shareholders or investors, brands need to be making more decisions with their consumer audience in mind. Instead of hosting committees with white collar business leaders, brands need to invite social media to sit at the boardroom table. If companies want to be able to compete in this new market, they need to transform the way they do business.

Companies have already started to take bold steps to react to the demand of this new market, to be more customer-obsessed, and turn customer feedback into action. As a result, these brands are showing new signs of growth. Best Buy is focusing its efforts on its customer reviews and has taken a range of actions, including cutting expenses, aggressively matching competitors' prices, and improving its own website, all based on the reviews themselves. NASCAR has developed a proprietary customer intelligence platform that captures fan insight from its viewers on an ongoing basis. These insights have led the organization to make significant changes in its core operations from improving game rules to launching a new car.

It's clear that a customer revolution is underway. We're no longer passive observers, we're active participants. We are educating ourselves about products and services before ever engaging with a brand.

Social media didn't invent resistance or discover injustice, but what is different about this movement is the ability for every day consumers to tell their story and to use it as actual power. In this environment, the people have equal, if not more, power than protectionist-minded business councils and profit-driven investors. Now more than ever, "the power of the people is stronger than the people in power".

Online Advertising and Customer Experience

Psychological factors such as thinking, feeling, sensation, and intuition directly correlate with our customers' online advertising experience. Making customers feel like wanting to do something requires us to offer a completely enthralling experience, not one that has negative connotations for our customers. Today, we often see advertisements that clamor for our attention, begging us to view them. Customers' past experiences with the Web set their expectations for online advertising today. How can we shift this prevalent advertising paradigm to one that instead has psychological appeal?

Companies should aim to strengthen customer interactions with advertisements on the Web, keeping both context and cognition in mind. Unfortunately, most companies provide a generic experience to all customers rather than relying on customer analysis to deliver a personalized experience. They've failed to innovate and bring the online advertising experience to a whole new level of interaction and integration that would truly let them achieve effective communication.

A Customer Experience Model for Advertising

As people experience the world and respond to stimuli around them, emotions arise. Their reactions manifest themselves as physiological changes they experience as feelings. Likewise, as people react to stimuli online—for example, to an online advertisement—they have emotional responses that are directly proportional to their reactions to these stimuli.

On the other hand, when customers repeatedly experience the same stimuli, they may not cause any emotional response. People become conditioned to ignore the ever-present ads on Web sites, which is called ad blindness. How can we prevent this?

- Create a new customer experience, using existing touchpoints: When companies use existing touchpoints to deliver new experiences to customers, the familiar method of engagement lets customers feel comfortable as they go through new experiences.
- Create a new touchpoint for a new customer experience: When customers experience new interactions, their emotional responses are heightened, and they may have a different behavioral response.

The Cannon-Bard Theory that Walter Cannon and Philip Bard have advocated suggests human beings feel emotions first, then act upon them. When customers visit your Web site, the ads they encounter evoke an emotional response—before they even decide what their next step should be. If ads don't trigger customers' emotions, they won't take any action in response.

Creating a New Customer Experience using Existing Touchpoints

Here are some of the advertising touchpoints companies often use.

- Banner Ads: Banner ads attract customers' attention through color, graphics, and, sometimes, animation. Because banners link to advertisers' Web sites, they attract customers to your advertisers' sites.
- Email Messages: Companies use the email model of advertising to cross-sell and up-sell their products, to try to acquire potential new customers, to persuade existing customers to buy again, to enhance customer loyalty, and to build long-lasting relationships with customers.
- Interstitial Ads: Interstitial, or bridge, ads appear automatically as customers move between the pages of a Web site, making customers wait for another page to load. Customers do not choose to view these ads, but they can choose not to read them and advance to the next page.
- Online Directories: This form of advertising allows companies to gain visibility through online directories that help customers find them easily, using a search engine. Online directories don't actually advertise a company's products or services, but do provide access to its Web site.
- Pay-Per-Click Ads: The pay-per-click (PPC) advertising model is the most common form of advertising on the Web. This model occurs on search engines, advertising networks, content Web sites, and blogs. Since advertisers pay only when customers click their ads, the companies that display these ads benefit

only when customers click them. Many companies depend on this form of advertising to generate revenues.

- Pop-Up Ads: Pop-up ads appear in a separate window. They interrupt the flow of customers' current tasks. The only way to move ahead is to close the window in which the ad appears or click the window containing the site that caused the ad to appear.
- Pop-Down Banner Ads: On the other hand, pop-down ads appear beneath the content on a Web page, on a banner at the bottom of the page. Customers have to look at and click these ads to get rid of them.
- Search Engine Optimization: This form of Internet marketing seeks to promote a company's Web site by increasing its visibility on search engine results pages. Customers usually click results that are highly ranked. Companies can target different segments like image search, local search, and industry-specific vertical search.
- Sky Scrapers: Sky-scraper ads have the same function and properties as banner ads, but the rectangular boxes containing them have a vertical rather than a horizontal layout. These ads usually appear on the right side of a page and are linked to the advertiser's Web site.
- Social Networking: Companies have begun to advertise and promote themselves and their products and services on social networking sites, where they can get direct access to a community of potential customers. This kind of advertising works best when it results from word-of-mouth or when a group exists for people who want to know what is happening with a company or product.
- Sponsorships: To gain visibility, companies can sponsor a Web site or a certain section of a Web site where their ads appear. The Web has adopted this concept from the real world, because it provides scope for better business opportunities. The combination of activity-based sponsorship and media-related sponsorship is an interesting mix that innovation has extended in new directions.

Creating Touchpoints for a New Customer Experience

In addition to the existing advertising touchpoints I've just mentioned, companies must also begin using advertising techniques that evoke an emotional response from customers as they surf online. Through strategic planning, they need to develop new marketing touchpoints and use them to create emotional connections with their customers.

According to the psychologist Carl Jung, every individual has a primary mode of operation in each of the following four categories:

- Our flow of energy.

- How we take in information.
- How we prefer to make decisions.
- The basic day-to-day lifestyle we prefer.

Within each of these categories, we prefer to be either:

- Extraverted or Introverted.
- Sensing or Intuitive.
- Thinking or Feeling.
- Judging or Perceiving.

Advertisers can target their ads to appeal to people with specific characteristics.

Behavioral Advertising

As the term suggests, behavioral advertising observes customers' behavior as they move from one Web page or site to another. When following this advertising model, companies target ads to specific individuals, based on each customer's past surfing behavior. Because behavioral advertising tracks customers' interests, there is an increased likelihood that they'll want the product or service advertised and be motivated to click an ad. With this method, different customers do not see the same ads on a Web page. There are several factors that help people to identify an ad that would bring them benefit. These variable factors should be motivating enough to ensure people act on the information.

Content Lures

One clever technique to attract customers' attention is to lure them with interesting content. One of the ways to do this is to appeal to people's emotions. Arousing feelings of love, concern, fear, stress, desire, enjoyment, bliss, or satisfaction helps prospective customers feel closer to the company or product that is featured in an advertisement.

Contextual Approaches

As customers pursue their goals on Web sites, they go through task flows within a context that allows them to reach those goals. Providing ads in such a context can help customers move toward their goals more quickly, provide a better sense of what they can accomplish, and perceive the context more clearly. Customers can process information either centrally or peripherally. With the context approach to advertising, customers tend to process the information centrally, so the effect of acting on it is greater, because the information they're processing is already within context of need.

Creative Attraction

Customer perception of this kind of advertising can be really subjective, but creative attraction advertising is moving in a positive direction. When an ad has creative visuals and content, customers sense and intuitively take in the information as the ad presents it. The information in creative content reflects customers' desired next steps. It lets people react and feel before they start thinking and making judgments.

Humor

Advertising today is rarely humorous. Customers are engaged by humor, which involves sensing what is not ordinary. Humor sells well, because it gets customers' attention and is memorable.

Information

Information is the most important factor driving customers through their tasks. When an ad provides valuable information, customers want to know more. It gets them interested. It lets people think and feel and moves them toward making judgments.

Interactivity

When ads are interactive, customers become engrossed in them. Interactivity achieves the first mode of operation : The flow of energy. It then moves customers in the right direction, depending on the context and content of the advertisement. When you provide customers with interactive content, they want to find a reason to move ahead.

Geographies

When companies present ads to the right target audience in the right location, their awareness of cultural differences can ensure customers make the desired moves online. When ads present information that is of cultural significance to customers, those customers are more likely to be receptive to and take in the information. The next level of sensing and intuition is likely to move them in a positive direction.

Product Placements

By making advertising less intrusive, product placements in movies, television serials, books, songs, and magazines are greatly appealing to the customer's psyche. Rather than selling products, advertisers place their products within a context that plays on customers' desires. Because they present a product within an almost real-life scenario, product placements make complete sense.

Special Offers

This technique of persuasion is very successful, because the special offers, add-ons, and freebies that come with a product or service motivate customers. Special offers are lures that encourage customers to buy more. Again, what special offers are appropriate depends on the context of customers' needs and behavioral patterns.

Target Audiences

When browsing online, most people have a tendency to behave and react with emotions that are appropriate to the context. However, the basic, day-to-day lifestyles we prefer affect our judgment and perceptions. So, even when companies target advertising to particular audiences to which customers belong, people tend to judge products and services according to their needs. But if companies target their ads at the right audience, they'll be well received.

Visual Lures

The visual allure of an advertisement can attract customers, making this one of the most important aspects of an ad. An ad's look and feel an sway people before they've even taken in its content. It's the customers' first impression that moves them toward their next step.

Welcoming Imagery

An advertisement's welcoming imagery is important in gaining customers' attention. Welcoming imagery includes people and real-life contexts and is a vital first step to luring customers with interesting content.

Motivation of Online Buyer Behavior

Buyer behavior of consumers plays one of the key roles in fulfillment of the main goals of a company. It is influenced by many external and internal factors but the company can also influence the final process of buyer decision-making process significantly by its activities. The subject matter of this article is an analysis of the features of online buyer behavior compared to the general regularities of buyer behavior, definition of the main motives of online shopping, and description of the current trends. The article uses the basic terminology of this subject and current bibliography as well as other resources. Theoretical knowledge is based on historic directions of Maslow's theory of motivation where it is possible to find the basis for a buyer behavior analysis. The article is also based on the formerly carried out questionnaire survey which examines the motives and experience of the respondents with online shopping. By means of the independence test it is verified whether there is a relation between the age of respondents and motivation for online shopping. Subsequently, the survey carried out in person is compared with other relevant research solutions.

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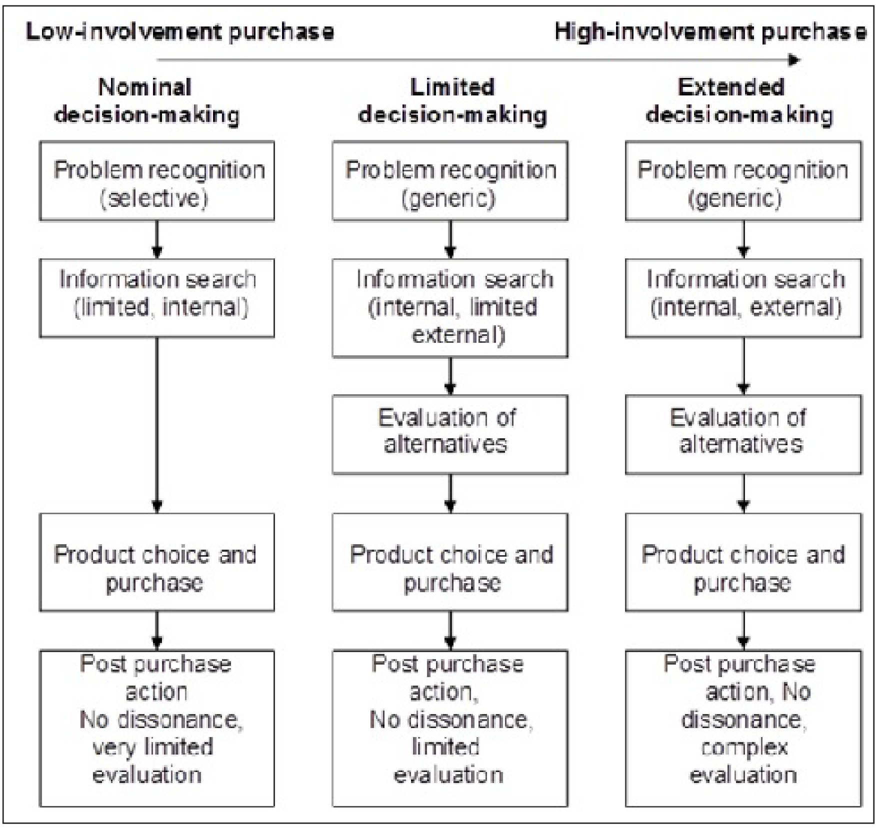
Buyer behavior of consumers plays one of the key roles for fulfllment of the main goals of a company. It is infuenced by many external and internal factors but the company can also influence the final process of buyer decision-making process signifcantly by its activities. Buyer behavior of consumers is subject of many researches, mainly in the area of marketing, as it is of crucial importance for company success. Consumer behavior on the Web has been the subject of considerable research in the last few years, but understanding it is made diffcult by the fact that the main entities involved, consumers and businesses, have benn transformed. It is clear that this area infuences many aspects of the current online and offine business. The subject of this article is to identify them. However, various models of consumer behavior have been established that could be of great use since, after all, homepages could be considered to be advertisements, thanks to their conceptual similarity, physical appearance and functions fullled. Attitude can be con-sidered one of the most important concepts in the study of consumer behavior as, according to the literature, it is the direct determinant of this behavior. This functional view of attitude suggests that people hold attitudes to determine how to respond to their environment.

The issues of buyer behavior are already characterized directly or indirectly by some directions in the historic development of management. They include psychological and social approaches which pay significant attention to motivation. The subject matter of interest of these approaches is primarily the issues of the management style, focus on the employees of the company and efficient interpersonal communication. Despite that, in these theories it is also possible to and some inspiration for understanding of principles and motives of buyer behavior of consum-ers. The representatives of this style of thinking are for example D. McGregor, A. Maslow, F. Herzberg, C. P. Alderfer, D. McClelland, V.H. Vroom, L.W. Porter and others. Humanistic management theories, the main representative of which is A. Maslow, emphasize an individual development as the basic need of a person. However, there are many people who are not interested in self-improvement and they are only motivated by existential or social needs.

Abraham Maslow formulated a hierarchy of needs which divides motives according to five levels of significance. The basic needs are at the bottom of the hierarchy and the highest needs in its top part. However, they do not have to be fully satisfied. The higher we get, the lower the percentage of satisfaction is which is necessary for a higher need to emerge. Abraham Maslow believed that provision of physiological needs and feelings of safety is not sufficient for universal motivation of a person. Maslow's hierarchy of needs can be adapted successfully to the market segmentation and preparation of advertising statements as there are goods intended for satisfaction of each level of needs and most needs are shared by large segments of consumers. Solomon et al. therefore applied the Maslow's pyramid of needs for understanding of motives of buyer behavior of consumers and subsequent efficient application of marketing com-munication with potential customers, as human needs – needs of the consumer – are the basis of modern marketing, the core of the marketing conception which is related to the goal of the article.

- Physiological needs: Basic needs (their satisfaction is necessary for survival), such as wa-ter, sleep, food, also medicine and goods of everyday use. KFC – "Life Tastes Great."
- Needs of safety and security: Feeling of safety, absence of fear, provision and mainte-nance of existence for future. This degree of hierarchy is described well by the insurance, alarm or pension insurance scheme markets. AXA – "Be Life Confident."
- Social needs: Communication with other people, existence of friends (solidarity and love) and building of a position in a certain group. This need can be satisfied by the market with clothes, body care, drinks or clubs. Pepsi – "You Are the Pepsi Generation."
- Need of recognition: Needs of the ego, prestige, status and success. It includes the mar-ket with cars, furniture, credit cards, transactions or exclusive drinks. Honda – "The True Denition of Luxury. Yours."
- Self-fulfillment: Implementation of your own possibilities, how to become all you are able to become, implementation of all your abilities and talents, satisfaction of possibility of education and development, self-fulfillment, enriching experience. US Army – "Be All You Can Be."

Besides motivation, the consumer decision-making process is influenced by many various factors in the life of the consumer. Marketing specialists must understand this influence and its relative signicance in order to be able to make efficient marketing decisions. A significant role is played here by social conditions, habits, offer and demand and last but not least the sale method and technology. The task of the marketer is to understand the process hap-pening in the customer's mind, starting from the moment when the customer receives stimuli from the outside until making a purchase decision. The factors infuencing behavior of the con-sumer can be divided into two basic groups, external and internal ones. The internal factors include personal and psychological factors and the external ones include cultural and social or demographic factors. Purchases of every individual are infuenced by four psychological factors: motivation, perception, learning and attitude. The following fgure 1 illustrates the process of buyer behavior of consumers.



Buying decision process.

The basic needs of the consumer do not change but the products which satisfy them change and it will make sure that the company will remain one of the leaders in search for new and efficient solutions. In this way the companies will probably survive and they will develop despite the strong competition or adverse economic conditions. During the final purchase decision, motivation plays one of the key roles and it represents one of the factors influencing purchase behavior of the consumer.

Process of Online Buyer Behavior

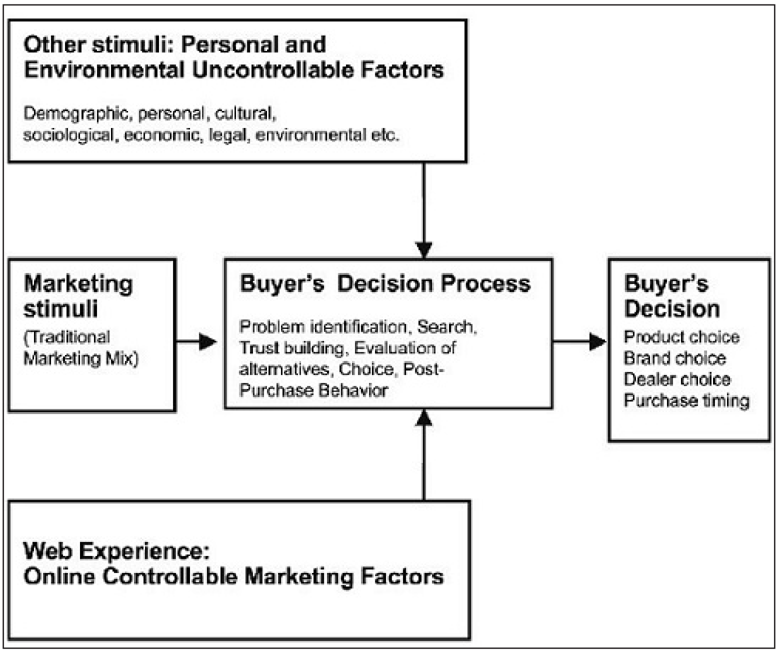
With the existence of online environment, the basic principles of buyer behavior are changing. The following specifics of online buyer behavior are:

Specifics of Online Buyer Behavior

- Internet environment: Internet users can and objective and subjective information about the products and companies easier than ever. Online companies compute not only to each other but also with potential online customer (posi-tive and negative references, internet communities, social networks and social media etc). Social media provides an interactive communi-cation between its users. With social media, the marketing activities had to be reformulated.
- Modern forms of marketing activities: Traditional marketing forms are not in the Internet environment effective. With the development of e-commerce, new marketing ac-tivities had to be created – marketing on social networks and media, viral marketing, online word-of-mouth and buzz marketing, online interactive communication. Online potential shoppers are interested in only the marketing activities that can offer for them the value added (online games and competitions, community identifying with products and company, online sharing etc).
- Internet community: Internet users discuss about their life style about products and compa-nies, and detail information about them. Opinion of internet commu-nity (in social media, discussion forums i.e.) infuence the final online buying decision process. The internet company in its marketing has to join the internet community and manage the online communication.
- Subjects of online shopping: Online shoppers buy the most – with electronics and techniques, books, tickets or clothes and cosmetics. The online buying of food is at the moment the rarity (during the time it is expected the increasing of online buying of goods). The expectation is that the common buy-ing will move the online environment. Standardized products such as books, CDs and tickets are more likely to be purchased online. Be-cause quality uncertainty in such products is very low, and no physical help is required.
- Demographic structure of online shoppers: Today, online shoppers are the most often between 18 and 40 years and come from the middle-income class. There are differences in online behavior between the "Facebook generation" and generation that lived most of their lives without online communication. The older online generation (up to 50) is increasing – the companies have to focus on them.
- Approach a motives to the online shopping: The main motives to the online shopping are lower costs, comfort of shopping (nonstop and everywhere),

saving time and buying of non-traditional and exclusive goods. The another motives can be the increasing trends of online shopping in general or changing life styles on consumers. The question is if these motives are dependent on social status and role, age, education or income of online shoppers. Older generation and and try the product on traditional market, after that they do online shopping. Younger generation make the all buying decision-making process online.

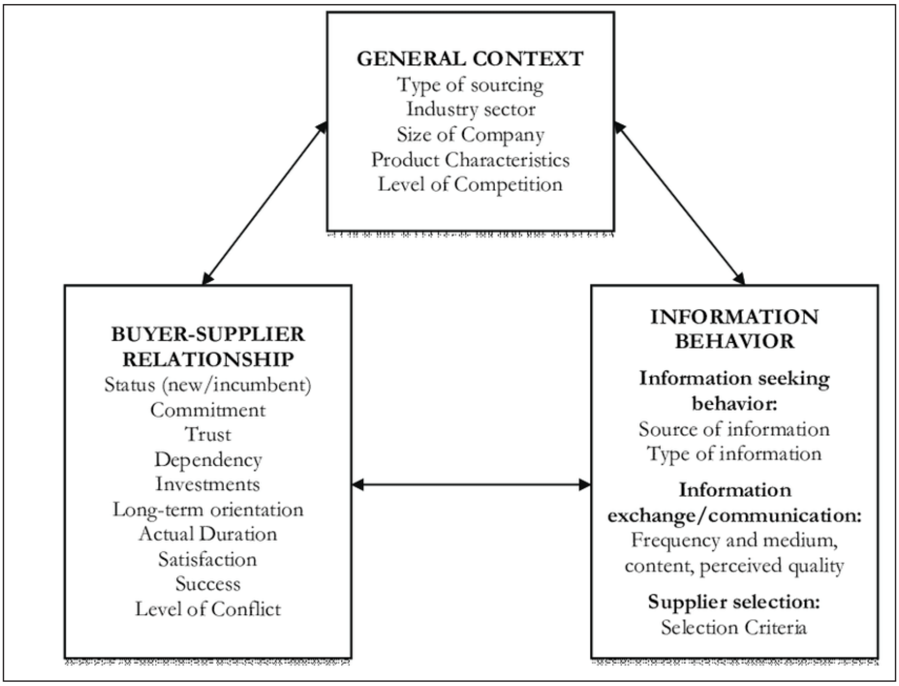
The following figure shows the process of online buyer behavior (in online retailing) that involves the main factors influencing the whole process.



The process of online buyer behavior.

The process model respects the global aspects of online and offine behavior (economic, politi-cal, legislative, marketing activities of companies, technological, psychological and sociological factors). With the input of the process, it is needed to respect the e-business and e-commerce environment that is influenced by its trends, legislation and consumer trust. This environment is specied according to type and form of online retailing (P2P market and social media and social networks, online companies (B2C) or internet auctions (C2C). The online buyer decision-making process is inuenced by the two groups of factors – external factors (that come from the sellers and internet communities) and internal factor (like motives, emotions, socio-cultural and other psychological factors). The online buyer decision-making process can be impulsive and rational. Finally, the process ends up with the online buying. The output of this process has an impact on price and quality of the offered products in online and offine environment, customer service and other marketing activities. It is clear that online buyer behavior has very similar features like the ones in the area of the whole market (demographic, psychological, socio-logical factors). However, there are some specific features here characterizing the actual virtual environment.

Another model about online buyer behavior illustrates the following figure that describes of context of information behavior and buyer-supplier relationship.



Conceptual framework – general context, information behavior and buyer-supplier relationship.

The importance of e-commerce is still growing in the long term. This example demonstrates the development of sales in online stores. The share of online stores in total retail sales in 2011 ranged between 5 - 6%, which represented 40 to 45 billion CZK. According to the Czech Statistical Office around 27 % of Czech companies are operating electronically.

These companies grossed over 42 billion CZK (which is 16 % more than in 2011),. In 2002, revenues from online orders was 5% of a company's turnover, in 2010 this share had risen to 25%. These aspects are also influenced by online buyer behavior.

Chaffey defines the key areas where online customers have high expectation of online retailing. The main areas are: logistics, security and privacy of information, timeliness, availabil-ity, convenience, customer service. In the study conducted by Vellido et al., nine factors connected with users' viewpoint of online shopping were extracted. Among those factors the risk perception of users was showed to be the main discriminator between people shopping on-line and people not shopping online. Etail Q is composed of four factors such as website design, customer service, fufillment/reliability, and security/privacy. Shergill & Chen also measured the quality of e-tail experiences by the same four dimen-sions. They were website design, customer service, fulfillment/reliability and security/privacy. For e-commerce shopping, another important component is ease of use. It may be described in terms of the time needed to and and buy the products, the convenience of using the shopping engine as part of the purchasing process. Security and privacy have a powerful effect on customer trust in online shopping. Privacy risk means a customer may sacrifice their privacy when they are required to provide private informa-tion in making e-commerce transaction.

Petrtyl in his research found out that online consumer expect in online shopping the most – price conditions (79.9 %), speed and quality of delivery (65.8 %), assortment (57.3 %), security and trustworthiness (89.9 %) or communication with an e-shop (60.3 %). The most frequent problem with online shopping is merchandize or service never delivered (21.8 %), de-fective/poor quality (16.8 %), merchandise or service was not in conformity with order (12.7 %) or other mispresentation (9. 6 %). Chuang and Hu con-frmed in their research that based on the shopping frequency, different types of online shoppers will perceive these characteristics differently.

Experience and global researches show that only 20 % of all purchases are planned, the remain-ing 80 % are impulsive, based on emotions. After visiting a shop, customers should get a feeling that traders understand their needs and not only before the purchase is made but also after. This is true even more for selling on the Internet. According to Pilík's research, 89 % of Czech Internet users use the Internet for purchasing products or services. But only 32.1 % buy online regularly. It means that most Czech Internet users buy online but only irregularly and still prefer and mortar shops for majority of shopping. Czech online custom-ers choose an e-shop mainly based on references, clarity and menu navigation, terms of delivery, graphic design and additional services of the e-shop. It is quite surprising that Czech online customers do not verify e-shops' participations in Internet associations, e-shop's history or they do not read delivery and sales terms.

These secondary sources are focused on research surveys examining the online buyer behavior processes. A research carried out by Barometr Cetelem in 13 European countries, including the Czech Republic, in 2009 showed an increasing interest in online shopping all over Europe. From the research it is clear that most of the European respondents use the Internet as a source of impor-tant information before a planned purchase. Most often they search for information about consumer electronics, culture and cultural events and possibilities of leisure time activities, such as travelling. Compared to the other states, Czech consumers prefer a safer way of buying and they prefer e-shops with connections to a conventional shop. A similar trend is also clear as regards the way of payment on the Internet. The most frequent way is payment for the goods which is physically taken over – cash on delivery (in up to 65 % of cases, the other forms of payment are represented sporadically).

Röszlerová points out that the Czech customers consider quality of the goods important but to the significant degree they look for and follow special offers and advantageous prices, which also results in purchases of second hand goods and shopping in online shops or auctions. According to Barometer, the Europeans, unlike the Czechs, realize more the fact that their choice of quality products can contribute to the environment protection, to support of fair re-muneration for work and to ensure observance of fundamental human rights. On the contrary, according to the study, the Czechs are not influenced too much by ecology or fair trade.This research showed on a representative sample of respondents that every fourth person at the age of 18 to 65 buys minimum once a month on the Internet. Young people usually choose and buy directly on the Internet, people from 30 to 39 years of age use the Internet only for the ac-tual purchase of goods. A particular product is selected in a conventional shop. For older Czech people from 50 to 65 years of age it is typical to and particular goods on the Internet but they prefer carrying out the actual purchase in a conventional shop. Another research made in 2009 by Heuréka.cz company in cooperation with Aukro.cz portal shows that online shopping is not only attractive for the youngest generation of adults, in the running year comparison the number of buyers in the age category over 40 years is growing. While in 2008 online buying was interesting mainly for people over 30 years of age, last year almost seven per cent more people older than 40 years of age overcame their worries according to the study.

People buy online mainly because they can get brand clothes which cannot be found anywhere else in the Czech market. Also the prices are favorable for buyers compared to often exagger-ated prices of the goods in the Czech conventional shops. Gemius agency, together with Seznam.cz and Centrum.cz portals, carried out an extensive questionnaire survey focused on online shopping where the main goal was toand out the most frequent motivations for shopping via the Internet. The research results show that the biggest motivation is price (34 %) and in the second places there are time savings and comfort (24 %). The third place is taken by product quality with 17 %. The motive specified in the next place, pleasant leisure time activity (14 %), implicitly also shopping enjoyment, is opposite to the motives of those who save time here.

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Diverse Aspects of Consumer Behavior

5

- Consumer Adoption Process
- Diffusion of Innovations
- Customer Loyalty
- Customer Switching
- Impulse Buying
- Search and Evaluation in Consumer Behavior
- Customer Choice
- Consumer Adoption of Technological Innovations
- Consumer Confusion
- Customer Experience
- Customer Satisfaction
- Consumer Complaint
- Overchoice
- Cobra
- Buyer's Remorse
- Advertising
- Loyalty Business Model
- Stereotypes in Consumer Behavior
- Customer Citizenship Behavior
- Top-of-mind Awareness
- Panic Buying
- Variety Seeking Buying
- Complex Buying Behavior

Many important aspects are studied under the domain of consumer behavior such as customer loyalty, customer switching, customer choice, customer satisfaction, COBRA, loyalty business model, complex buying behavior, etc. All these diverse aspects of consumer behavior have been carefully analyzed in this chapter.

Consumer Adoption Process

Philip Kotler considers five steps in consumer adoption process, such as awareness, interest, evaluation, trial, and adoption. On the other hand, William Stanton considers six steps, such as awareness stage, interest and information stage, evaluation stage, trial stage, adoption stage, and post-adoption stage. We will follow six steps.

- Awareness Stage: Individual consumer becomes aware of the innovation. He is exposed to innovation but knows very little regarding the innovation. He has only limited information about it. He is aware of either by discussion with friends, relatives, salesmen, or dealers. He gets idea about a new product from various means of advertising like newspapers, magazines, Internet, television, outdoor media, etc. At this stage, he doesn't give much attention to the new product.
- Interest and Information Stage: In this stage, the consumer becomes interested in innovation and tries to collect more information. He collects information from advertising media, salesmen, dealers, current users, or directly from company. He tries to know about qualities, features, functions, risk, producers, brand, colour, shape, price, incentives, availability, services, and other relevant aspects. Simply, he collects as much information as he can.
- Evaluation Stage: Now, accumulated information is used to evaluate the innovation. The consumer considers all the significant aspects to judge the worth of innovation. He compares different aspects of innovation like qualities, features, performance, price, after-sales services, etc., with the existing products to arrive at the decision whether the innovation should be tried out.
- Trial Stage: Consumer is ready to try or test the new product. He practically examines it. He tries out the innovation in a small scale to get self-experience. He can buy the product, or can use free samples. This is an important stage as it determines whether to buy it.
- Adoption Stage: If trial produces satisfactory results, finally the consumer decides to adopt/buy the innovation. He decides on quantity, type, model, dealer, payment, and other issues. He purchases the product and consumes individually or jointly with other members.
- Post Adoption Behaviour Stage: This is the last stage of consumer adoption. If a consumer satisfies with a new product and related services, he continues buying it frequently, and vice-versa. He becomes a regular user of innovation and also talks favourable to others. This is a crucial step for a marketer.

In every stage of consumer adoption, a marketer is required to facilitate consumers. He must take all possible actions to make them try, buy, and repeat buy the innovation.

Be clear that every type of consumer (innovators, early adopters, early majority, late majority, or laggards) follows all the stages of adoption process, but takes different amount of time to adopt the innovation.

Diffusion of Innovations

Diffusion is process by which a new product is accepted and spreads through a market. It is group phenomenon, in which first an idea is perceived, then it spreads throughout the market, and then individuals and groups adopt the product. Diffusion is a process by which the acceptance of an innovation/new product, a new idea, a new service, is spread by communication to members of a social system over a period of time.

An innovation is an idea, practice, or product, perceived to be new by an individual or a group. A product is said to be an innovation when it is perceived by the potential market as a change,and not by a technological change brought in it.

New products or new services have been classified as under:

Firm Oriented: If the product is new to the company, it is said to be new.

Product Oriented: It focuses on the features inherent in the product and the effect it has on the consumer'established usage pattern. This leads to three types of product innovation continuous,dynamically continuous, discontinuous innovation.

Market Oriented: It stresses on how much exposure consumers have on the new product:

- It can be new if purchased by a small percentage of customers in the market.
- It is new if it has been for a relatively short period in the market.

Consumer-oriented Items

It is based on the consumer's perception of the product. If he judges it to be new. For example,the Polaroid camera can be considered as an innovation, because a whole lot of people who constitute the market, use it, and can get photographs in minutes. Microwave oven for example is an innovation. It does wonders for cooking and warming of foods. Similarly, mobile phones (cell phones) can be considered an innovation. Not only are they popular, but they were unthinkable a decade or two back. Innovation can be of various degrees. For instance, a microwave oven is more of an innovation than sugar-free cola. In innovation, behavioral change stake place. These behavioral changes can be small, modest, or large. The innovation can be continuous or, dynamically continuous or, discontinuous.

Continuous Innovation

In this type of innovation, minor behavioral changes are required for adoption of the product,from ordinary cookware to Teflon-coated cookware, where minor behavioral changes are required.

A modified product, e.g., a new scuba watch, new car model or, low-fat yogurt, etc.

Dynamically Continuous Innovation

Communicator behavioral changes are required for the adoption of the product. Products in this category include compact disk players, cellular phones, erasable ink pen and disposable diapers.

Table: TV has led to related innovation.

Discontinuous innovation →	*Dynamically continuous innovation* →	*Continuous innovation*
Black and white TV →	Colour TV Portable pocket TV Stereo TV Giant screen TV Cable ready TV Picture in picture TV →	Remote control Various cabinet styles Instant on flat screen Electronic tuning Stereo sound
↓ ↓ Video cassette recorder ↓ Video camera	↓ Video walkman	

Discontinuous Innovation

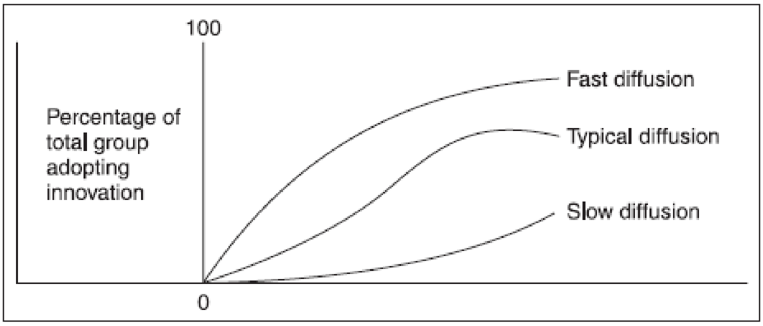
Here the adoption of the product requires major behavioral changes and the product is new,and requires high involvements of the user, along with extended decision-making, which consists of the following steps:

Table: Stages in adoption and decision-making.

Stages in adoption process	*Steps in extended decision-making*
Awareness	Problem recognition
↓	↓
Interest	Information search
↓	↓
Evaluation	Alternative evaluation
↓	↓
Trial	Purchase
↓	↓
Adoption	Post-purchase evaluation

Diffusion Process

Diffusion process is the manner in which innovations spread throughout the market. Spread refers to the purchase behavior where a product is purchased with some continuing regularity. Spread of innovation can be of three types as shown in the figure below:



Three types of innovation spread.

The diffusion process follows a similar pattern, overtime, irrespective of the social group or innovation. The typical diffusion process shows a slow growth or adoption. It later rises rapidly, and then a period of slow growth is noticed. In fast diffusion process, the product clicks immediately. The spread of innovation is very quick. People patronize the product immediately, and later on there is again slow diffusion.

In slow diffusion process, the product takes a lot of time to diffuse or spread, and the consumer follows a pattern of adoption slowly by getting acquainted with the product.

These studies show that the products take a certain amount of time, from when it gets introduced to its saturation. The marketer therefore has to understand what determines the spread of innovation in a given market segment, and how do the early buying consumers differ from those of late purchasers.

The rate of spread of innovation depends on a number of factors listed below:

Type of group: Some groups who are young, affluent and highly educated, accept changes faster than the old, traditional and poor groups. This shows that the target market is an important determinant of the rate of diffusion.

Perceived risk: The more the risk associated with changing to new innovation, the slower is the rate of diffusion. The risk consists of the product not performing as expected, the risk of the consequences of change-over, and the risk of reverting back to the old product, if not satisfied with the innovative product.

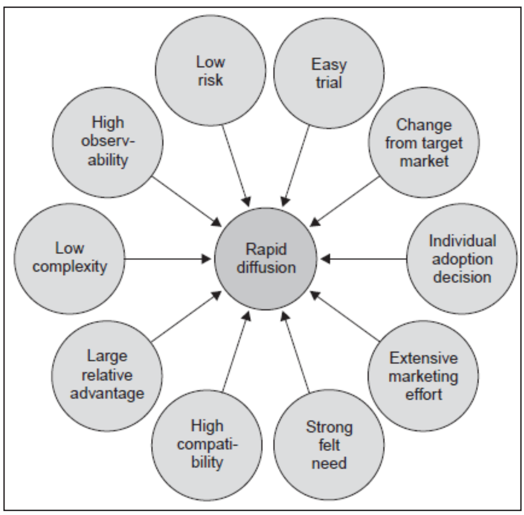
Type of decision: An individual vs. a collective decision. Individual decisions head to faster diffusion than collective ones.

Marketing effort: This also affects the diffusion process. More aggressive marketing effort, consisting of high and continuous advertising expenditure, diffuses faster than otherwise.

Trial: The trial can be taken at low cost and low risk, the diffusion is faster. Some products can be borrowed, rented or, their trial can be taken at retail outlets. These products like medicines, and other low-priced items have faster diffusion. These days even car outlets are giving free trials and rides to prospective customers to make their new models of cars diffuse faster.

Fulfillment of felt need: The faster a need is satisfied or fulfilled by a product, the greater is the rate of its diffusion.

Compatibility: The more the product is compatible with the beliefs, attitudes and values of the individual or group the faster the diffusion vegetables soup for vegetarians,ordinary microwave, no roasting.

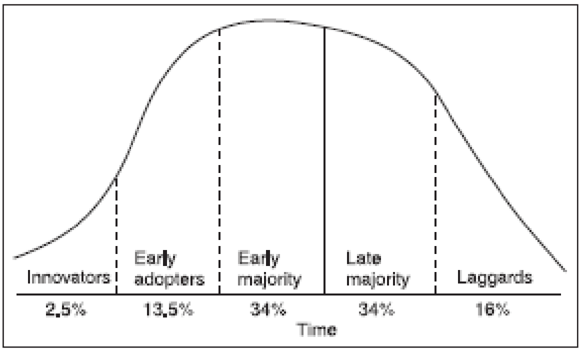


Rapid rate of diffusion.

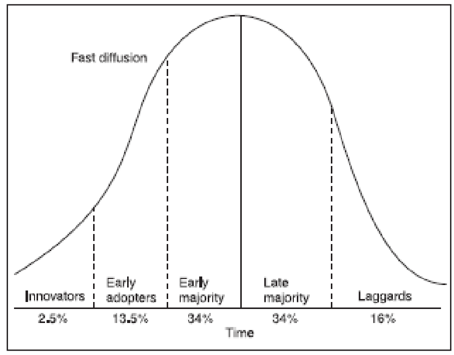
Relevant advantage: The advantage could be of price, quality, ease of handling product quality. To have quick diffusion, the product must offer either a price advantage or a performance advantage. Washing machine is expensive, but a lab our saving device.

Complexity: If the product is complex (difficult to understand and use) the diffusions slower. The product may be complex but it must be easy to understand. Complexity may be because of many attributes (attributes complexity which are difficult to understand). The other complexity may be trade off complexity. The trade off takes place between cost of purchase and economy. Convenience vs. space or speed of cooking vs. quality of cooking, as in microwave ovens.

Absorbability: The more easily the positive effects of the products can be observed, the more discussion takes place and faster the diffusion process, e.g., cell phones.



Slow diffusion.



Fast diffusion.

Customer Loyalty

Customer loyalty is the act of choosing one company's products and services consistently over their competitors. When a customer is loyal to one company, they aren't easily swayed by price or availability. They would rather pay more and ensure the same quality service and product they know and love.

Customer loyalty is the result of a company consistently meeting and exceeding customer expectations. Customers that trust the companies they do business with will be more likely to purchase again in the future.

The importance of customer loyalty impacts almost every metric important to running a business. Without happy customers that continue to buy from you, the business won't survive. New customers (as we'll talk about below) tend to cost more to acquire, and don't spend as much money as loyal, repeat customers. Keeping customers coming back for more is critical to business success. And it's why short term profit grabs don't work. Loyal customers are just better for business: they help you grow and they keep profits high.

Stronger Customer Loyalty helps Companies Grow

While it's obvious that customers who come back to spend more money is good for business, there's other, more subtle, benefits to loyal customers.

It's like the old leaky bucket metaphor. Imagine a business as a bucket. Customers flow in and fill the bucket up. A successful business has a full bucket of customers (and profits).

However, imagine the bucket has a hole in it. Customers who flowed into the bucket start to leak out the hole. Losing customers is called churn, and it has a large effect on business growth. Even if you can somehow start filling the bucket faster, you're still losing valuable customers. Patching up the hole (or improving customer retention) means keeping more customers in the business bucket. A 5% increase in customer retention increases business profits by 25%-95%.

Customer Churn is not the only Force Acting on the Bucket

If it cost the same amount to replenish the customers lost through the leak, then churn wouldn't be such a big deal. Unfortunately, it's much more expensive to get new customers into the bucket than continue to sell to existing customers. It's estimated that new customers cost five times more to convert than existing customers.

This means businesses with disloyal customers need to spend more of their resources on acquiring new customers. Loyal customers make it easier for businesses to grow.

Finally, loyal customers also make recommendations to family and friends. When considering if referrals are really all that important to your bottom line, consider the following stats from Referral Sasquatch:

- Lifetime Value for new referral customer is 16% higher than non-referrals. This is likely because they already have a positive opinion on the business, and friends are more likely to recommend "perfect fit customers" or those that they know will benefit from your product or service.
- 84% of B2B decision makers start the buying process with a referral. Loyal customers can help expand your lead pipeline.
- Companies with formalized referral programs experience 86% more revenue growth over the past two years when compared to the rest.

Investing in company loyalty isn't just about preventing customers from leaving. It's also about maximizing the opportunity for growth. Combine all these loyalty effects together, and it's estimated that customer disloyalty can stunt growth by 25%- 50%. Yikes.

Customer Loyalty means Higher Profits

To operate a business revenue must be greater than expenses. If it takes $100 to convert a potential customer to a buyer, they need to spend at least that much with your business for you to break even. Customer Acquisition Cost (CAC) will often include items like marketing spend, sales labour and software cost. All those costs add up: Bain & Company believe that most businesses need to retain customers for at least 12 to 18 months to break even on cost of acquisition. The importance of customer loyalty isn't just a nice idea, it's necessary to keeping the business afloat.

In fact, directing resources towards improving customer loyalty is one of the best investments a business can make. A 2% increase in customer retention has the same effect on profit as decreasing operating costs by 10% (Leading on the Edge of Chaos, Emmet Murphy & Mark Murphy.) Instead of spending less money on customers, spend money on keeping customers around – the payoffs are worth it.

Repeat customers are often the most profitable. McKinsey found that repeat e-commerce customers spend more than double what new customers spend ($52.50 average cart size for repeat customers, compared to $24.50 for new customers). SaaS businesses can see a similar benefit by upselling existing customers and providing more value as the account grows.

A focus on customer loyalty results in higher profits and overall company success.

How do you Measure Customer Loyalty?

Customer loyalty is measured by examining customer behavior. Loyal customers will make more purchases, stay customers for longer and refer their friends and family. All of these behaviors can easily be measured.

A customer isn't either loyal or disloyal. There's a loyalty spectrum. Customers can be a little bit loyal or extremely loyal. Using the metrics below will help identify how loyal customers are, and where more work needs to be done.

Lifetime Value (LTV)

Loyal customers will spend more money with you over time. This is easily measurable. Lifetime Value is the amount of money customers spend with you from their first purchase to their latest purchase (or cancellation). Many subscription payment platforms will automatically provide this metric. Increasing average LTV is an excellent lagging indicator for customer loyalty (ie. as customer loyalty increases, LTV will also increase).

Note that LTV also depends on the cost of different products or services. An Enterprise customer who cancels after a year might have a higher LTV than a 5 year Starter customer.

Churn Rate

In addition to measuring the customers who stay, it's also important to look at the customers who go. Disloyal customers who cancel offer a great source of learning.

"There is more than one way to measure your churn. The most straightforward way is to calculate the percentage of users lost based on the number of users you started with in a given time period. Do this by dividing the number of users you churned by the number you started with. That percentage will allow you to estimate how many users you may lose on a monthly or quarterly basis. However, you may also calculate your churn in terms of potential revenue lost. Each time you lose a user and their subscription, you are losing a certain amount of revenue. This is called revenue churn, and it is arguably more important than user churn. This metric is important to track because it weights your user churn in a way that more accurately represents how your business is doing."

Referrals

If you run a referral program, it's possible to track the number of new customers who sign up based on word of mouth. Loyal customers are happy to share great services with friends and family. Measuring referrals tracks not just customers who stick around, but also customers who are so happy they spread the word.

For example, Dropbox offers free storage to users that refer new customers. When a customer signs up through a referral link, Dropbox can attribute their future payments to referrals. As customers become power users, they will be more likely to refer family and friends to gain more storage space. Dropbox grew 3900% in 15 months using this referral strategy.

It's also possible to track referrals as a lead source within Salesforce or other CRMs, even manually. As customers become more loyal (and your referral program becomes more structured) you'll see referrals become a large percentage of total incoming leads. People are talking about you.

Net Promoter Score

While NPS is often considered The Ultimate Question when measuring the importance of customer loyalty, it can be a somewhat misleading metric. Why? Because NPS only measures customer's intent to recommend the company. It doesn't measure action. The customer might be disloyal for other reasons in the future – perhaps they are extremely price sensitive or they have a bad service experience. Just because a customer signals they might recommend a company, doesn't mean they will follow through.

However, NPS is still very useful for looking at overall loyalty trends in the user base, and for uncovering Promoters that might be helpful in the future. NPS could be considered a "leading indicator" of loyalty.

Six Stages of Customer Loyalty

Customer loyalty can also be measured by the level of commitment each customer shows to the company. There are six stages in customer loyalty, and each stage increases in the amount of loyalty the customer shows. For example, a customer who is a repeat purchaser is more loyal than the customer who buys for the first time. A customer who refers a friend is more loyal than the customer who simply buys once and uses the product.

The six stages of customer loyalty are:

- Awareness: Customer is aware of company and what it offers.

- Research: Customer is considering purchasing, and has visited website, downloaded resources, etc.
- Buy: Customer has bought product or service.
- Use: Customer uses the service that they purchased.
- Repeat: Customer purchases from company again.
- Refer: Customer refers friends or family members to company.

Categorizing Customer Loyalty

Customer loyalty is an oft-debated subject in the market. In an interview noted for the Harvard Business School, well-known learning and OD consultant Carl P made an interesting observation about customer loyalty. He said, “If you have more information to make what you consider to be an informed choice, why would you have to be brand loyal?” And to be fair, it is a very valid point. The increasing access to the internet has brought humungous information to consumers’ fingertips. Consumers now have much higher expectations from their preferred brands than earlier. They may turn away if they don’t get a timely response or face a lack of good customer service experience.

Categorizing Customer Loyalty

The Financial Times defines customer loyalty as “when people choose to visit a particular shop or buy one particular product, rather than use other shops or buy products made by other companies.” However, customer loyalty isn’t a quantifiable behavior and as such, it cannot be measured. Studies on customer patterns and behavior over the years have shown that customer loyalty can be broadly categorized into two kinds:

- Attitude-based Loyalty: Richard L Oliver defines attitude-based loyalty as “A deeply held commitment to repurchase or repatronize a preferred product/service consistently in the future, thereby causing repetitive same brand-set purchases despite situational influences and marketing efforts having the potential to cause switching behavior.” One of the best examples of attitude-based loyalty is the fan following for European football clubs or cult brands such as Harley Davidson or Apple.
- Fiercely loyal and diligent, attitude-based loyalty is excellent for viral publicity. More often than not, supporters of football clubs ensure that their support for the club is something that’s passed down generations. The advent of social media has now made these customers even more important as they can express their satisfaction or resentment at a greater scale. They not only add to the brand image but also associate themselves with all associated products of the brand.

- Behavioral Loyalty: Behavioral loyalty can be defined as "an ongoing propensity to buy.
- The brand, usually as one of several", state Ehrenberg and Scriven. This behavior is vitally important to business as it shows that people are buying from them on a regular basis. While it remains an important factor that needs to be studied, behavioral loyalty by itself cannot be used as a measure of someone's loyalty to a brand. Their decision to buy from a source repeatedly could come down to a factor as simple as laziness or inertia. As such behavioral loyalty is not a reliable predictor of customer behavior. However, this does not reduce their role as influencers since they could just as well chase away other potential leads through negative reviews.

Cultivating Customer Loyalty

- Under-delivering on promises.
- Unresolved complaints from previous purchases.
- Delayed responses.
- Bad customer service experience.

These points highlight the main issues faced by brands trying to cultivate customer loyalty. People have high expectations and they require their problems to be resolved in the shortest possible time. Companies need to be innovative and proactive in understanding client behavior. It can be achieved by the following initiatives:

Invest in a Loyalty Rewards Program: You are only as good as the love you have for other people. Loyalty rewards programs are a way of letting your customers know that their continued support and engagement is valued. These programs not only help in retaining existing customers, but they also help in the acquisition of new customers, their engagement as well as providing a good customer service experience.

Proactive Live Chat Customer Service: When you're flooded with customer requests, it helps to have a software tool that lets you engage with visitors at all times. A live chat tool is essential for helping you resolve issues instantly by connecting to existing and potential leads. Live chat not only provides an exceptional customer service experience but also helps engage with potential leads. Investing in a live chat tool is a prudent investment. Monitor the conversations in real-time and gauge how happy your visitors are with their operator in providing delightful customer service.

Get to Know Your Customers and Build a Personal Connection: Everyone appreciates a personal touch. Get to know your customers by compiling their data and use that data to help personalize their shopping experience. Send them personalized emails on their birthdays and other such occasions regularly. Invest in a mass mailing system to send seasonal newsletters to let all your customers know about any major changes in the company.

Encourage and Implement Client Feedback: Customer satisfaction surveys and feedback forms are important tools for enhanced customer experience. Encourage your customers to provide you with feedback about their experience with you. Send them feedback forms and surveys once they complete a purchase. Let them know that their feedback is listened to and is used to improve their customer experience. Good customer experience equals good customer reviews, which in turn brings in new customers.

Behaviors of Truly Loyal Customers

Customer loyalty can be demonstrated with nine different behaviors.

- A loyal customer comes back.

  This is obvious. A repeat customer is a loyal customer.

- A loyal customer buys more.

  More frequently, more volume, more of their total purchasing in your category. You get more of a loyal customer's "share of wallet".

- A loyal customer buys your premium items, your higher priced or higher value offers.

  A loyal customer is more likely to buy the bundle, get the whole package, sign up for the longer term agreement.

- A loyal customer is more likely to refer or recommend you.

  Loyal customers answer high on the NPS question: "How likely are you to recommend our company to your colleague or your friend?"

- A loyal customer is not only likely to, but actually does make recommendations.

  Loyal customers score high not only on intention ("How likely are you to"), but also in actual referral behavior. Loyal customers make deliberate recommendations to friends and specific referrals to their colleagues, neighbors, community members, and business partners. Loyal customers tell other people about you, and make the effort to tell you about them. Loyal customers make introductions happen. Loyal customers make the connection.

- A loyal customer speaks highly about you in public spaces.

  Loyal customers give you compliments in writing, over the phone, and face-to-face. This is positive and uplifting for the morale of your team.

  Loyal customers also you compliments on websites, in blogs, newsletters, newspapers and other social and community networks.

- A loyal customer defends you when you are under attack.

  Everyone makes mistakes. When your company makes an error, many upset customer will complain or even flame and attack you in public online spaces. Many of your satisfied customers will remain silent. But a loyal customer will speak out in your defense, make comments to balance the feedback, and even refer a complainer to you personally to help get an issue resolved.

- A loyal customer gives you constructive feedback when you fall or fail.

  Most people will just walk away when you make a mistake, and then tell others, but not tell you. But a loyal customer wants you to recover and succeed. They will give you the constructive feedback you need to improve.

- A loyal customer offers competitive intelligence and insight.

  They will take the time and make the effort to tell you what other organizations are doing, what they are offering, and how they are improving. Loyal customers will help you stay up to date on what's happening with your competition, your industry, and your market.

- A loyal customer treats your staff and company with respect.

  With your staff, loyal customers are courteous, encouraging, and respectful. They give compliments, appreciate efforts, and forgive occasional problems. With your company property, loyal customers protect you; they don't damage or steal what is yours. After all, loyal customers are planning to come back, and they want things to be nice for them again the next time.

Customer Switching

In marketing and microeconomics, customer switching or consumer switching describes "customers/consumers abandoning a product or service in favor of a competitor". Assuming constant price, product or service quality, counteracting this behaviour in order to achieve maximal customer retention is the business of marketing, public relations and advertising. Brand switching—as opposed to brand loyalty is the outcome of customer switching behaviour.

Reasons

Variability in quality or market price fluctuations—especially a rise in prices—may lead customers to consult price comparison services where alternative suppliers may be offered. Declining customer satisfaction may be due to poor service quality but also—to a lesser degree—be a symptom of boredom with the brand of choice. Brand loyalty can be very strong, however, and the longer a commitment to a brand lasts, the stronger the ties will usually be.

According to 2013 Nielsen study on customer loyalty, brand switching can happen for 5 main reasons, but mainly based on price considerations. The overall global averages are:

- Better Price (41%)
- Better Quality (26%)
- Better Service Agreement (15%)
- Better Selection (10%)
- Better Features (8%)

Because of the dominant role of pricing, market tactics like penetration pricing have evolved to offer a convincing incentive for switching. Along with these are the factors like service inconvenience, poor location, ethical issues like hard selling or unsafe products and also change in customers' income levels. Another approach is the advertisement of vaporware that seemingly will offer newer or better features than established products without actually possessing any innovation.

Affected Sectors

Switching is a significant business factor affecting revenues for companies providing continuously delivered services, as is the case for the energy market as opposed to sectors providing products that stimulate non- or sparsely recurring purchase because of the durability of the product or a general orientation towards casual customers. Energy customer switching is a significant risk or success factor for energy suppliers.

Serial Switching

The term serial switcher was first coined by Charles Turner and David Alexander in their Customer relationship management course and then their CRM Pocketbook. It describes a person who continually moves his/her patronage from one company to another and highlights the ignorance of many organisations, including credit card companies, who strive for customer acquisition regardless of retention rates.

By offering a range of financial incentives, such as free balance transfers or interest free periods, a company may hope to attract new customers. This is superficially attractive to companies if it meets acquisition and competitive switching targets. In practice, however, a serial switcher will not contribute any profit if he/she does not stay long enough to provide a return on investments. The lesson is that lack of integration and analysis across the business allows bad decisions to be made.

Impulse Buying

An impulse purchase or impulse buying is an unplanned decision to buy a product or service, made just before a purchase. One who tends to make such purchases is referred to as an impulse purchaser or impulse buyer. Research findings suggest that emotions and feelings play a decisive role in purchasing, triggered by seeing the product or upon exposure to a well crafted promotional message.

Marketers and retailers tend to exploit these impulsive shopping which are tied to the basic want for instant gratification. For example, a shopper in a supermarket might not specifically be shopping for confectionery. However, candy, gum, mints and chocolate are prominently displayed at the checkout aisles to trigger impulse buyers - and their children - to buy what they might not have otherwise considered. Alternatively, impulse buying can occur when a potential consumer spots something related to a product that stirs a particular passion in them, such as seeing a certain country's flag on the cover of a certain DVD. Sale items are displayed in much the same fashion.

The Apple Macintosh 128K computer's graphical user interface was so innovative in 1984, and so compelling to consumers, that one dealer described it as "the first $2,500 impulse item". Impulse buying can also extend to more expensive items such as automobiles, couches, and home appliances. Automobiles in particular are as much an emotional purchase as a rational one. This in turn leads auto dealers all over the world to market their products in a rapid-fire, almost carnival-like manner designed to appeal to emotion over reason.

Impulse buying disrupts the normal decision making models in consumers' brains. The logical sequence of the consumers' actions is replaced with an irrational moment of self gratification. Impulse items appeal to the emotional side of consumers. Some items bought on impulse are not considered functional or necessary in the consumers' lives.

Preventing impulse buying involves techniques such as setting budgets before shopping and taking time out before the Purchase is made.

In the study, Central Michigan University Psychology professor Bryan Gibson surveyed college students by measuring their preference for a variety of soft drinks, including Coke and Pepsi. Results of Gibson's study found that implicit attitudes, or those that people may not be conscious of and able to verbally express, predicted product choice only when participants were presented with a cognitive task, suggesting that implicit product attitudes may play a greater role in product choice when the consumer is distracted or making an impulse purchase.

Researchers at the University of British Columbia and the Cheung Kong Graduate School of Business found that impulse spending is a behavior associated with disorganized environments. The study concluded that being surrounded by chaos impairs a person's ability to perform other tasks requiring 'brain' power, which results in a threat to a person's sense of personal control.

Search and Evaluation in Consumer Behavior

Information search starts the moment a need is recognized. It is a deliberate attempt to gain appropriate knowledge about products. Knowledge of brands and their important characteristics, and knowledge of stores from where to purchase the goods is gained. Optimum amount of information is required for making a proper choice. Consumers gather information, they then understand (perceive) by selecting, organizing and interpreting it.

Acquisition process Type of involvement.

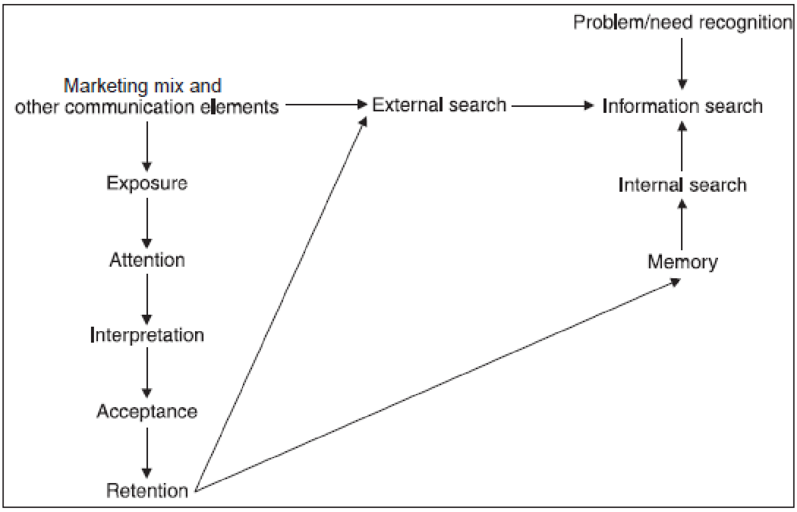
On going search Enduring involvement (computer).

Purchase specific searchSituational involvement.

Passive acquisition Low involvement.

Questions Faced by Marketer

- What are the types of information search, and what are their determinants?
- What is the appropriate information load that can be handled by customers?
- How can marketers help facilitate the information search?
- Which source of information is used by the customer?



Information search for high involvement consumer durables.

Types of Information Search

Internal search: It is sufficient in case of loyalty decisions and impulsive purchases. Internal search is also done for routine response behavior and limited problem solving.

External Search: It is a mediated, planned and rational pursuit of information for high involvement purchase decision, i.e., extensive problem solving.

Passive Search: Low involvement use repetitive advertising use TV Emphasize Price Promotion and in-store marketing stimuli.

Active Information Search: Marketer must vary message content frequently. Use Print Media. Emphasize advertising and emphasize marketing before customer enters store.

Hedonic Search: In this, sensory stimuli dominates. There is ongoing information search. Personal sources are more important symbols and imagery is most effective.

Utilitarian Search: Product attributes are more important for purchase. There is specific information search. Non-personal sources are more important. Product information is more effective.

Information Overload

Jacob Jacoby and Associates developed this concept, which cautions marketers against the popular assumption “If some information is good, then more information must be better”.

Too much information confuses the consumer, and with more information, often poor decisions are made. Increasing package information adversely affects the ability to choose best brands.

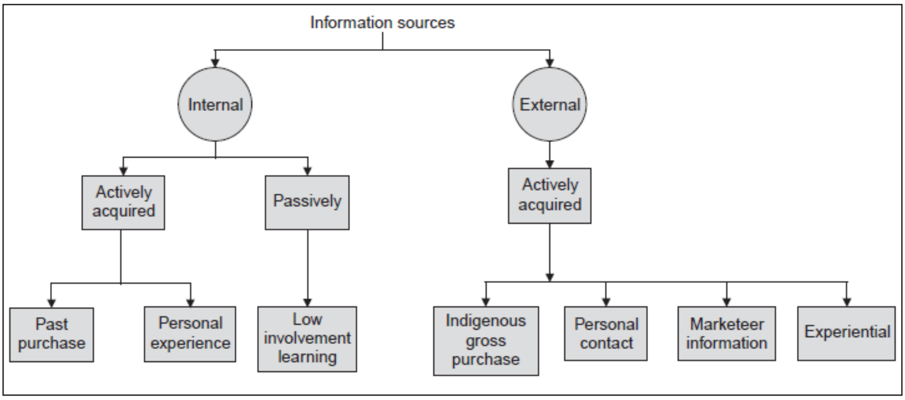
Sources of Information

- Controlled by marketers:
  - Advertising: Provides about 35 per cent to 50 per cent information sought. It is the most important sources of information.
  - In-store promotion: e.g., display prices, danglers, brochures, technical reports,summaries.
  - Information on distribution support: Yellow pages.
  - Package information: Colour, design, ingredientts and mode of using.
  - Sales personnel: Consumer durables, furniture, electronic, clothing indigenous products.
  - Samples and demonstrations (most important): Create a favourable impact for marketeers.
- Outside marketeer's control:
- Personal friends, independent consumer reports, new articles shopping columns.
- Some sources are face to face, others are non-personal in nature (advertisement andpublicity, etc). There are many situations which lead to high or low information search.

Factors Leading to High Information Search

- If one feels that there will be more benefit by undertaking a search search is high.
- If there is greater involvement in the product, i.e., a camera bought by a professional photographer or, a racket chosen by a professional tennis player.
- If one likes shopping and enjoys it search is high.
- If more time is available high search.
- If one is mobile and can go from place to place, i.e., his movement is not restricted high information search.
- If one can process the information easily about the product one wants to buy. It leads to high information search.

- If many attributes are to be evaluated and one is interested in many attributes and their mix high information search.
- If there is a little product knowledge and experience it leads to high risk. Therefore,more information search is required.
- If there is more product differentiation high price is charged.



Information sources.

Factors Leading to Low Information Search

- If the cost of the information search is high it leads to low information search.
- If one relies on his past experience of purchases low information search.
- If one is satisfied with existing brands he is using he will go for low information search.
- If there is social pressure of friends and relatives to buy a particular product low information search.
- If one has low confidence in dealing with information or, cannot process much information low information search.
- For external information search, certain measures are taken.
    - Number of stores visited.
    - Number of alternatives considered.
    - Number of personal sources used.
    - Overall or combination measures.

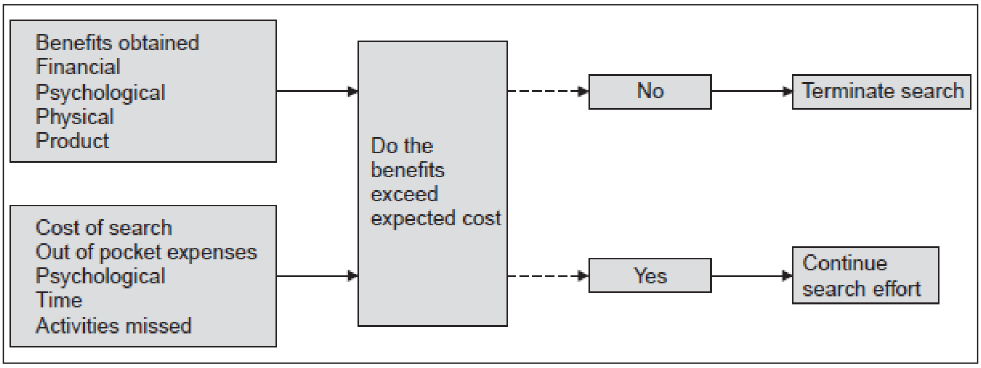
Consumers can be classified as:

- Non-searchers.

- Limited information searchers.
- Extended information searchers.

Cost vs. Benefit Analysis Benefits can be:

- tangible, i.e., lower price preferred style, more quantity, better quality.
- Intangible reduced risk, greater confidence even providing enjoyment. It has been observed that 50 per cent of the appliance buyers do little, or no external search as they do not perceive enough benefits from it.



Cost and benefit guide.

Cost

No search is also done because of the cost incurred. It can be both monetary and non-monetary,i.e., money used in transportation, lost time, lost wages, lost opportunities.

Non-monetary may include psychological and physical cost, frustration cost, conflict between search and other activities fatigue, etc.

When a consumer undertakes a search, he comes across various brands and has to choose from them. Some brands are considered out of the total set of brands available. We thus have:

- Total set: All the brands available in the market.
- Awareness set: Brands potential buyer is aware of.
- Inept set: Not suitable/rejected.
- Considerations set (Evoked set): Brand to be considered.
- Choice set: In contention with final choice.
- Choice: Ultimate choice.

Factors that influence cost and benefit

Influencing factor	*Effect of increasing the influencing factor*
Market character	
Number of alternatives	Increases search
Price range	Increases search
Store concentration	Increases search
Information availability	Increases search
(This includes—advertisements, point of purchase, sales personnel, packaging)	
Product character	
Price	Increases search
Differentiation	Increases search
Positive products	Increases search
(These are products which the customer enjoys buying like a camera, tennis racket, good food, etc. Negative products, negative reinforcement which the customer avoids; *i.e.*, inoculation, medicine, etc.)	
Consumer Character	
Learning and experience	Decreases search
Shopping orientation	Knowledge of consumption about existing product
Social status	Increases search
Age and household lifecycle	Age is inversely proportional to search. Also new stage of L.C. requires more search.
Perceived risk	Increases search
Situation Character	
Time availability	Increases search
Purchase for self	Decreases search
Pleasant surroundings	Increases search
Physical/Mental energy	Increases search
Social surroundings	Mixed search
Pleasant surroundings tends to increase search.	

Sets that lead to choice

Total set	*Awareness set*	*Inept set*	*Consideration set*	*Choice set*	*Choice*
Godrej	Godrej	Voltas	LG	LG	LG
Samsung	LG	Samsung	Videocon	Videocon	
LG	Videocon	Godrej	Kelvinator		
Kelvinator	Kelvinator	BPL			
Videocon	BPL				
Allwyn					
BPL					
Voltas					

Marketing strategy based on information search process

Brand position	*R.R.B.*	*Limited D.M.*	*Extended D.M.*
Brand in evoked set (consideration)	Maintenance Strategy	Capture Strategy	Preference
Brand not in evoked set (consideration)	Disrupt Strategy	Intercept Strategy	Acceptance Strategy

To design market strategies, the nature of search is to be considered, i.e., R.R. B., L.P.S.,E.P.S. and the nature of the evoked set (This influences the direction of search). This gives rise to six strategies.

Maintenance Structure

If the brand is purchased habitually, the strategy is to maintain that behaviour. Attention is to be paid to product quality, avoiding out of stock situation, reinforcement, advertising. Also defend against the competitor's move which might be disruptive to the brand. Maintain product development, give rebates, P.O. P. displays, etc.

Disruptive Structure

If the brand is not in the evoked set and the decision is habitual, we must disrupt the existing decision-making process. It is a difficult task. A major product improvement must be made. Attention attracting advertising should be done. Free samples, coupons, rebates and tie-insalescan disrupt habitual decision-making.

Capture Structure, Limited Decision-making and Evoked Brand

Limited decision-making involves few brands which are evaluated on price or availability. Information search is mostly done at P.O. P. and through available media prior to purchase. Strategy is to catch as much of the market share as possible/practical. In limited search, the marketer tries to supply information of his brand by cooperative advertising. He must also maintain product quality and adequate distribution.

Intercept Structure, Limited Decision-making and not Evoked Set (Consideration Set)

Marketer has to intercept the consumer during a search on brands in evoked set. Emphasis will be on local media with cooperative advertisement, P.O. P. displays, shelf space, package design. Consumer's attention is to be drawn as the brand is not in the evoked set. Coupons can also be effective. Low involvement learning, product improvement and free samples can also be used.

Preference Structure, Extended Decision-making and Evoked Set

Extended decision-making involves several brands, several attributes and many information sources. We have to have a campaign that will result in the target market preferring our brand.

We should be strong in the attributes preferred by the target markets. Extensive advertising campaigns must be undertaken to impart information to groups. Groups be encouraged to test the brand. Extra motivation be given to salesmen. Pamphlets be provided.

Acceptance Structure

It is used in extended decision-making and for the brands that are not in the evoked set.

Similar to preference structure brand is not in evoked set, therefore, the customer is not seeking information about the product. Motivate customer to learn about the brand and visit showrooms. Besides preferred strategies, effort should be made to bring the brand in the evoked set by extended advertisement and imparting information.

Marketing Implications of Research Behavior are Broad Ranging

It makes marketers aware of how customers search for information. They can help the customer and facilitate the search process to match with their marketing stimuli. Marketers influence search process by advertising product and packaging and pricing policies.

Marketers' Influence on Information Search

Through areas of advertising, product and packaging policies and pricing.

Advertising: Complex due to selective reception and perception. With time, audience erosion occurs, constant review is important. Audience may not be attentive to the advertisement.

To present an attractive packaging, one should vary the packaging and design of the product.

Product and packaging: Use words like 'new', 'improved', 'better', or 'power' packed. Change in package design and co lour, periodically helps to push information through. It stimulates the consumer and, pushes the information through the threshold level. These adjectives help the consumer to break the threshold level faster, so that the purchases are expedited.

Pricing: Pricing permutations and combinations to convey desired price quality perception. Most people are sensitive to price variations. This strategy is commonly used.

Customer Choice

Consider an economy with two types of homogeneous divisible goods, traditionally called X and Y.

- The consumption set is R_+^2 i.e. the set of all pairs (x,y) where $x \geq 0$ and $y \geq 0$. Each bundle contains a non-negative quantity of good X and a non-negative quantity of good Y.

- A typical preference relation in this universe can be represented by a set of indifference curves. Each curve represents a set of bundles that give the consumer the same utility. A typical utility function is the Cobb–Douglas function: $u(x,y) = x^{\alpha}.y^{\beta}$, whose indifference curves look like in the figure below.
- A typical price system assigns a price to each type of good, such that the cost of bundle (x, y) is $xpX + ypY$.
- A typical initial endowment is just a fixed income, which along with the prices implies a budget constraint. The consumer can choose any point on or below the budget constraint line BC In the diagram. This line is downward sloped and linear since it represents the boundary of the inequality $xpX + ypY \leq income$. In other words, the amount spent on both goods together is less than or equal to the income of the consumer.

The theory of consumer choice is the branch of microeconomics that relates preferences to consumption expenditures and to consumer demand curves. It analyzes how consumers maximize the desirability of their consumption as measured by their preferences subject to limitations on their expenditures, by maximizing utility subject to a consumer budget constraint.

Consumption is separated from production, logically, because two different economic agents are involved. In the first case consumption is by the primary individual; in the second case, a producer might make something that he would not consume himself. Therefore, different motivations and abilities are involved. The models that make up consumer theory are used to represent prospectively observable demand patterns for an individual buyer on the hypothesis of constrained optimization. Prominent variables used to explain the rate at which the good is purchased (demanded) are the price per unit of that good, prices of related goods, and wealth of the consumer.

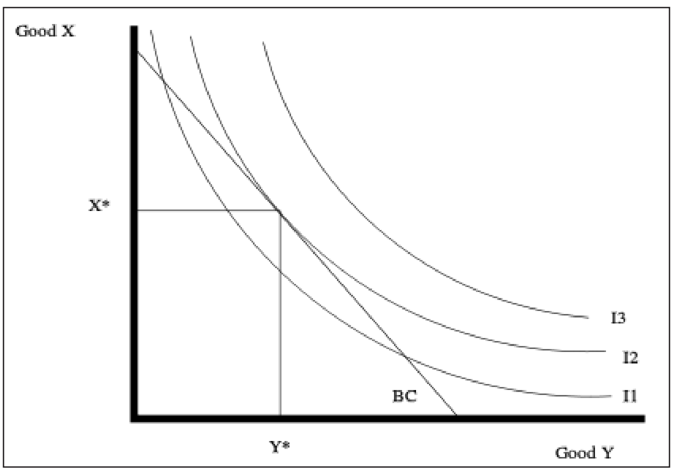
The law of demand states that the rate of consumption falls as the price of the good rises, even when the consumer is monetarily compensated for the effect of the higher price; this is called the substitution effect. As the price of a good rises, consumers will substitute away from that good, choosing more of other alternatives. If no compensation for the price rise occurs, as is usual, then the decline in overall purchasing power due to the price rise leads, for most goods, to a further decline in the quantity demanded; this is called the income effect.

In addition, as the wealth of the individual rises, demand for most products increases, shifting the demand curve higher at all possible prices.

The basic problem of consumer theory takes the following inputs:

- The consumption set C – the set of all bundles that the consumer could conceivably consume.

- A preference relation over the bundles of C. This preference relation can be described as an ordinal utility function, describing the utility that the consumer derives from each bundle.
- A price system, which is a function assigning a price to each bundle.
- An initial endowment, which is a bundle from C that the consumer initially holds. The consumer can sell all or some of his initial bundle in the given prices, and can buy another bundle in the given prices. He has to decide which bundle to buy, under the given prices and budget, in order to maximize his utility.
- The consumer will choose the indifference curve with the highest utility that is attainable within his budget constraint. Every point on indifference curve I3 is outside his budget constraint so the best that he can do is the single point on I2 where the latter is tangent to his budget constraint. He will purchase X* of good X and Y* of good Y.



- Indifference curve analysis begins with the utility function. The utility function is treated as an index of utility. All that is necessary is that the utility index change as more preferred bundles are consumed.
- Indifference curves are typically numbered with the number increasing as more preferred bundles are consumed. The numbers have no cardinal significance; for example if three indifference curves are labeled 1, 4, and 16 respectively that means nothing more than the bundles "on" indifference curve 4 are more preferred than the bundles "on" indifference curve 1.
- Income effect and price effect deal with how the change in price of a commodity changes the consumption of the good. The theory of consumer choice examines the trade-offs and decisions people make in their role as consumers as prices and their income changes.

Example: Land

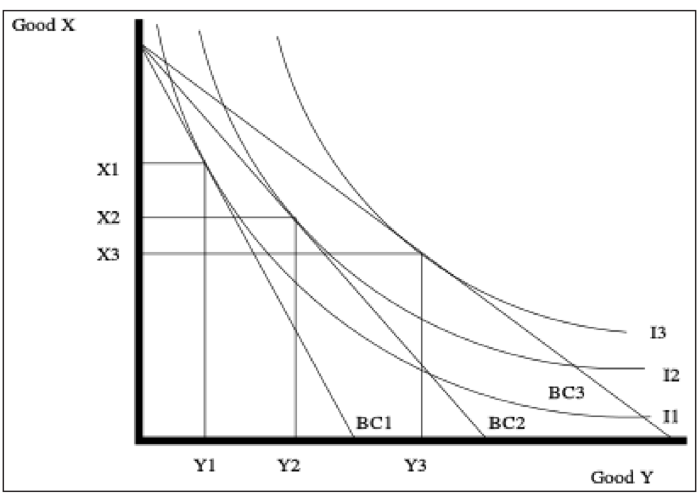
As a second example, consider an economy which consists of a large land-estate L.

- The consumption set is P (L), i.e. the set of all subsets of L (all land parcels).
- A typical preference relation in this universe can be represented by a utility function which assigns, to each land parcel, its total "fertility" (the total amount of grain that can be grown in that land).
- A typical price system assigns a price to each land parcel, based on its area.
- A typical initial endowment is either a fixed income, or an initial parcel which the consumer can sell and buy another parcel.

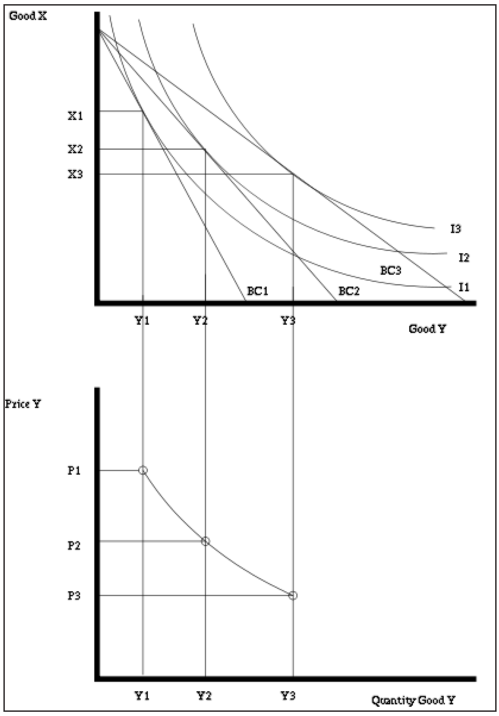
Effect of a Price Change

The indifference curves and budget constraint can be used to predict the effect of changes to the budget constraint. The graph below shows the effect of a price increase for good Y. If the price of Y increases, the budget constraint will pivot from BC2 to BC1. Notice that because the price of X does not change, the consumer can still buy the same amount of X if he or she chooses to buy only good X. On the other hand, if the consumer chooses to buy only good Y, he or she will be able to buy less of good Y because its price has increased.

To maximize the utility with the reduced budget constraint, BC1, the consumer will re-allocate consumption to reach the highest available indifference curve which BC1 is tangent to. As shown on the diagram below, that curve is I1, and therefore the amount of good Y bought will shift from Y2 to Y1, and the amount of good X bought to shift from X2 to X1. The opposite effect will occur if the price of Y decreases causing the shift from BC2 to BC3, and I2 to I3.

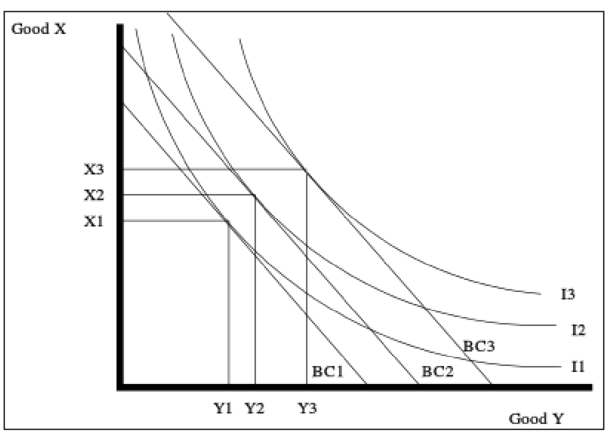


If these curves are plotted for many different prices of good Y, a demand curve for good Y can be constructed. The diagram below shows the demand curve for good Y as its price varies. Alternatively, if the price for good Y is fixed and the price for good X is varied, a demand curve for good X can be constructed.

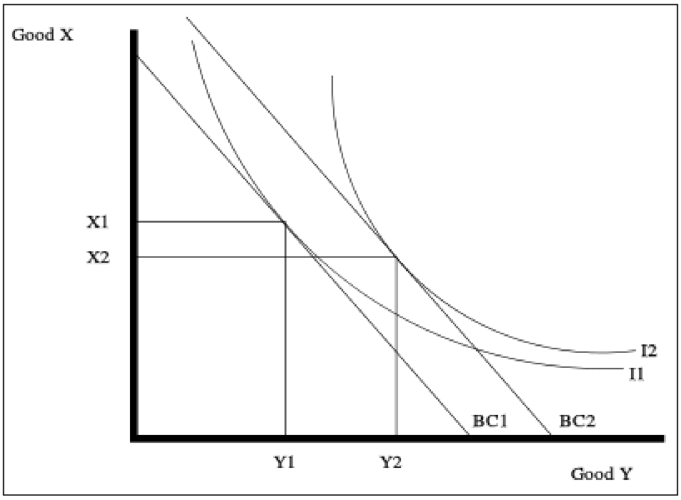


Income Effect

Another important item that can change is the money income of the consumer. The income effect is the phenomenon observed through changes in purchasing power. It reveals the change in quantity demanded brought by a change in real income. Graphically, as long as the prices remain constant, changing income will create a parallel shift of the budget constraint. Increasing the income will shift the budget constraint right since more of both can be bought, and decreasing income will shift it left.



Depending on the indifference curves, as income increases, the amount purchased of a good can either increase, decrease or stay the same. In the diagram below, good Y is a normal good since the amount purchased increased as the budget constraint shifted from BC1 to the higher income BC2. Good X is an inferior good since the amount bought decreased as the income increases.



$\triangle y_1^n$ is the change in the demand for good 1 when we change income from m' to m, holding the price of good 1 fixed at P_1'

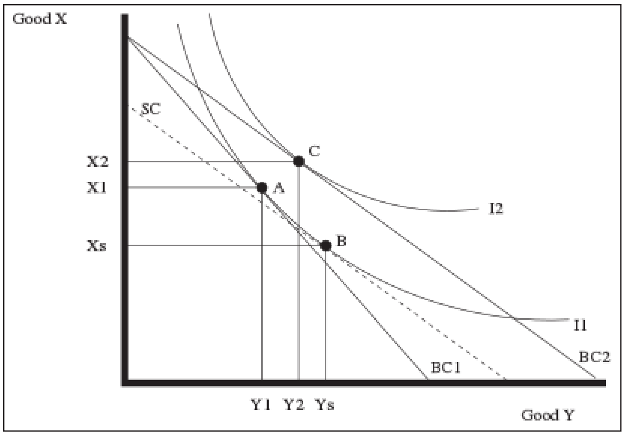
$$\triangle y_1^n = y_1(p_1', m) - y_1(p_1', m')$$

Price Effect as Sum of Substitution and Income Effects

Every price change can be decomposed into an income effect and a substitution effect; the price effect is the sum of substitution and income effects.

The substitution effect is the change in demands resulting from a price change that alters the slope of the budget constraint but leaves the consumer on the same indifference curve. In other words, it illustrates the consumer's new consumption basket after the price change while being compensated as to allow the consumer to be as happy as he or she was previously. By this effect, the consumer is posited to substitute toward the good that becomes comparatively less expensive.

In the illustration below this corresponds to an imaginary budget constraint denoted SC being tangent to the indifference curve I1. Then the income effect from the rise in purchasing power from a price fall reinforces the substitution effect. If the good is an inferior good, then the income effect will offset in some degree the substitution effect. If the income effect for an inferior good is sufficiently strong, the consumer will buy less of the good when it becomes less expensive, a Giffen good (commonly believed to be a rarity).



The substitution effect, $\triangle y_1^s$ is the change in the amount demanded for Y when the price of good Y falls from p_1 to $P_1^{'}$. represented by the budget constraint shifting from BC1 to BC2 and thus increasing purchasing power) and, at the same time, the money income falls from m to m'. o keep the consumer at the same level of utility on I_1.

$$\triangle y_1^s = y_1(p_1^{'}, m^{'}) - y_1(p_1^{'}, m) = Y_s - Y_1$$

The total effect of the price drop on quantity demanded is the sum of the substitution effect and the income effect.

Assumptions

The behavioral assumption of the consumer theory proposed herein is that all consumers seek to maximize utility. In the mainstream economics tradition, this activity of maximizing utility has been deemed as the "rational" behavior of decision makers. More specifically, in the eyes of economists, all consumers seek to maximize a utility function subject to a budgetary constraint. In other words, economists assume that consumers will always choose the "best" bundle of goods they can afford. Consumer theory is therefore based on generating refutable hypotheses about the nature of consumer demand from this behavioral postulate.

In order to reason from the central postulate towards a useful model of consumer choice, it is necessary to make additional assumptions about the certain preferences that consumers employ when selecting their preferred "bundle" of goods. These are relatively strict, allowing for the model to generate more useful hypotheses with regard to consumer behaviour than weaker assumptions, which would allow any empirical data to be explained in terms of stupidity, ignorance, or some other factor, and hence would not be able to generate any predictions about future demand at all. For the most part, however, they represent statements which would only be contradicted if a consumer was acting in (what was widely regarded as) a strange manner. In this vein, the modern form of consumer choice theory assumes.

Preferences are Complete

Consumer choice theory is based on the assumption that the consumer fully understands his or her own preferences, allowing for a simple but accurate comparison between any two bundles of good presented. That is to say, it is assumed that if a consumer is presented with two consumption bundles A and B each containing different combinations of n goods, the consumer can unambiguously decide if (s)he prefers A to B, B to A, or is indifferent to both. The few scenarios where it is possible to imagine that decision-making would be very difficult are thus placed "outside the domain of economic analysis". However, discoveries in behavioral economics has found that actual decision making is affected by various factors, such as whether choices are presented together or separately through the distinction bias.

Preferences are Reflexive

Means that if A and B are in all respect identical the consumer will consider A to be at least as good as (i.e. weakly preferred to) B. Alternatively, the axiom can be modified to read that the consumer is indifferent with regard to A and B.

Preference are Transitive

If A is preferred to B and B is preferred to C then A must be preferred to C.

This also means that if the consumer is indifferent between A and B and is indifferent between B and C she will be indifferent between A and C.

This is the consistency assumption. This assumption eliminates the possibility of intersecting indifference curves.

Preferences Exhibit Non-satiation

This is the "more is always better" assumption; that in general if a consumer is offered two almost identical bundles A and B, but where B includes more of one particular good, the consumer will choose B.

Among other things this assumption precludes circular indifference curves. Non-satiation in this sense is not a necessary but a convenient assumption. It avoids unnecessary complications in the mathematical models.

Indifference curves exhibit diminishing marginal rates of substitution.

This assumption assures that indifference curves are smooth and convex to the origin.

This assumption is implicit in the last assumption.

This assumption also set the stage for using techniques of constrained optimization.

Because the shape of the curve assures that the first derivative is negative and the second is positive.

The MRS tells how much y a person is willing to sacrifice to get one more unit of x.

This assumption incorporates the theory of diminishing marginal utility.

Goods are Available in all Quantities

It is assumed that a consumer may choose to purchase any quantity of a good she desires, for example, 2.6 eggs and 4.23 loaves of bread. Whilst this makes the model less precise, it is generally acknowledged to provide a useful simplification to the calculations involved in consumer choice theory, especially since consumer demand is often examined over a considerable period of time. The more spending rounds are offered, the better approximation the continuous, differentiable function is for its discrete counterpart. (Whilst the purchase of 2.6 eggs sounds impossible, an average consumption of 2.6 eggs per day over a month does not).

Note the assumptions do not guarantee that the demand curve will be negatively sloped. A positively sloped curve is not inconsistent with the assumptions.

Use Value

In Marx's critique of political economy, any labor-product has a value and a use value, and if it is traded as a commodity in markets, it additionally has an exchange value, most often expressed as a money-price. Marx acknowledges that commodities being traded also have a general utility, implied by the fact that people want them, but he argues that this by itself tells us nothing about the specific character of the economy in which they are produced and sold.

Abor-leisure Tradeoff

One can also use consumer theory to analyze a consumer's choice between leisure and labor. Leisure is considered one good (often put on the horizontal axis) and consumption is considered the other good. Since a consumer has a finite amount of time, he must make a choice between leisure (which earns no income for consumption) and labor (which does earn income for consumption).

The previous model of consumer choice theory is applicable with only slight modifications. First, the total amount of time that an individual has to allocate is known as his "time endowment", and is often denoted as T. The amount an individual allocates to labor (denoted L) and leisure (ℓ) is constrained by T such that:

$$l + L = T$$

A person's consumption is the amount of labor they choose multiplied by the amount they are paid per hour of labor (their wage, often denoted w). Thus, the amount that a person consumes is:

$$c = w(T - l)$$

When a consumer chooses no leisure ($\ell = 0$) $(l = 0)$ then $T - l = T$ and $C = wT$.

From this labor-leisure tradeoff model, the substitution effect and income effect from various changes caused by welfare benefits, labor taxation, or tax credits can be analyzed.

Consumer Adoption of Technological Innovations

Consumer adoption of technological innovations is the process consumers use to determine whether or not to adopt an innovation. This process is influenced by consumer characteristics, such as personality traits and demographic or socioeconomic factors, the characteristics of the new product, such as its relative advantage and complexity, and social influences, such as opinion leaders.

In the context of technological innovations, the adoption process is also influenced by one or several new technologies that are incorporated in the new product. New technologies are likely to significantly affect the innovation's functionality or interface. Functionality refers to the set of potential benefits that a product can provide the consumer. Interface refers here to the specific means by which a consumer interacts with a product to obtain a particular functionality. Specifically, new technologies suggest four types of innovations with unique characteristics that are likely to affect the adoption process. Alternatively it can be looked at as a Paradox of Technology.

Paradox of Technology

Donald Norman in his book, The Design of Everyday Things, outlines the idea of "Paradox of Technology". Norman's paradox states that when a new functionality is added to a technology, it also increases its complexity. Thus, a technology intended to make life easier by providing more functionality, also makes it more complex by making things harder to learn. A good design must reduce the difficulties in use of the ever-growing technology.

Information and communications technologies such as Facebook experienced this phenomenon when they released the News Feed functionality to all users. The new groundbreaking feature was met with mass upheaval with only one in 100 messages about News Feed being positive. Now, News Feed is an essential feature of Facebook which users today would be outraged if removed.

Symbolic Interactionism

Symbolic interactionism, the concept that people act toward things based on the meaning they have for them; and these meanings are derived from social interaction and modified though interpretation), plays a key in role in the consumer adoption of technological innovations. People have personal meanings for certain aspects of the technology; when these technologies are changed or modified it can greatly affect how the user interacts with the technology.

A good example of this concept is the controversial removal of the Start Menu from Microsoft's Windows 8. A major reason this was so controversial is this concept of symbolic internationalism. Critique Mark Wilson writes, "I grew up on Windows 3.1 and the introduction of the Start button/menu in Windows 95 was a revelation. Windows 8 was a step in the wrong direction." Similar critiques and reactions was a major issue and Microsoft even brought it back the next release of Windows. Many including Microsoft will argue the start menu was dated and that the newer metro start screen is an improvement upon the start menu but that is still up to debate and preference.

Social Influences

When a new technology is introduced a user evaluates if the perceived benefits (functionality, aesthetics etc.) outweigh any negative social nuances it may introduce. New technology not only changes the way that the user interacts with it, but often also asks users to embrace new behaviors. However, as our technologies are increasingly becoming more mobile, these new behaviors frequently take place in a public location and become an integral part of a user's social appearance.

It is often the case that every new technology introduces public discomfort. While the first handheld cellular phone was developed in 1973, it was not until the early 2000s that they technology became truly ubiquitous. While a part of the slow growth of cellular phones can be attributed to its design, another big part was the technology being considered esoteric by many.

Sandra Vannoy and Prashant Palvia developed a theoretical model called the "Social Influence Model" that investigates technology adoption at a societal or communal level. The postulate that social influence constitutes of four overlapping phenomenon:

- Social Computing Action: actions performed through use of technology such as Web browsers and cell phones.
- Social Computing Consensus: agreement from all people that it is right to carry out the action.
- Social Computing Cooperation: participating in a way that is in the best interests of the group.

- Social Computing Authority: recognizing that the authority imposed by the group supersedes traditional authority.

Technology adoption is typically measured on two factors: embedment and embracement in daily life. Social influence deals with the embedment of technology. Embedment in daily life is evaluated by examining how other members of the society present in the same environment utilize the technology, and how the technology is perceived by these members.

Existing Functionality and Existing Interface

These innovations are incremental in nature since they offer an existing functionality and an existing interface; however, they are usually characterized by esthetic changes that affect the product's appearance. Smart phones, for example, are usually black or silver when first introduced into the market but are available in multiple colors several months later.

Existing Functionality and New Interface

These innovations provide benefits available by existing products but result in a new set of actions for the consumer. Voice recognition software is one example of this type of innovation. Consumers create documents or emails, for example, by dictating (instead of typing) to a computer.

New Functionality and Existing Interface

These innovations do not change consumer interaction with a device; they offer, however, a new functionality. Multi-mode cellphones, for example, operate in more than one frequency and enable roaming between different countries.

New Functionality and New Interface

Car GPS navigation systems, for example, fall under this category. These products provide the consumer with novel functionality, such as door-to-door navigation and real-time traffic information. The novel interface implies a new set of actions for using the device, such as using a touch-screen and voice recognition interfaces. Innovations that incorporate a novel interface require significant learning cost from the consumer since they imply learning a new set of tasks. High learning cost is likely to hinder the adoption of such innovations, unless the functionality provided is new and provides significant benefits to the consumer. Furthermore, innovations incorporating a novel interface often result in fear of technological complexity leading to feelings of ineptitude and frustration. Conversely, innovations that provide the consumer with a new functionality are characterized by a high relative advantage, which is likely to facilitate adoption.

Impact of Privacy Concerns

As technologies have improved in the past years privacy has become a major concern among consumers because the data revolution and Big Data. Technological innovations more recently have seriously been affected by these concerns and changes how people interact with these new technologies. Privacy is a very broad concept, it is very hard to define in simple manners and is still a controversial subject, and because of this confusion, consumers reject many innovations or unknowingly give their personal data to third parties. Daniel J. Solove is an expert in the topic of Privacy and in his recent book Understanding Privacy he lays out the problems and frameworks of privacy in the era of technology and the data revolution. Another good example is Eli Pariser's concept of The Filter Bubble that he lays out in his book, The Filter Bubble: What the Internet Is Hiding from You. Innovations like personalized search from Google are very controversial mainly because most consumers have no idea that it is even occurring.

Consumer Confusion

Consumer confusion is a state of mind that leads to consumers making imperfect purchasing decisions or lacking confidence in the correctness of their purchasing decisions.

Confusion occurs when a consumer fails to correctly understand or interpret products and services. This, in turn, leads to them making imperfect purchasing decisions. This concept is important to marketeers because consumer confusion may result in reduced sales, reduced satisfaction with products and difficulty communicating effectively with the consumer. It is a widely studied and broad subject which is a part of consumer behaviour and decision making.

Choice Overload

Choice overload (sometimes called overchoice in the context of confusion) occurs when the set of purchasing options becomes overwhelmingly large for a consumer. A good example is wine in the UK where supermarkets may present over 1000 different products leaving the consumer with a difficult choice process. Whilst large assortments do have some positive aspects (principally novelty and stimulation and optimal solutions) any assortment greater than around 12-14 products leads to confusion and specifically transferring the ownership of quality assurance to the consumer. What this means in practice is reduced levels of satisfaction with purchases from large assortments as a consumer may be left with doubt that they have succeeded in finding the "best" product. Choice overload is growing with ever larger supermarkets and the internet being two of the main causes.

Similarity

Similarity is where two or more products lack differentiating features which prevents the consumer easily distinguishing between them. Differentiating features could be any from the marketing mix or anything else associated with the product such as brand. Similarity of products has the negative effect on the consumer of increasing the cognitive effort required to make a decision. and reducing the perception of accuracy of decision. Both of these reduce the satisfaction with a decision and thereby satisfaction with the purchase.

Lack of Information

A consumer may suffer from lack of information if the information doesn't exist, is unavailable to them at the required moment or is too complex for them to use in their decision making process.

Information Overload

Too much information surrounding a product or service disturbs the consumer by forcing them to engage in a more complex and time-consuming purchasing process. This, and the fact that it is difficult to compare and value the information when it is superfluous, leaves the consumer unsatisfied, insecure regarding what choice to make, and more prone to delay the decision-making, and thereby the actual purchase.

Lack of Consistency

When information provided on a product and service is not consistent with the consumer's previously held beliefs and convictions, ambiguity occurs in the understanding of the product.

Law

Trademark infringement is measured by the multi-factor "likelihood of confusion" test. That is, a new mark will infringe on an existing trademark if the new mark is so similar to the original that consumers are likely to confuse the two marks, and mistakenly purchase from the wrong company.

The likelihood of confusion test turns on several factors, including:

- Strength of the plaintiff's trademark;
- Degree of similarity between the two marks at issue;
- Similarity of the goods and services at issue;
- Evidence of actual confusion;
- Purchaser sophistication;
- Quality of the defendant's goods or services;

- Defendant's intent in adopting the mark.

Initial interest confusion occurs when a mark is used to attract a consumer, but upon inspection there is no confusion. This type of confusion is well-recognized for Internet searches, where a consumer may be looking for the site of one company, and a second site mimics keywords and metadata to draw hits from the "real" site.

Point of sale confusion occurs when a consumer believes their product to be from a company which it is not.

Post sale confusion occurs after a product is purchased, and third parties mistakenly think that the product is produced by a different, generally more prestigious, brand.

Customer Experience

In commerce, customer experience (CX) is the product of an interaction between an organization and a customer over the duration of their relationship. This interaction is made up of three parts: the customer journey, the brand touchpoints the customer interacts with, and the environments the customer experiences (including digital environment) during their experience. A good customer experience means that the individual's experience during all points of contact matches the individual's expectations. Gartner asserts the importance of managing the customer's experience.

Customer experience implies customer involvement at different levels – such as rational, emotional, sensorial, physical, and spiritual. Customers respond diversely to direct and indirect contact with a company. Direct contact usually occurs when the purchase or use is initiated by the customer. Indirect contact often involves advertising, news reports, unplanned encounters with sales representatives, word-of-mouth recommendations or criticisms.

Customer experience encompasses every aspect of a company's offering—the quality of customer care, but also advertising, packaging, product and service features, ease of use, and reliability. Creating direct relationships in the place where customers buy, use and receive services by a business intended for customers such as instore or face to face contact with the customer which could be seen through interacting with the customer through the retail staff. We then have indirect relationships which can take the form of unexpected interactions through a company's product representative, certain services or brands and positive recommendations – or it could even take the form of "criticism, advertising, news, reports" and many more along that line.

Customer experience is created by the contribution of not only the customers' values but also by the contribution of the company providing the experience.

All of the events experienced by customers before and after a purchase are part of the customer experience. What a customer experiences is personal and may involve sensory, emotional, rational and physical aspects to create a memorable experiencer. In the retail industry, both company and customers play a big role in creating a customer experience.

Forbes describes the customer experience as the "cumulative impact of multiple touchpoints" over the course of a customer's interaction with an organization. Some companies are known to segment the customer experience into interactions through the web and social media, while others define human interaction such as over-the-phone customer service or face-to-face retail service as the customer experience.

The six disciplines for great customer experience are strategy, customer understanding, design, measurement, governance and culture. A company's ability to deliver an experience that sets it apart in the eyes of its customers will increase the amount of consumer spending with the company and inspire loyalty to its brand. According to Jessica Sebor, "loyalty is now driven primarily by a company's interaction with its customers and how well it delivers on their wants and needs."

Wharton's Professor of Marketing Barbara E. Kahn has established an evolutional approach to customer experience as the third of four stages of any company in terms of its customer centricity maturity. These progressive phases are:

- Product orientation: Companies just manufacture goods and offer them the best way possible.
- Market orientation: Some consideration on customer needs and segmentation arises, developing different marketing mix bundles for each one.
- Customer experience: Adding to the other two factors some recognition of the importance of providing an emotionally positive experience to customers.
- Authenticity: This is the top maturity stage of companies. Products and service emerge from real soul of brand and connect naturally and on long term sustainable basis with clients and other stakeholders.

In today's competitive climate, more than just low prices and innovative products are required to survive in retail business. Customer experience involves every point of contact you have with a customer and the interactions with the products or service of the business. Customer experience has emerged as a vital strategy for all retail businesses that are facing competition. According to Holbrook & Hirschman studies customer experience can be defined as a whole event that a customer comes into contact with when interacting with a certain business. This experience often affects the emotions of the customer. The whole experience occurs when the interaction takes place through the stimulation of goods and services consumed.

The type experience seen through a marketing perspective is put forward by Pine & Gilmore which they state that an experience can be unique which may mean different individuals will not have the same level experience that may not be memorable to the person therefore it won't be remembered over a period of time. Certain types of experiences may involve different aspects of the individual person such as emotional, physical, intellectual or even spiritual.

Customer experience is the stimulation a company creates for the senses of the consumers, this means that the companies and that particular brand can control the stimuli that they have given to the consumers senses which the companies can then control the consumers reaction resulting from the stimulation process, giving more acquisition of the customer experience as expected by company.

Kotler et al. 2013, say that customer experience is about, "Adding value for customers buying products and services through customer participation and connection, by managing all aspects of the encounter". The encounter includes touchpoints. Businesses can create and modify touchpoints so that they are suited to their consumers which changes/enhances the customers' experience. Creating an experience for the customer can lead to greater brand loyalty and brand recognition in the form of logos, colour, smell, touch, taste, etc.

Development

There are many elements in the shopping experience associated with a customer's experience. Customer service, a brand's ethical ideals and the shopping environment are examples of factors that effect a customer's experience. Understanding and effectively developing a positive customer experience has become a staple within businesses and brands to combat growing competition. Many consumers are well informed, they are able to easily compare two similar products or services together. Therefore, consumers are looking for experiences that can fulfil their intentions. A brand that can provide this gains a competitive advantage over their competition. A study by Ali found that developing a positive behavioural culture created a greater competitive advantage in the long term. He looked at the customer experience at resort hotels and discovered that providing the best hotel service was not sufficient. To optimise a customer's experience, management must also consider peace of mind and relaxation, recognition and escapism, involvement, and hedonics. The overall customer experience must be considered. The development of a positive customer experience is important as it increases the chances of a customer to make continued purchases and develops brand loyalty. Brand loyalty can turn customers into advocates, resulting in a long term relationship between both parties. This promotes word-of-mouth and turns the customer into a touchpoint for the brand. Potential customers can develop opinions through another's experiences. Males and females both respond differently to brands and therefore, will experience the same brand differently. Males respond effectively to relational, behavioural and cognitive experiences whereas females respond greater to behavioural, cognitive and effective experiences in relation to branded apps. If female consumers are the target market, an app advert focused on the emotion of the product will provide an effective customer experience.

Today, retail stores tend to exist in shopping areas such as malls or shopping districts. Very few operate in areas alone. Customer experience is not limited to the purchase alone. It includes all activities that may influence a customer's experience with a brand. Therefore, a shopping centre's reputation that a store is located in will effect a brands customer experience. This is an example of the shopping environment effecting a customer's experience. A study by Hart, Stachow and Cadogan found that a consumer's opinion of a town centre can affect the opinion of the retail stores operating within both negatively and positively. They shared an example of a town centre's management team developing synergy between the surrounding location and the retail stores. A location bound with historical richness could provide an opportunity for the town centre and local businesses to connect at deeper level with their customers. They suggested that town centre management and retail outlets should work cooperatively to develop an effective customer experience. This will result in all stores benefiting from customer retention and loyalty.

Another effective way to develop a positive customer experience is by actively engaging a customer with an activity. Human and physical components of an experience are very important. Customers are able to recall active, hands-on experiences much more effectively and accurately than passive activities. Participants within a study were able to recount previous luxury driving experiences due to its high involvement. However, this can also have a negative effect on the customer's experience. Just as active, hands-on experiences can greatly develop value creation, it can also greatly facilitate value destruction. This is related to a customer's satisfaction of their experience. By understanding what causes satisfaction or dissatisfaction of a customer's experience, management can appropriately implement changes within their approach. A study on the customer experience in budget hotels revealed interesting results. Customer satisfaction was largely influenced by tangible and sensory dimensions. This included cleanliness, shower comfortability and room temperature, just to name a few. As budget hotels are cheap, customers expected the basic elements to be satisfactory and the luxury elements to be non-existent. If these dimensions did not reach an appropriate standard, satisfaction would decline, resulting in a negative experience.

Management

Customer experience management (CEM or CXM) is the process that companies use to oversee and track all interactions with a customer during their relationship. This involves the strategy of building around the needs of individual customers. According to Jeananne Rae, companies are realizing that "building great consumer experiences is a complex enterprise, involving strategy, integration of technology, orchestrating business models, brand management and CEO commitment."

According to Bernd Schmitt, "the term 'Customer Experience Management' represents the discipline, methodology and process used to comprehensively manage a customer's cross-channel exposure, interaction and transaction with a company, product, brand or service." Harvard Business Review blogger Adam Richardson says that a company must define and understand all dimensions of the customer experience in order to have long-term success.

Although 80% of businesses state that they offer a "great customer experience," according to author James Allen, this contrasts with the 8% of customers expressing satisfaction with their experience. Allen asserts that for companies to meet the demands of providing an exceptional customer experience, they must be able to execute the "Three Ds":

- Designing the correct incentive for the correctly identified consumer, offered in an enticing environment.
- Delivery: a company's ability to focus the entire team across various functions to deliver the proposed experience.
- Development ultimately determines a company's success, with an emphasis on developing consistency in execution.

CEM has been recognized as the future of the customer service and sales industry. Companies are using this approach to anticipate customer needs and adopt the mindset of the customer.

CEM depicts a business strategy designed to manage the customer experience and gives benefits to both retailers and customers. CEM can be monitored through surveys, targeted studies, observational studies, or "voice of customer" research. It captures the instant response of the customer to its encounters with the brand or company. Customer surveys, customer contact data, internal operations process and quality data, and employee input are all sources of "voice of customer" data that can be used to quantify the cost of inaction on customer experience issues.

The aim of CEM is to optimize the customer experience through gaining the loyalty of the current customers in a multi-channel environment and ensure they are completely satisfied. Its also to create advocates of their current customers with potential customers as a word of mouth form of marketing. However, common efforts at improving CEM can have the opposite effect.

Utilizing surroundings includes using visuals, displays and interactivity to connect with customers and create an experience. CEM can be related to customer journey mapping, a concept pioneered by Ron Zemke and Chip Bell. Customer journey mapping is a design tool used to track customers' movements through different touchpoints with the business in question. It maps out the first encounters people may have with the brand and shows the different route people can take through the different channels or marketing (e.g. online, television, magazine, newspaper). Integrated marketing communications (IMC) is also being used to manage the customer experience; IMC is about sending a consistent message amongst all platforms; these platforms include: Advertising, personal selling, public relations, direct marketing, and sales promotion.

CEM holds great importance in terms of research and showing that academia is not as applicable and usable as the practice behind it. Typically, to make the best use of CEM and ensure its accuracy, the customer journey must be viewed from the actual perspective of customers, not the business or organization. It needs to be noted that there isn't a specific set of rules or steps to follow as companies (in their various industries) will have different strategies. Therefore, development into the conceptual and theoretical aspects are needed, based from customers' perspective on the brand experience. This can be seen through different scholarly research. The reasoning behind the interest in CEM increasing so significantly is because businesses are looking for competitive differentiation. Businesses want to be more profitable and see this as a means to do so. Hence why businesses want to offer a better experience to their customers and want to manage this process efficiently. In order to gain success as a business customers need to be understood. In order to fully utilise the models used in practice, academic research that is conducted can assist the practical aspect. This along with recognising past customer experiences can help manage future experiences.

A good indicator of customer satisfaction is the Net Promoter Score (NPS). This indicates out of a score of ten if a customer would recommend a business to other people. With scores of nine and ten these people are called protractors and will recommend other to the given product but on the other end of the spectrum are detractors, those who give the score zero to six. Subtracting the detractors from the protractors gives the calculation of advocacy. Those businesses with higher scores are likely to be more successful and give a better customer experience.

Not all aspects of CEM can be controlled by the business (e.g. other people and the influence they have). Besides, there is not much substantial information to support CEM claims in terms of academic research.

Managing the Communication

The classical linear communication model includes having one sender or source sending out a message that goes through the media (television, magazines) then to the receiver. The classical linear model is a form of mass marketing which targets a large number of people where only a few may be customers; this is a form non-personal communication. The adjusted model shows the source sending a message either to the media or directly to an opinion leader/s and opinion former (Model, actress, credible source, trusted figure in society, YouTuber/reviewer), which send a decoded message to the receiver. The adjusted model is a form of interpersonal communication where feedback is almost instantaneous with receiving the message. The adjusted model means that there are many more platforms of marketing with the use of social media, which connects people with more touchpoints. Marketers use digital experience to enhance the customer experience. Enhancing digital experiences influences changes to the CEM, the customer journey map and IMC. The adjusted model allows marketers to communicate a message designed specifically for the 'followers' of the particular opinion leader or opinion former, sending a personalised message and creating a digital experience.

Persuasion Techniques

Persuasion techniques are used when trying to send a message in order for an experience to take place. Marcom Projects came up with five mind shapers to show how humans view things. The five mind shapers of persuasion include:

- Frames: Only showing what they want you to see (a paid ad post).
- Setting and context: The surrounding objects of items for sale.
- Filters: Previous beliefs that shape thoughts after an interaction.
- Social influence: How behaviours of others impact us.
- Belief (placebo effect): The expectation.

Mind shapers can be seen through the use of the adjusted communication model, it allows the source/sender to create a perception for the receiver. Mind shapers can take two routes for persuasion:

- Central route, this route requires a thought process to occur, the content of the message is important. People think thoroughly about their reaction/reply. This can be seen in the purchase of homes, Internet providers, insurance companies.
- Peripheral route, does not require very much thought, the brain makes the connection. Marketers use recognisable cues like logos, colours and sounds. This type of marketing is used when the decision is about something simple like choosing a drink, food.

Marketers can use human thought processes and target these to create greater experiences, they can do so by either maker the process more simple and creating interactive steps to help the process.

Customer Relationship Management

According to Das, customer relationship management (CRM) is the "establishment, development, maintenance and optimization of long-term mutually valuable relationships between consumers and organizations". The official definition of CRM by the

Customer Relationship Management Research Center is "a strategy used to learn more about the customers need and behaviours in order to develop stronger relationships with them". The purpose of this strategy is to change the approach to customers and improving the experience for the consumer by making the supplier more aware of their buying habits and frequencies.

The D4 Company Analysis is an audit tool that considers the four aspects of strategy, people, technology and processes in the design of a CRM strategy. The analysis includes four main steps.

- "Define the existing customer relationship management processes within the company.
- Determine the perceptions of how the company manages their customer relationships, both internally and externally.
- Design the ideal customer relationship management solutions relative to the company or industry.
- Deliver a strategy for the implementation of the recommendations based on the findings".

Digital Customer Journey

In the classical marketing model, marketing is deemed to a funnel: at the beginning of the process (in the "awareness" stage) there are many branches competing for the attention of the customer, and this number is reduced through the different purchasing stages. Marketing is an action of "pushing" the brand through few touch points (for example through TV ads).

Since the rise of the World Wide Web and smartphone applications, there are many more touch points from new content serving platforms (Facebook, Instagram, Twitter, YouTube etc.), individual online presences (such as websites, forums, blogs, etc.) and dedicated smartphone applications.

As a result, this process has become a type of "journey":

- The number of brands does not decrease during the process of evaluating and purchasing a product.
- Brands not taken into account in the "awareness" stage may be added during the evaluation or even purchase stage.
- Following the post-purchase stage, there is a return to the first step in the process, thus feeding the brand awareness.

In relation to customers and the channels which are associated with sales, these are multichannel in nature. Due to the growth and importance of social media and digital advancement, these aspects need to be understood by businesses to be successful in this era of customer journeys. With tools such as Facebook and Twitter having such prominence, there is a constant stream of data that needs to be analysed to understand this journey. Business flexibility and responsiveness is vital in the ever-changing digital customer environment, as customers are constantly connected to businesses and their products. Customers are now instant product experts due to various digital outlets and form their own opinions on how and where to consume products and services. Businesses use customer values and create a plan to gain a competitive advantage. Businesses use the knowledge of customers to guide the customer journey to their products and services.

Due to the shift in customer experience, in 2014 Wolny & Charoensuksai highlight three behaviours that show how decisions can be made in this digital journey. The Zero Moment of truth is the first interaction a customer has in connection with a service or product. This moment affects the consumer's choice to explore a product further or not at all. These moments can occur on any digital device. Showrooming highlights how a consumer will view a product in a physical store but then decide to exit the store empty handed and buy online instead. This consumer decision may be due to the ability to compare multiple prices online. On the opposing end of the spectrum is webrooming. Consumers will research about a product online in regards to quality and price but then decide to purchase in store. These three channels need to be understood by businesses because customers expect businesses to be readily available to cater to their specific customer needs and purchasing behaviours.

Customer Journey Mapping

The customer journey mapping approach for service design was first introduced by OxfordSM (at the time called Oxford Corporate Consultants) in 1998, in support of Eurostar to establish and implement their corporate mission and brand proposition. OxfordSM went on to use the approach widely, including with the UK Government, through which the guidance on the technique was publicly published. It has subsequently become one of the most widely used tools for service design and have been utilized as a tool for visualizing intangible services. A customer journey map shows the story of the customer's experience. It not only identifies key interactions that the customer has with the organization, but it also brings user's feelings, motivations and questions for each of the touchpoints. Finally, a customer journey map has the objective of teaching organizations more about their customers. To map a customer journey is important to consider the company's customers (buyer persona), the customer journey's time frame, channels (telephone, email, in-app messages, social media, forums, recommendations), first actions (problem acknowledgement) and last actions (recommendations or subscription renewal, f.i.). Customer Journey Maps are good storytelling conduits – they communicate to the brand the journey, along with the emotional quotient, that customer experiences at every stage of the buyer journey.

Customer journey maps take into account people's mental models (how things should behave), the flow of interactions and possible touch points. They may combine user profiles, scenarios, and user flows; and reflect the thought patterns, processes, considerations, paths, and experiences that people go through in their daily lives.

Benefits

Mapping the customer journey helps organisations understand how prospects and customers use the various channels and touchpoints, how the organisation's is perceived and how the organisation would like its customers and prospects' experiences to be. By understanding the latter, it is possible to design an optimal experience that meets the expectations of major customer groups, achieves competitive advantage and supports attainment of desired customer experience objectives.

Retail Environment

Retail environment factors include social features, design, and ambience. This can result in enhanced pleasure while shopping, thus positive customer experience and more likely chances of the customer revisiting the store in the future. The same retail environment may produce varied outcomes and emotions, depending on what the consumer is looking for. For example, a crowded retail environment may be exciting for a consumer seeking entertainment, but create an impression of inattentive customer service and frustration to a consumer who may need help looking for a specific product to meet an immediate need.

Environmental stimuli such as lighting and music, can influence a consumer's decision to stay longer in the store, therefore increasing the chances of purchasing. For example, a retail store may have dim lights and soothing music which may lead a consumer to experience the store as relaxing and calming.

Today's consumers are consistently connected through the development of technological innovation in the retail environment. This has led to the increased use of digital-led experiences in their purchase journey both in-store and online that inspire and influence the sales process. For example, Rebecca Minkoff has installed smart mirrors in their fitting rooms that allows the customers to browse for products that may complement what they are trying on. These mirrors also hold an extra feature, a self-checkout system where the customer places the item on an RFID-powered table, this the sends the products to an iPad that is then used to checkout.

External and internal variables in a retail environment can also affect a consumer's decision to visit the store. External variables include window displays such as posters and signage, or product exposure that can be seen by the consumer from outside of the store. Internal variables include flooring, decoration and design. These attributes of a retail environment can either encourage or discourage a consumer from approaching the store.

Sales Experience

Sales experience is a subset of the customer experience. Whereas customer experience encompasses the sum of all interactions between an organization and a customer over the entire relationship, sales experience is focused exclusively on the interactions that take place during the sales process and up to the point that a customer decides to buy.

Customer experience tends to be owned by the Marketing function within an organization and therefore has little control or focus on what happens before a customer decides to buy.

Sales experience is concerned with the buyer journey up to and including the point that the buyer makes a purchase decision. Sales is a very important touch-point for overall customer experience as this is where the most human interaction takes place.

Customer Satisfaction

Customer satisfaction (often abbreviated as CSAT) is a term frequently used in marketing. It is a measure of how products and services supplied by a company meet or surpass customer expectation. Customer satisfaction is defined as “the number of customers, or percentage of total customers, whose reported experience with a firm, its products, or its services (ratings) exceeds specified satisfaction goals.”

The Marketing Accountability Standards Board (MASB) endorses the definitions, purposes, and constructs of classes of measures that appear in Marketing Metrics as part of its ongoing Common Language in Marketing Project. In a survey of nearly 200 senior marketing managers, 71 percent responded that they found a customer satisfaction metric very useful in managing and monitoring their businesses.

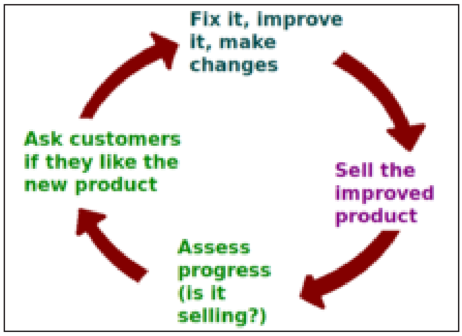
It is seen as a key performance indicator within business and is often part of a Balanced Scorecard. In a competitive marketplace where businesses compete for customers, customer satisfaction is seen as a key differentiator and increasingly has become a key element of business strategy.

Purpose

“Customer satisfaction provides a leading indicator of consumer purchase intentions and loyalty.” “Customer satisfaction data are among the most frequently collected indicators of market perceptions. Their principal use is twofold:”

- “Within organizations, the collection, analysis and dissemination of these data send a message about the importance of tending to customers and ensuring that they have a positive experience with the company’s goods and services.”
- “Although sales or market share can indicate how well a firm is performing currently, satisfaction is perhaps the best indicator of how likely it is that the firm’s

customers will make further purchases in the future. Much research has focused on the relationship between customer satisfaction and retention. Studies indicate that the ramifications of satisfaction are most strongly realized at the extremes."



A business ideally is continually seeking feedback to improve customer satisfaction.

On a five-point scale, "individuals who rate their satisfaction level as '5' are likely to become return customers and might even evangelize for the firm. (A second important metric related to satisfaction is willingness to recommend. This metric is defined as "The percentage of surveyed customers who indicate that they would recommend a brand to friends." When a customer is satisfied with a product, he or she might recommend it to friends, relatives and colleagues. This can be a powerful marketing advantage.) "Individuals who rate their satisfaction level as '1,' by contrast, are unlikely to return. Further, they can hurt the firm by making negative comments about it to prospective customers. Willingness to recommend is a key metric relating to customer satisfaction."

Theoretical Ground

In literature antecedents of satisfaction are studied from different aspects. The considerations extend from psychological to physical and from normative to positive aspects. However, in most of the cases the consideration is focused on two basic constructs as customers expectations prior to purchase or use of a product and his relative perception of the performance of that product after using it.

A customer's expectations about a product tell us how he or she anticipates how that product will perform. As it is suggested in the literature, consumers may have various "types" of expectations when forming opinions about a product's anticipated performance. For example, four types of expectations are identified by Miller: ideal, expected, minimum tolerable, and desirable. While, Day indicated among expectations, the ones that are about the costs, the product nature, the efforts in obtaining benefits and lastly expectations of social values. Perceived product performance is considered as an important construct due to its ability to allow making comparisons with the expectations.

It is considered that customers judge products on a limited set of norms and attributes. Olshavsky and Miller and Olson and Dover designed their researches as to manipulate actual product performance, and their aim was to find out how perceived performance ratings were influenced by expectations. These studies took out the discussions about explaining the differences between expectations and perceived performance."

In some research studies, scholars have been able to establish that customer satisfaction has a strong emotional, i.e., affective, component. Still others show that the cognitive and affective components of customer satisfaction reciprocally influence each other over time to determine overall satisfaction.

Especially for durable goods that are consumed over time, there is value to taking a dynamic perspective on customer satisfaction. Within a dynamic perspective, customer satisfaction can evolve over time as customers repeatedly use a product or interact with a service. The satisfaction experienced with each interaction (transactional satisfaction) can influence the overall, cumulative satisfaction. Scholars showed that it is not just overall customer satisfaction, but also customer loyalty that evolves over time.

The Disconfirmation Model

"The Disconfirmation Model is based on the comparison of customers' [expectations] and their [perceived performance] ratings. Specifically, an individual's expectations are confirmed when a product performs as expected. It is negatively confirmed when a product performs more poorly than expected. The disconfirmation is positive when a product performs over the expectations. There are four constructs to describe the traditional disconfirmation paradigm mentioned as expectations, performance, disconfirmation and satisfaction." "Satisfaction is considered as an outcome of purchase and use, resulting from the buyers' comparison of expected rewards and incurred costs of the purchase in relation to the anticipated consequences. In operation, satisfaction is somehow similar to attitude as it can be evaluated as the sum of satisfactions with some features of a product." "In the literature, cognitive and affective models of satisfaction are also developed and considered as alternatives.

Construction

Organizations need to retain existing customers while targeting non-customers. Measuring customer satisfaction provides an indication of how successful the organization is at providing products and services to the marketplace.

"Customer satisfaction is measured at the individual level, but it is almost always reported at an aggregate level. It can be, and often is, measured along various dimensions. A hotel, for example, might ask customers to rate their experience with its front desk and check-in service, with the room, with the amenities in the room, with the restaurants, and so on. Additionally, in a holistic sense, the hotel might ask about overall satisfaction 'with your stay.'"

As research on consumption experiences grows, evidence suggests that consumers purchase goods and services for a combination of two types of benefits: hedonic and utilitarian. Hedonic benefits are associated with the sensory and experiential attributes of the product. Utilitarian benefits of a product are associated with the more instrumental and functional attributes of the product.

Customer satisfaction is an ambiguous and abstract concept and the actual manifestation of the state of satisfaction will vary from person to person and product/service to product/service. The state of satisfaction depends on a number of both psychological and physical variables which correlate with satisfaction behaviors such as return and recommend rate. The level of satisfaction can also vary depending on other options the customer may have and other products against which the customer can compare the organization's products.

Work done by Parasuraman, Zeithaml and Berry between 1985 and 1988 provides the basis for the measurement of customer satisfaction with a service by using the gap between the customer's expectation of performance and their perceived experience of performance. This provides the measurer with a satisfaction "gap" which is objective and quantitative in nature. Work done by Cronin and Taylor propose the "confirmation/disconfirmation" theory of combining the "gap" described by Parasuraman, Zeithaml and Berry as two different measures (perception and expectation of performance) into a single measurement of performance according to expectation.

The usual measures of customer satisfaction involve a survey using a Likert scale. The customer is asked to evaluate each statement in terms of their perceptions and expectations of performance of the organization being measured.

Good quality measures need to have high satisfaction loadings, good reliability, and low error variances. In an empirical study comparing commonly used satisfaction measures it was found that two multi-item semantic differential scales performed best across both hedonic and utilitarian service consumption contexts. A study by Wirtz & Lee, found that a six-item 7-point semantic differential scale (for example, Oliver and Swan 1983), which is a six-item 7-point bipolar scale, consistently performed best across both hedonic and utilitarian services. It loaded most highly on satisfaction, had the highest item reliability, and had by far the lowest error variance across both studies. In the study, the six items asked respondents' evaluation of their most recent experience with ATM services and ice cream restaurant, along seven points within these six items: "pleased me to displeased me", "contented with to disgusted with", "very satisfied with to very dissatisfied with", "did a good job for me to did a poor job for me", "wise choice to poor choice" and "happy with to unhappy with". A semantic differential (4 items) scale, which is a four-item 7-point bipolar scale, was the second best performing measure, which was again consistent across both contexts. In the study, respondents were asked to evaluate their experience with both products, along seven points within these four items: "satisfied to dissatisfied", "favorable to unfavorable", "pleasant to unpleasant" and "I like it very much to I didn't like it at all". The third best scale was single-item percentage measure, a one-item 7-point bipolar scale. Again, the respondents were asked to evaluate their experience on both ATM services and ice cream restaurants, along seven points within "delighted to terrible".

Finally, all measures captured both affective and cognitive aspects of satisfaction, independent of their scale anchors. Affective measures capture a consumer's attitude (liking/disliking) towards a product, which can result from any product information or experience. On the other hand, cognitive element is defined as an appraisal or conclusion on how the product's performance compared against expectations (or exceeded or fell short of expectations), was useful (or not useful), fit the situation (or did not fit), exceeded the requirements of the situation (or did not exceed).

Recent research shows that in most commercial applications, such as firms conducting customer surveys, a single-item overall satisfaction scale performs just as well as a multi-item scale. Especially in larger scale studies where a researcher needs to gather data from a large number of customers, a single-item scale may be preferred because it can reduce total survey error.

Methodologies

American Customer Satisfaction Index (ACSI) is a scientific standard of customer satisfaction. Academic research has shown that the national ACSI score is a strong predictor of Gross Domestic Product (GDP) growth, and an even stronger predictor of Personal Consumption Expenditure (PCE) growth. On the microeconomic level, academic studies have shown that ACSI data is related to a firm's financial performance in terms of return on investment (ROI), sales, long-term firm value (Tobin's q), cash flow, cash flow volatility, human capital performance, portfolio returns, debt financing, risk, and consumer spending. Increasing ACSI scores have been shown to predict loyalty, word-of-mouth recommendations, and purchase behavior. The ACSI measures customer satisfaction annually for more than 200 companies in 43 industries and 10 economic sectors. In addition to quarterly reports, the ACSI methodology can be applied to private sector companies and government agencies in order to improve loyalty and purchase intent.

The Kano model is a theory of product development and customer satisfaction developed in the 1980s by Professor Noriaki Kano that classifies customer preferences into five categories: Attractive, One-Dimensional, Must-Be, Indifferent, Reverse. The Kano model offers some insight into the product attributes which are perceived to be important to customers.

SERVQUAL or RATER is a service-quality framework that has been incorporated into customer-satisfaction surveys (e.g., the revised Norwegian Customer Satisfaction Barometer) to indicate the gap between customer expectations and experience.

J.D. Power and Associates provides another measure of customer satisfaction, known for its top-box approach and automotive industry rankings. J.D. Power and Associates' marketing research consists primarily of consumer surveys and is publicly known for the value of its product awards.

Other research and consulting firms have customer satisfaction solutions as well. These include A.T. Kearney's Customer Satisfaction Audit process, which incorporates the Stages of Excellence framework and which helps define a company's status against eight critically identified dimensions.

For B2B customer satisfaction surveys, where there is a small customer base, a high response rate to the survey is desirable. The American Customer Satisfaction Index found that response rates for paper-based surveys were around 10% and the response rates for e-surveys (web, wap and e-mail) were averaging between 5% and 15% - which can only provide a straw poll of the customers' opinions.

In the European Union member states, many methods for measuring impact and satisfaction of e-government services are in use, which the eGovMoNet project sought to compare and harmonize.

These customer satisfaction methodologies have not been independently audited by the Marketing Accountability Standards Board (MASB) according to MMAP (Marketing Metric Audit Protocol).

Recently there has been a growing interest in predicting customer satisfaction using big data and machine learning methods (with behavioral and demographic features as predictors) to take targeted preventive actions aimed at avoiding churn, complaints and dissatisfaction.

Consumer Complaint

A consumer complaint or customer complaint is "an expression of dissatisfaction on a consumer's behalf to a responsible party". It can also be described in a positive sense as a report from a consumer providing documentation about a problem with a product or service. In fact, some modern business consultants urge businesses to view customer complaints as a gift.

Consumer complaints are usually informal complaints directly addressed to a company or public service provider, and most consumers manage to resolve problems with products and services but it sometimes requires persistence. An instrumental complaint is a complaint made to a person or organization that could take some action and bring about a specific remedy. An expressive complaint is a complaint made for the purpose of expressing feelings, without any realistic chance of anything being done. Most online complaints are expressive complaints.

Complaining to Agencies

If the grievance is not addressed in a way that satisfies the consumer, the consumer sometimes registers the complaint with a third party such as the Better Business Bureau, a local or regional government (if it has a “consumer protection” office) and Federal Trade Commission (in the United States). These and similar organizations in other countries accept for consumer complaints and assist people with customer service issues, as do government representatives like attorneys general. Consumers however rarely file complaints in the more formal legal sense, which consists of a formal legal process.

In some countries (for example Australia, the United Kingdom, and many countries of the European Community), the making of consumer complaints, particularly regarding the sale of financial services, is governed by statute (law). The statutory authority may require companies to reply to complaints within set time limits, publish written procedures for handling customer dissatisfaction, and provide information about arbitration schemes.

Complaining Online

Internet forums and the advent of social media have provided consumers with a new way to submit complaints. Consumer news and advocacy websites often accept and publish complaints. Publishing complaints on highly visible websites increases the likelihood that the general public will become aware of the consumer’s complaint. If, for example, a person with many “followers” or “friends” publishes a complaint on social media, it may go “viral”. Internet forums in general and on complaint websites have made it possible for individual consumers to hold large corporations accountable in a public forum.

Overchoice

Overchoice or choice overload is a cognitive process in which people have a difficult time making a decision when faced with many options. The term was first introduced by Alvin Toffler in his 1970 book, Future Shock.

Psychological Process

The phenomenon of overchoice occurs when many equivalent choices are available. Making a decision becomes overwhelming due to the many potential outcomes and risks that may result from making the wrong choice. Having too many approximately equally good options is mentally draining because each option must be weighed against alternatives to select the best one. The satisfaction of choices by number of options available can be described by an inverted “U” model. In this model, having no choice results in very low satisfaction. Initially more choices lead to more satisfaction, but as the number of choices increases it then peaks and people tend to feel more pressure, confusion, and potentially dissatisfaction with their choice. Although larger choice sets can be initially appealing, smaller choice sets lead to increased satisfaction and reduced regret. Another component of overchoice is the perception of time. Extensive choice sets can seem even more difficult with a limited time constraint.

Examples of overchoice include increased college options, career options, and prospective romantic relationships. Many of these increased options can be attributed to modern technology. In today’s society we have easy access to more information, products and opportunities.

Preconditions

Choice overload is not a problem in all cases, there are some preconditions that must be met before the effect can take place. First, people making the choice must not have a clear prior preference for an item type or category. When the choice-maker has a preference, the number of options has little impact on the final decision and satisfaction. Second, there must not be a clearly dominant option in the choice set, meaning that all options must be perceived of equivalent quality. One option cannot stand out as being better from the rest. The presence of a superior option and many less desirable options will result in a more satisfied decision. Third, there is a negative relationship between choice assortment (quantity) and satisfaction only in people less familiar with the choice set. This means that if the person making a choice has expertise in the subject matter, they can more easily sort through the options and not be overwhelmed by the variety.

Psychological Implications

Decision-makers in large choice situations enjoy the decision process more than those with smaller choice sets, but feel more responsible for their decisions. Despite this, more choices result with more dissatisfaction and regret in decisions. The feeling of responsibility causes cognitive dissonance when presented with large array situations. In this situation, cognitive dissonance results when there is a mental difference between the choice made and the choice that should have been made. More choices lead to more cognitive dissonance because it increases the chance that the decision-maker made the wrong decision. These large array situations cause the chooser to feel both enjoyment as well as feel overwhelmed with their choices. These opposing emotions contribute to cognitive dissonance, and causes the chooser to feel less motivated to make a decision. This also disables them from using psychological processes to enhance the attractiveness of their own choices. The amount of time allotted to make a decision also has an effect on an individual’s perception of their choice. Larger choice sets with a small amount of time results in more regret with the decision. When more time is provided, the process of choosing is more enjoyable in large array situations and results in less regret after the decision has been made.

Reversal when Choosing for Others

Choice overload is reversed when people choose for another person. Polman has found that overload is context dependent: choosing from many alternatives by itself is not demotivating. Polman found that it is not always a case of whether choices differ for the self and others in risk, but rather "according to a selective focus on positive and negative information." Evidence shows there is a different regulatory focus for others compared to the self in decision-making. Therefore, there may be substantial implications for a variety of psychological processes in relation to self-other decision-making.

Among personal decision-makers, a prevention focus is activated and people are more satisfied with their choices after choosing among few options compared to many options, i.e. choice overload. However, individuals experience a reverse choice overload effect when acting as proxy decision-makers.

In an Economic Setting

The psychological phenomenon of overchoice can most often be seen in economic applications. There are limitless products currently on the market. Having more choices, such as a vast amount of goods and services available, appears to be appealing initially, but too many choices can make decisions more difficult. According to Miller, a consumer can only process seven items at a time. After that the consumer would have to create a coping strategy to make an informed decision. This can lead to consumer's being indecisive, unhappy, and even refrain from making the choice (purchase) at all. Alvin Toffler noted that as the choice turns to overchoice, "freedom of more choices" becomes the opposite—the "unfreedom". Often, a customer makes a decision without sufficiently researching his choices, which may often require days. When confronted with too many choices especially under a time constraint, many people prefer to make no choice at all, even if making a choice would lead to a better outcome.

Existence of overchoice, both perceived and real, is supported by studies as early as the mid-1970s. Numbers of various brands, from soaps to cars, have been steadily rising for over half a century. In just one example—different brands of soap and detergents—the numbers of choices offered by an average US supermarket went from 65 in 1950, through 200 in 1963, to over 360 in 2004. The more choices tend to increase the time it requires to make a decision.

Variety and Complexity

There are two steps involved in making a choice to purchase. First, the consumer selects an assortment. Second, the consumer chooses an option within the assortment.

Variety and complexity vary in their importance in carrying out these steps successfully, resulting in the consumer deciding to make a purchase.

Variety is the positive aspect of assortment. When selecting an assortment during the perception stage, the first stage of deciding, consumers want more variety.

Complexity is the negative aspect of assortment. Complexity is important for the second step in making a choice—when a consumer needs to choose an option from an assortment. When making a choice for an individual item within an assortment, too much variety increases complexity. This can cause a consumer to delay or opt out of making a decision.

Images are processed as a whole when making a purchasing decision. This means they require less mental effort to be processed which gives the consumer a sense that the information is being processed faster. Consumers prefer this visual shortcut to processing, termed "visual heuristic" by Townsend, no matter how big the choice set size. Images increase our perceived variety of options. As previously stated, variety is good when making the first step of choosing an assortment. On the other hand, verbal descriptions are processed in a way that the words that make up a sentence are perceived individually. That is, our minds string words along to develop our understanding. In larger choice sets where there is more variety, perceived complexity decreases when verbal descriptions are used.

Cobra

COBRA (consumer's online brand related activities) is a theoretical framework related to understanding consumer's behavioural engagement with brands on social media. COBRA in literature is defined as " set of brand-related online activities on the part of the consumer that vary in the degree to which the consumer interacts with social media and engages in the consumption, contribution, and creation of media content."

Conceptually, the COBRAs concept draws from the work of Shao. The author explored boundaries, in which consumers engage with user-generated media. Shao suggested that people engage with such media in three ways: by consuming, by participating, and by producing brand-related media.

The concept was further investigated in a qualitative research conducted by Muntinga, Moorman, and Smit in 2011. In their study, the researchers had analyzed data from 20 consumers and suggested three dimensions of analysis: Consumption, contribution, and creation.

To validate the COBRAs framework, Schivinski, Christodoulides, and Dabrowski developed a survey instrument to measure the consumer's engagement with brand-related social-media content, based on three dimensions (i.e., consumption, contribution, and creation) established by Muntinga, Moorman, and Smit. Examples of the application of COBRAs follows:

Consumption: when consumers see a picture or watch a YouTube video displaying a specific brand e.g., Harley Davidson or Coca-Cola. Doing so, consumers are consuming brand-related media;

Contribution: when consumers engage with online brand-related media by commenting on a post or "Liking" a piece of content, they are moving from the stage of "observer" to a "media contributor";

Creation: when consumers decide to upload a picture of a brand or product on Facebook, they are creating brand-related content.

Research on Cobra

Research on COBRA is rooted in engagement theories of marketing. Researchers have demonstrated that COBRA is both an emotional and cognitive process that results from the consumer's interactions with brands on social media. The type and intensity of the engagement with firms, services, brands, and products influence consumer behaviour in terms of consuming, contributing, and creation brand-related content on social media.

Buyer's Remorse

Buyer's remorse is the sense of regret after having made a purchase. It is frequently associated with the purchase of an expensive item such as a vehicle or real estate.

Buyer's remorse is thought to stem from cognitive dissonance, specifically post-decision dissonance, that arises when a person must make a difficult decision, such as a heavily invested purchase between two similarly appealing alternatives. Factors that affect buyer's remorse may include: resources invested, the involvement of the purchaser, whether the purchase is compatible with the purchaser's goals, feelings encountered post-purchase that include regret.

Causes

The remorse may be caused by various factors, such as: the person purchased a product now rather than waiting, the item was purchased in an ethically unsound way, the property was purchased on borrowed money, the purchased object was something that would not be acceptable to others.

In the phase before purchasing, a prospective buyer often feels positive emotions associated with a purchase (desire, a sense of heightened possibilities, and an anticipation of the enjoyment that will accompany using the product, for example); afterwards, having made the purchase, they are more fully able to experience the negative aspects: all the opportunity costs of the purchase, and a reduction in purchasing power.

Also, before the purchase, the buyer has a full array of options, including not purchasing; afterwards, their options have been reduced to:

- Continuing with the purchase, surrendering all alternatives.
- Renouncing the purchase.

Buyer's remorse can also be caused or increased by worrying that other people may later question the purchase or claim to know better alternatives.

The remorse associated with some extreme shopping activity may be, again, a sign of some deeper disquiet. However, normal "buyer's remorse" should not be confused with the complex emotional dynamics of "shopaholic" behavior, just as a binge on a special occasion should not be confused with a serious eating disorder such as bulimia.

Cognitive Dissonance

The phenomenon of buyer's remorse has been generally associated with the psychological theory of cognitive dissonance, a state of psychological discomfort when at least two elements of cognition are in opposition, and which motivates the person to appease it by changing how they think about the situation. Buyer's remorse is an example of post-decision dissonance, where a person is stressed by a made decision and seeks to decrease their discomfort. The buyer may change their behavior, their feelings, their knowledge about the world (what they thought the purchased item would be like), or even their knowledge of themselves. The more resources such as money, time, and cognitive resources that are invested into making a purchase, the more likely the buyer will experience buyer's remorse or psychological discomfort.

Psychologists have focused on three main elements that are related to cognitive dissonance and buyer's remorse. They are: effort, responsibility, and commitment. Effort is the resources invested in a purchase (material, intellectual, psychological, and others) and effort is directly related to the importance of the purchase. Purchases that require high amounts of effort but do not bear high rewards are likely to lead to buyer's remorse. Responsibility refers to the fact that the purchase is done out of free will. Buyers that have no choice on the purchase will be less likely to feel dissonance because it was not of their own volition. Commitment refers to the continuing of an action. The purchase of an automobile has high commitment because the car must usually be driven for a long duration. Purchases with higher commitment will lead to more buyer's remorse. Low rewards matched with these three conditions will most likely result in buyer's remorse via cognitive dissonance. The buyer feels anxiety and psychological discomfort because their behavior (the purchase of the item) does not match their attitude (their expectation of the purchased item).

There may be a duality of attitudes that explain how a person may be satisfied with their purchase but have the intention to never repeat the purchase. For example, a husband who takes his wife to the most expensive restaurant in town for their anniversary only to find that the food and service does not meet his expectations might still be satisfied with his decision to go to the restaurant but have the intention to never return. In this extension of cognitive dissonance, the duality of satisfaction and intention are separate phenomena within buyer's remorse.

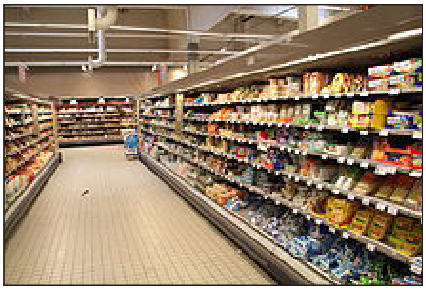
Involvement

In social psychology, "involvement" describes the effort, investment, and commitment in purchases. Involvement is often coupled with cognitive dissonance to explain buyer's remorse. In most cases, buyer's remorse resulting from a purchase that demands high involvement and results in cognitive dissonance is, all else (most notably nominal purchase price) being equal, harder to overcome than is buyer's remorse resulting from a purchase that demands low involvement and results in cognitive dissonance. This phenomenon is a result of the brain's instinctive (and rational) treatment of the transaction costs involved in acquiring a product as part of the purchase price of that product: The more involvement that a purchase requires or the purchaser puts in, the more dissonance or psychological discomfort the buyer will experience if dissatisfied with the purchase, just as if the purchaser had spent more "on paper" (i.e., paid a higher nominal price) for the product.

Studies investigating the link between cognitive dissonance and impulse buying have shown that impulse buyers experience less cognitive dissonance when they are disappointed with their purchase. The main explanation for this is that impulse buyers go into the purchase already without high expectations. Another possible explanation, at least among more sophisticated buyers, is that persons who are dissatisfied with a purchase that they made on impulse may blame that dissatisfaction at least in part on their own failure to thoroughly consider whether the product will satisfy their prior expectations even if it performs as advertised, thus blaming any discrepancy at least in part on themselves (via their own impulsivity) rather than on the purchased product (via any sort of difference between its promised and its actual attributes and performance).

Paradox of Choice

The paradox of choice is a theory by American psychologist Barry Schwartz claiming that, after a certain threshold is reached, an increase in the number of choices will cause a significant amount of psychological distress. This distress, according to Professor Schwartz, can manifest itself in many ways. One way is through buyer's remorse. The theory states that buyer's remorse is created through increasing opportunity costs associated with increased choices. Opportunity costs associated with alternative choices compound and create strong feelings of dissonance and remorse.



The number of choices in a typical grocery store aisle.

As the number of choices increase, it is easier to imagine a different choice that may have been better than the one selected. The constant comparison to one's expectations induces regret, which reduces the satisfaction of any decision, even if it fills the individual's needs. When there are many alternatives to consider, it is easy to imagine the attractive features of rejected choices and there is a decrease in overall satisfaction.

Consider the number of choices in a simple supermarket. There are likely to be many different options for a single type of product. With so many to choose from, the customer might expect that one of the available options must be perfect for their needs and will have no drawbacks. This leads to expectations rarely being met, a significant psychological issue. In the example of a supermarket, buying the wrong product may not be a significant mistake. For more involved decisions, the consequences of a wrong decision are significant.

Reducing

Choice-supportive bias leads to an increased liking of one's choices, including purchases. This seems to contradict the concept of buyer's remorse. However, this choice enhancement can collapse when presented with even minor indication that the wrong choice was made. While initial positivity towards a decision is greater for more difficult decisions, this positivity also has greater vulnerability to evidence of an incorrect choice. This effect is larger when the purchaser is more involved in the decision. However, buyer's remorse can be reduced by post-purchase confirmation, though post-purchase communication may aggravate a buyer's discomfort if the purchase did not meet the buyer's predominant goals. Indeed, if the purchase meets an individual's goals there will be less post-purchase dissonance which means there will be less remorse and greater decision satisfaction.

Marketing Implications

Buyer's remorse is a powerful experience for consumers. For years, marketers have been attempting to reduce buyer's remorse through many different methods. One specific technique employed by marketers is the inclusion of a coupon towards a future purchase at the point of sale. This has many benefits for both the consumer and retailer. First, the consumer is more likely to return to the store with the coupon, which will result in a higher percentage of repeat customers. Each successive time a purchase is made and is deemed satisfactory, buyer's remorse is less likely to be experienced. Customers can justify their purchases with product performance.

Another technique used is the money back guarantee, a guarantee from the retailer that the product will meet the customer's needs or the customer is entitled to a full refund. This technique is highly successful at lessening buyer's remorse because it immediately makes the decision a changeable one. The unchangeability of an "all-sales-final" purchase can lead to a larger amount of psychological discomfort at the point of the decision. This makes the stakes higher, and poor choices will cause significant buyer's remorse.

In addition, legislation exists in various parts of the world enforcing the right to a cooling-off period, during which contracts may be cancelled and goods returned for any reason, for a full refund.

Advertising

Big corporations spend millions of dollars each year on advertising and marketing, seeking to develop promotions that create a buyers' frenzy for products or services. In general, there is a positive effect for companies that are advertising and doing promotions. But business owners should always monitor the results to make adjustments, if needed.

Establish Brand Confidence

Think about major corporations. These companies have their brand everywhere. State Farm is behind professional baseball home plates across the country. Coors has its own baseball stadium, whereas Staples has a sports arena and an event hall. People become comfortable with the brands that they feel are here to stay such as State Farm. Consumers start to associate Coors as a top brand, and Staples comes to mind when you need a few office supplies. Consistent and constant advertising, sponsorship and promotion helps a company stay top of mind.

Of course, a small business probably doesn't have the resources to buy the space behind home plate at Dodger Stadium, but it probably has the budget resources for a local Little League team or bus benches in the community. This is broad brand advertising that lets people know that you are in the community and are there to help. It works in conjunction with specific product advertising, which increases brand awareness that fills certain consumer needs.

Outlining Features and Benefits

Customers don't always know what they need. By outlining the features and benefits through advertising, the company helps the customer understand how the product fulfills an existing need. For example, MyPillow does a lot of advertising for its patented pillow designed to help you sleep better. Most people might just think that a pillow is a pillow and not pay attention to the more expensive pillow at the store.

What MyPillow does is to help customers understand that there is a reason that they aren't getting the best night's sleep and that this is the last pillow they will need to solve their sleeping issues.

Discount Buying Motivation

Promotions are limited time offers or special pricing on products. Promotions help get people excited to buy now because there is a sense of urgency. Promotions which state that the price won't remain this low or that there are limited quantities, will definitely get people to the store. Without promotion, consumers might wait until they have an urgent need for a product or that they will wait to buy until they are in the area near the mall.

Grocery stores are the king of promotions. The weekly sales circulars have all kinds of products that you probably don't need to stock up on, but that you might, if the sale is right. You really didn't need 10 cans of tuna, but when you get them for the promotional price of 10 for $5, then it makes sense to stock up.

Over Promotion Risk

It is possible to over promote a specific product to the point that the consumer devalues the product at the normal price. If shoes are always on sale for $9.99, with a regular price of $24.99, the consumer might feel the shoes are not worth more than $9.99. If the price went back to the regular price, buyers would not consider the purchase. Promotions should be done often enough so that consumers feel they're getting a bargain price on a great product they would not have bought at the regular price.

Loyalty Business Model

The loyalty business model is a business model used in strategic management in which company resources are employed so as to increase the loyalty of customers and other stakeholders in the expectation that corporate objectives will be met or surpassed. A typical example of this type of model is: quality of product or service leads to customer satisfaction, which leads to customer loyalty, which leads to profitability.

The Service Quality Model

A model by Kaj Storbacka, Tore Strandvik, and Christian Grönroos, the service quality model, is more detailed than the basic loyalty business model but arrives at the same conclusion. In it, customer satisfaction is first based on a recent experience of the product or service. This assessment depends on prior expectations of overall quality compared to the actual performance received. If the recent experience exceeds prior expectations, customer satisfaction is likely to be high. Customer satisfaction can also be high even with mediocre performance quality if the customer's expectations are low, or if the performance provides value (that is, it is priced low to reflect the mediocre quality). Likewise, a customer can be dissatisfied with the service encounter and still perceive the overall quality to be good. This occurs when a quality service is priced very high and the transaction provides little value.

This model then looks at the strength of the business relationship; it proposes that this strength is determined by the level of satisfaction with recent experience, overall perceptions of quality, customer commitment to the relationship, and bonds between the parties. Customers are said to have a "zone of tolerance" corresponding to a range of service quality between "barely adequate" and "exceptional". A single disappointing experience may not significantly reduce the strength of the business relationship if the customer's overall perception of quality remains high, if switching costs are high, if there are few satisfactory alternatives, if they are committed to the relationship, and if there are bonds keeping them in the relationship. The existence of these bonds acts as an exit barrier. There are several types of bonds, including: legal bonds (contracts), technological bonds (shared technology), economic bonds (dependence), knowledge bonds, social bonds, cultural or ethnic bonds, ideological bonds, psychological bonds, geographical bonds, time bonds, and planning bonds.

This model then examines the link between relationship strength and customer loyalty. Customer loyalty is determined by three factors: relationship strength, perceived alternatives and critical episodes. The relationship can terminate if:

- The customer moves away from the company's service area,
- The customer no longer has a need for the company's products or services,
- More suitable alternative providers become available,
- The relationship strength has weakened,
- The company handles a critical episode poorly,
- Unexplainable change of price of the service provided.

The final link in the model is the effect of customer loyalty on profitability. The fundamental assumption of all the loyalty models is that keeping existing customers is less expensive than acquiring new ones. It is claimed by Reichheld and Sasser that a

5% improvement in customer retention can cause an increase in profitability between 25% and 85% (in terms of net present value) depending upon the industry. However, Carrol and Reichheld dispute these calculations, claiming that they result from faulty cross-sectional analysis.

According to Buchanan and Gilles, the increased profitability associated with customer retention efforts occurs because:

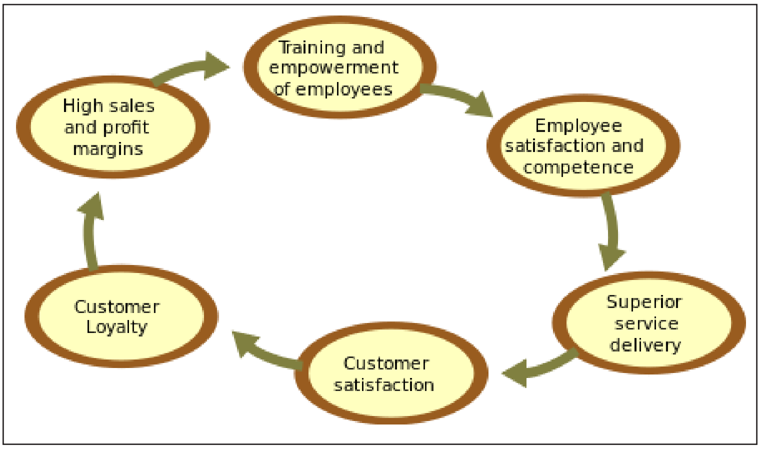
- The cost of acquisition occurs only at the beginning of a relationship: the longer the relationship, the lower the amortized cost.
- Account maintenance costs decline as a percentage of total costs (or as a percentage of revenue).
- Long term customers tend to be less inclined to switch and also tend to be less price sensitive. This can result in stable unit sales volume and increases in sales volume.
- Long term customers may initiate free word of mouth promotions and referrals.
- Long term customers are more likely to purchase ancillary products and high-margin supplemental products.
- Long term customers tend to be satisfied with their relationship with the company and are less likely to switch to competitors, making market entry or competitors' market share gains difficult.
- Regular customers tend to be less expensive to service because they are familiar with the processes involved, require less "education," and are consistent in their order placement.
- Increased customer retention and loyalty makes the employees' jobs easier and more satisfying. In turn, happy employees feed back into higher customer satisfaction in a virtuous circle.

For this final link to hold, the relationship must be profitable. Striving to maintain the loyalty of unprofitable customers is not a viable business model. That is why it is important for marketers to assess the profitability of each of its clients (or types of clients), and terminate those relationships that are not profitable. In order to do this, each customer's "relationship costs" are compared to their "relationship revenue". A useful calculation for this is the patronage concentration ratio. This calculation is hindered by the difficulty in allocating costs to individual relationships and the ambiguity regarding relationship cost drivers.

Expanded Models

Schlesinger and Heskett added employee loyalty to the basic customer loyalty model.

They developed the concepts of "cycle of success" and "cycle of failure". In the cycle of success, an investment in your employees' ability to provide superior service to customers can be seen as a virtuous circle. Effort spent in selecting and training employees and creating a corporate culture in which they are empowered can lead to increased employee satisfaction and employee competence. This will likely result in superior service delivery and customer satisfaction. This in turn will create customer loyalty, improved sales levels, and higher profit margins. Some of these profits can be reinvested in employee development thereby initiating another iteration of a virtuous cycle.



Virtuous Circle.

Fred Reichheld expanded the loyalty business model beyond customers and employees. He looked at the benefits of obtaining the loyalty of suppliers, employees, bankers, customers, distributors, shareholders, and the board of directors.

Duff and Einig expanded the model to debt issuers and credit ratings agencies to investigate what role commitment plays in issuer-CRA relations.

Satisfaction-profit-chain (SPC) Model

The satisfaction-profit chain is a model that theoretically develops linkages and then enables researchers to test them statistically for a firm using customer data (both from surveys and other sources). The satisfaction-profit-chain was tested in the context of banking industry showing that product and services improvements indeed were associated with customer perceptions, which led to beneficial customer behaviors such as repurchase, and desirable financial outcomes such as increased sales and profitability The satisfaction-profit-chain, as a methodology for managing customer loyalty and firm profitability, is also applicable in business-to-business markets, irrespective of whether the B2B firm sells goods and services.

The satisfaction-profit-chain refers to a chain of effects whereby increased performance on key attributes leads to improvements in overall satisfaction, which in turn affects loyalty intentions and behaviors. The increased customer loyalty is shown to affect short- and long-term financial outcomes including sales, profitability, and stock price. More recently, some studies show that especially in the context of services such as retailing and financial services, employee satisfaction can play a critical role in enhancing customer loyalty. This happens because both customer satisfaction and employee satisfaction can mutually reinforce each other, and promote stronger customer loyalty. More specifically, for a given level of overall satisfaction, customer loyalty is disproportionately stronger when customers perceive that employees are also satisfied.

The SPC model has become the basis of a large body of empirical research showing the strong impact of customer satisfaction on customer loyalty. Research has clearly shown that one of the best ways to increase customer loyalty—measured as repurchase intentions and repurchase behavior—is by increasing customer satisfaction (more satisfied customers are more loyal, in general). Though the relationship is positive, research shows there are many differences:

- The effect of customer satisfaction on customer loyalty can vary based on customer demographics and segments, such that it is stronger for some demographic groups and segments than others.
- The effect of customer satisfaction and customer loyalty, and subsequent financial outcomes for firms, can vary based on industry. Specifically, factors such as—goods versus services industry, degree of competition or concentration in the industry, the utilitarian or hedonic nature of products, and customers' switching costs can affect the nature (non-linearity) and strength of the link between customer satisfaction and customer loyalty.
- The measurement of loyalty—especially for customers is multi-faceted. Customer loyalty includes a variety of outcomes—intentions and behaviors associated with repurchase including word-of-mouth, complaint behaviors, share-of-wallet or the relative proportion of purchasing from a single firm relative to customer's total purchasing, and likelihood to recommend.
- Customer loyalty is influenced, not only by customer satisfaction but also employee satisfaction. Customer loyalty is a function of customer satisfaction. In many firms, especially service-oriented industries such as retailing, health-care, financial services, education, and hospitality the level of satisfaction experienced by front-line employees is a critical component. The level of employee satisfaction influences customer satisfaction as shown in a large-scale study of managers, front-line employees, and customers of a DIY retailer in Europe: results showed that managers affected overall job-satisfaction of front-line employees, which in turn affected the satisfaction of customers they interacted with. Most surprisingly, the level of customer loyalty was much higher among those customers who were themselves more satisfied, but also interacted with more satisfied employees. Highly satisfied customers who dealt with relatively less satisfied employees were relatively less loyal.

Commitment-loyalty Model

The customer commitment approach to loyalty is based on the idea that customers with higher commitment toward the brand are also more likely to be loyal toward the brand. Earlier models of customer commitment conceptualized it as a unidimensional construct. More recently, scholars have developed a five dimensional scale to measure customer commitment and relate it to customer loyalty. The five commitment dimensions include:

- Affective commitment.
- Normative commitment.
- Economic commitment.
- Forced commitment.
- Habitual commitment.

Data Collection

Typically, loyalty data is being collected by multi-item measurement scales administered in questionnaires by software providers such as Confirmit, Medallia, and Satmetrix. However, other approaches sometimes seem more viable if managers want to know the extent of loyalty for an entire data warehouse. This approach is described in Buckinx, Verstraeten & Van den Poel.

All historical trends for different segmentations and their standard of living may also be very helpful in developing customer retention strategy. Lifestyle is also a very powerful tool, can be used for better customer retention and to know his/her needs in better way.

Stereotypes in Consumer Behavior

Consumer stereotyping is a process of creation of generalizations about consumption objects of members from a particular social category.

This definition is based on the well-established idea that people connect ownership of certain products with membership in a certain social group. The key determinant to know more about a consumption is a self-identity, the symbolic meaning of goods and the role played by brands.

Stereotypes say about a fixed form or convention and also about something missing in individuality or originality. Human brain proceed the informations and then stores them in the memory, but there is a huge amount of informations it collects, that it is inavoidably to sort and then categorize them. Stereotypes are when people are using couple of characteristics and impressions, that they can identify and perceive a group of individual components to put into a certain main category, to understand more easily their social environment. Stereotypes provide their holders with scripts, specifying how to interact with members of specific social groups (e.g., what products to choose or avoid and how certain actions may be interpreted). Knowledge about consumer stereotypes help people with exploiting past experiences and social learning to conclude the specific characteristics and behaviors of individual group members.

Consumers often engage in shared consumption in order to become acquainted with and learn more about each other. Consumers very often are using stereotypes to help in forming their choices. The types of impressions consumers wish to create and the products they choose will be shaped by interpersonal goals, characteristics of the consumption partner, and the ability to effectively convey desired impressions.

Stereotypes allow people to infer the preferences of others in a wide variety of consumption domains. Consumer research in the social identity domain has shown that it is often the case that specific products are closely tied to certain social groups.

For example, Star Wars is considered masculine while Bridget Jones is considered feminine.

Because stereotypes are such rich knowledge structures, simply knowing someone's group membership provides a guide for inferring his or her consumption preferences across a wide range of domains. For example, by knowing that one's consumption partner is male, an individual may assume that he enjoys Star Wars, beer, car magazines, and sporting events. Armed with this knowledge, a consumer can convey a considerate and friendly image by tailoring his or her product choices to serve the preferences of the consumption partner.

The main goal of cross-national comparisons of purchase and consumer behaviour is to show similarities and differences between countries because results of researches in many cases just confirm already existing stereotypes. This is very useful for marketing departments in many companies, which are usually more interested in findings similar features to define marketing strategy for each country.

Also, consumers use stereotypes as a resource to help inform their choices, because stereotypes are socially shared and provide information about social groups based on easily identified qualities (e.g. race, gender), they may prove useful in inferring the preferences and anticipating the behavior of one's consumption partner.

Classification of Images of the Consumer Behavior

The development of this category applies to both research and business areas (e.g. consumer protection), but also the importance of performing specific roles of consumer society (identification of individuals with the people that play similar roles) for the transformation of the social structure (e.g. New forms social life, such as IKEA-family).

In the literature, consumers are depicted in a number of ways. Aldridge made a classification of images of consumers, which refers to the social construction of consumers in Western discourse about their consumption behaviours. The classification includes four different images of consumers: the rational actor, communicator, victim and dupe:

- Rational actor (man choosing);
- The sender of a message;
- Victim (cheated when making choices);
- Naive (believer that achieves their goals, targets meanwhile, pursues the objectives of others).

Another proposal for the classification of consumer identity presented by R. Sassatelli:

- Unlimited ruler (sovereign),
- Entrepreneur,
- Snob,
- A follower (imitator),
- A slave,
- Collector,
- Flâneur,
- The rebel.

The Impact of Media in Creating Stereotypes

The media often uses and misrepresents stereotypes; however, they are significantly accepted by people among society. The most common way of showing stereotypes is through TV commercials or TV shows. If we consider TV commercials, we can easily understand that in the biggest part of commercials which are advertising domestic products main actors are women. Women are used in this type of commercials because they are considered the ones who make main decisions in purchasing domestic products. On the other hand, in commercials advertising beers or car, main actors are men. Following these examples, it can be understood that a stereotype can be made just through use of gender roles in commercials. There is also a possibility of creating stereotypes through TV shows. TV shows such as the Simpsons are packed with stereotypes within its broadcast of half an hour. The Simpsons contains a large number of audience that watch the show daily as it is broadcast during prime time. Characters such as Apu are highly discriminated and stereotyped. On this show Apu is characterized as an Indian immigrant, who prays to Ganesh, and holds a highly noticeable and dissimilar accent. This is a stereotype which is observed by young children and is perceived as humorous; they apply this knowledge towards those they meet in real-life. Viewers of this show believe this information to be completely accurate for they hold little or no knowledge about that particular group. Though the stereotypes shown on TV are usually misrepresented, they are quite well accepted by the audience as the truth. Media grabs the interests of their audience through comedy, drama, and action which causes the viewers to disregard the immorality behind the content.

Impression Management, Stereotypes and Joint Consumption

Consumers often engage in shared consumption in order to become acquainted with and learn more about each other. For example, new friends may go see a movie together to socialize or a salesperson may take a new client to dinner to learn about the client's needs. Whether the purpose is to make new friends or bring in new business, consumers often engage in joint consumption to forge new relationships with others. In these types of situations, the impressions people convey early in the relationship are important. Though new information is gained as interactions continue, additional information that contradicts the initial impression tends to be overlooked. Given the importance of creating a pleasant consumption experience in the early stages of a relationship, the products consumers choose for joint consumption are quite important and have the potential to make or break a budding relationship.

When consumers are just beginning to get to know each other, they have very little information regarding their consumption partner's preferences and expectations for the interaction. Consumers use stereotypes as a resource to help inform their choices because stereotypes are socially shared and provide information about social groups based on easily identified qualities (e.g., race, gender), they may prove useful in inferring the preferences and anticipating the behavior of one's consumption partner.

When consumers wish to create a relationship with their consumption partners but have little information about them, they will rely on stereotypes to anticipate their consumption partner's responses. Furthermore, the types of impressions consumers wish to create and the products they choose will be shaped by interpersonal goals, characteristics of the consumption partner, and the ability to effectively convey desired impressions.

Customer Citizenship Behavior

In service firms, customers often act as "partial employees" and this participation is categorized as either in-role and extra-role behaviors. In-role behaviors are those behaviors required to perform in a service encounter such as arriving on time for a doctor‟sappointment, whileextra-role behaviors involve sacrifices on the customers‟ time, effort, material possessions, orphysical welfare. Generally, extra-role behaviorsare collectively referred to as customer citizenship behaviors. Scholars agree that CCB involves voluntary actions by customers (e.g., serving as partial em-ployees, cooperating with employees, and helping other customers) that are not directly or explicitly expected or rewarded but may haveanimpactona firm‟s interests and performance. For instance, a customer may inform another customer of a lower price at another location but not tellthe organization itself. Despite its apparent importance, the marketingliterature gives limited attention to customer citizenship behavior. Arguably, this neglect is due to our inadequate conceptual understanding of its nature, the reasons why it occurs, and its potential impact on firms. This paper addresses multiple issuesin this regard. For example, what behaviors and dimensions does customer citizenship encompass? Do they vary in different retail settings? How does cus-tomer citizenship affect and how is it affected by relationships among(versus dyadic ties between) customers and employees? What are the motives for customer citizenship behavior? Can customer citizenship behavior have both positive and negative effects on a firm and its present and potential customers?This paper begins with a lite-rature review and evaluation of ideas about customer citizenship behavior. Next, it examines general categories and dimensional qualities of customer citizenship based on insights about civic and organizational citizenship. Then, it presents four views on reasons for custom citizenship (an integrative taxonomy of motivation, social capital, resource exchange, and altruism). Next, it reviews possible positive and negative effects of customer citi-zenship. Finally, it examines managerial and research implications of these considerations.

After Organ andhis colleagues coined the term orga-nizational citizenship behavior, references to citizenship-like behaviors appeared in human resource management, hospital and health administration, community psychology, industry and labor law, strategic and international management, leadership, and economics. Like scholars in these other fields, researchers who deal with customer citizenship (in the management, retailing, human resources, and services areas) directly and indirectly refer to as-pects of citizenship in varied terms.

For example, Grothdescribes customer citizenship behavior as voluntary and discretionary actions by in-dividual customers, which are not directly or explicitly expected or rewarded but may aggregate into higher ser-vice quality and promote the effective functioning of service firms. Customer citizenship behaviors are not re-quired to produce and deliver a firm‟s service, but they may help the firm and enhance its performance. Thus, customer citizenship and customer co-production differ. Customer citizenship involves extra-role behaviors in that customer do things for the firm or other customers that are not typically expected of customers. Co-production involves customers cooperating with the firm by producing services for themselves (e.g., in self-service). Bettencourt refers to customer citizenship as the voluntary behaviors of customers who act as par-tial employees and cooperate with employees in ways that help a firm. As partial employees, customers contribute to the development and delivery of a firm‟s service quality through actions that are similar to those of a firm‟s employee. Rosenbaum and Massiah also describe customer citizenship as customers‟ vo-luntary actions to promote a firm‟s interests, act as partial employees, and cooperate with employees. Common (explicit and implicit) themes in depictions of customer citizenship behavior are its voluntary nature, the typical absence of direct rewards, and varied ways that it enhances the production and development of a firm‟s offerings/ services and positively affects firm performance. For instance, in acting as partial employees and pro-moting a firm‟s interests, customers may cooperate with employees, help other customers, give a firm sugges-tions, willingly spread positive word-of-mouth (WOM) about it, and act in other ways that enhance a firm‟s ser-vices, offerings, and performance. The litera-ture offers valuable insights and stresses the importance of customer citizenship but, arguably, it has five limita-tions. First, it primarily focuses on dyadic ties between customers and employees, the firm, and other customers. It gives little attention to how customer citizenship may affect and be affected by relationships amongcustomers, employees, and potential customers. Second, it cites examples of behaviors but it lacks a sufficient conceptualiza-tion about the nature and possible dimensions of customer citizenship. Third, it offers limited explanations for why customer citizenship occurs. Fourth, it stresses the possible positive effects of customer citizenship on a firm and its customers (e.g., those who receive help), but neglects its possible negative effects. Fifth, it gives little at-tention to whether and why the nature, reasons for, and effects of customer citizenship may differ depending on the circumstances and setting.

Categories of Customer Citizenship Behavior

Prior literature indicates customer citizenship behavior can be categorized. This review of the varied examples in the literature suggests that there are sevenbroad categories of customer citizenship behavior. First, positive WOM communication among customers is a behavior that indicates consumer attraction and loyal-ty to the firm and may enhance a firm‟s image and elevate customers‟ service quality expectations and evaluations. Second, display of affilia-tion occurswhen customers communicate to others of theirloyalrelationships with an organiza-tion. Third, cooperation refers to discretionary actions by customers in their relations with employees and other customers, which reflect respect for service quality, e.g., fulfilling their co-production roles and requests to dis-pose of trash and turn off cell phones in theaters. This concept is consistent with benevolent acts of service facilitationposited by Lengnick-Hall, Claycomb, and Inks. Fourth, participa-tion refers to customers‟ active involvement in a firm‟s governance and development. Cus-tomers may participate the firm‟activities involvingattending various organizational events. Fifth, customer voice refers to direct ideas or suggestions to service providers. Sugges-tions may or may not be derived from consumption dissatisfaction. Experienced customers may be an inexpensive and valuable source of counsel for managers.Sixth, policing of other customer includes observing potential cus-tomer misbehaviors (shop lifting) in order to reduce potential risks for the organization. Finally, flexibility refers to customers‟ willingness to adapt to situations beyond their control. This category embraces a level of tolerance and acceptance.

3.2 Civic Citizenship

Ideas about civic and organizational citizenship offer useful insights about customer citizenship.Philosophers since Aristotle indicate that responsible citizenship entails balancing interrelated duties. Graham also depicts citizenship responsibilities as three interrelated categories of beliefs and behavioral tendencies (obedience [respect for orderly structures and processes, recognition of rational-legal authority, and respect for laws], loyalty [serving community interests and values, promoting and protecting it, and volunteering efforts for the common good], and participation [active and responsible involvement in community self-governance]. Similarly, Van Dyne et al. argue that responsible citizens keepinformed about issues that affect the community, exchange information and ideas with one another, contribute to community self-governance, and encourage others to do likewise. Marshall‟s less general view takes the setting into account; it suggeststhat notions of rights and duties arise from a society‟s image of ideal citizenship versus univer-sal tenets. For example, British ideas of citizenship are rooted in a sense of community, loyalty of members who are endowed with rights and protected by common law, and the struggle to win those rights.

Organizational Citizenship

Organizational citizenship themes or dimensions seem relevant to customer citizenship, since customer and orga-nizational citizenship may enhance a firm‟s performance but not beformally recognized or rewarded and custom-er citizenship involves customers as partial employees. For example, helpingis voluntarily assisting others with problems or preventing problems from occurring. Assistance reflects facets of helping others, altruism, peacemak-ing, and cheerleading. Preventing problems reflects courtesy. Organizational loyaltyconsists of boosterism, spreading goodwill, promoting the organization to outsiders, and endorsing, supporting, and defending its objec-tives. It also entails protecting and defending it against external threats and remaining committed to it even under adverse conditions. Organizational complianceis internalization, acceptance, and adherence to rules, regulations, and procedures (even if one is not observed or monitored), which indirectly benefits others in the system versus an individual. Individual initiativesare voluntary actions that exceed generally expected or minimal requirements, e.g., commu-nications to others in the workplace to improve individual and group performance and voluntary acts of creativity and innovation designed to improve personal and organizational performance, persistence and enthusiastic efforts to accomplish one‟s job, volunteering for extra responsibilities, and encouraging others to do the same. Civic vir-tueis interest in or commitment to the organization. It is reflected in awillingness to accept responsibilities of being part of the larger whole and participating in governance, e.g., going to meetings, engaging in policy debate, and giving opinions about the best strategy for the organization.

Organization citizenship dimensions may have counterparts in customer citizenship. Customers, in partial em-ployee and other customer citizenship roles, may engage in helping behavior, and demonstrate loyalty, com-pliance, individual initiatives, and civic virtues that are related to a retail establishment, employees, and other cus-tomers. Moreover, customers‟ civic virtue with regard to a retail establishment and employees‟ acceptance of re-sponsibilities as organization members may reflect awareness of being part of the larger whole. Customer citizen-ship may also involve two more dimensions of organization citizenship: sportsmanship (willingness to tolerate inevitable inconveniences and impositions of work without complaint) and self-development (vo-luntary efforts to improve one‟s knowledge, skills, and abilities, to make more contributions to the organization/ larger social entity). Yet, their relevance is unclear; the citizenship literature gives little attention to sportsmanship and does not empirically confirm that self-development is a dimension of citizenship.

Correspondence Among Customer, Civic and Organizational Forms of Citizenship

The prior insights about civic and organizational of citizenship have implications for customer citizenship. For example, customer citizenshipis apt to have interrelateddimensional qualities, which may imply that they relate to all three responsibilities of civic citizenship and six dimensions of organizational citizenship. Yet, it is likely that WOM most strongly corresponds to civic loyalty and participation and to organizational initiative and organizational loyalty.

Customer cooperation is likely to be most strongly related to civic obedience and participation and to organizational compliance and helping. Customer participation is apt to most closely linkto civic loyalty and par-ticipation and to organizational initiative and organizational civic virtue. Finally, policing to other customers is likely to most closely correspond to civic virtue and to organizational initiative and to organizational civic virtue.Moreover, like the interrelatedresponsibilities of civic citizenship and the dimensions of civic and organizational citizenship, the dimensions of customer citizenship may require balancing or they may be in conflict and create negative versus positive outcomes. It is also unlikely that there are universal or general explanations for the nature, antecedents, and effects of customer citizenship. Instead, the specific nature of customer citizenship (how it is enacted), the reasons for these behaviors, and their effects on a firm and its customers may differ depending on the circumstances and setting. Additionally, they are apt to de-pend on the culture, norms, and social relationships of a firm and its customers.For example, a collective norm may create more benevolent act of service or participation aspects of customer citizenship behavior.

Sources of Motivation for Customer Citizenship BehaviorKnowledge about reasons for customer citizenship behavior may give researchers and managers a fuller grasp of its nature and how to facilitate it. Integrative taxonomic, social capital, resource exchange, and altruism explana-tions for customer citizenship supplement one another and offer multidisciplinary view of motives that may be involved. Integrative taxonomy of motivation.Perhaps the most accepted psychological taxonomy of motivation was devel-oped and operationalized by McClelland and validated by Barbuto. It offers an integration of intrin-sic process, instrumental, external self-concept, internal self-concept, and goal internalization perspectives about motivation. An intrinsic process motivation explanation suggests that individuals are motivated to work or engage in behavior for the pleasure of it. Thus, for example, since customer satisfaction and participation are positivelycorrelated, arguably, customers may cooperate and take part in co-production because they en-joy the processes rather than for other task performance or outcome reasons. The instrumental motivation view suggests that instrumental rewards motivate individuals if they think that their behavior will lead to certain tangi-ble extrinsic outcomes, e.g., pay or promotion. In solely psychological terms, this explanation does not apply to customer citizenship behaviors that are voluntary, discretionary, and not reward-oriented. Yet, it compliments rationales for why instrumental motives may be sources of social capital. The external self-concept motivation view indicates that individuals to try to meet others‟ expectations by acting in ways that elicit social feedback consistent with their self-concepts. For instance, they may act in ways that satisfy reference group members to gain first acceptance and then status, e.g., customers may behave as customer citizens to get positive feedback from employees or other customers in their aspired groups.

According to the internal self-concept motivation view, individuals set internal standards for traits, competencies, and values that form the basis for their notions of self. They are motivated to engage in behaviors that reinforce these internal standards and help achieve higher competencies. The goal internalization motivation view suggests that individuals, who are driven by internal goals, adopt attitudes and behavior based on their personal value systems. Those who are motivated by perfor-mance goals are apt to concentrate on outcomes, whereas, those who pursue learning goals are likely to enjoy the learning process. Thus, these two types of individuals may engage in customer citizenship behaviors for different reasons.Social Capital (SC).SC theory is used to explain varied communal behaviors related to citizen action groups, pro-test marches, voting, and leisure and other group-play activities. Definitions vary, but is it gener-ally recognized that SC has resource-like qualities. SC focuses on actual and imaginary social ties and in-group relations. Some scholars conceive of SC as individuals helping others due to obligations, expectations, trustworthiness, and norms that lead persons to forgo self-interestand act in the interests of a collectivity. As used here, SC refers to the ability of actors to secure benefits due to membership in social networks or other social structures. This ability emanates from the motives of otheractors who provide or facilitate these benefits. In this sense, SC explains why individuals (e.g., customers) help others.

The sources of SC lie in consummatory and instrumental motives (or expectations) that may be appropriated by members of a network orcollectivity. These motives differ from those that are involved in a simple dyadic ex-change that is not embedded in a larger social structure (e.g., a group, network, social entity, or collectivity).Con-summatory motives include value introjection (VI) and bounded solidarity (BS). They relate to the expression and maintenance of values, commitments, and orientations that guide a social entity. VI operates when individuals help others due their socialization into consensually established beliefs about norms or obligations. BS is based on identification with other members of a social entity. It leads individuals to assist others due to their actual or per-ceived shared membership in a group or awareness of their common situation or fate. Factors that raise members‟ senses of external opposition (e.g., amount of prejudice they face and lack of opportunities to exit from the situa-tion) and social construction (e.g., extent to which they create a collective identity and common cultural memory) increase in-groupsolidarity and appropriable SC. Instrumental motives include expected reciprocity (ER) and enforceable trust (ET). They are linked to means-ends relationships. ER operates when individuals help others due to their beliefs that they will receive benefits for pro-viding assistance.

These benefits may differ from those that they originally provide, may not come from the per-son they assist, and may sometimes take the form of group approval. ET exists when individuals assist others due to theirconfidence that repayment is insured by the sanctioning capacity of the network or collectivity. ET and resulting appropriable SC are positively related to outside discrimination and the extent to which a social col-lec-tivity (e.g., an immigrant community or members of a vegan-oriented food co-operative) is able to confer unique awards on its members, monitor their behaviors, and publicize the identities of deviants. They are negatively re-lated to options outside the groups for securing social honor and economic opportunity. Resource Exchange Theory.Foa‟s resource exchange theory posits that people exchange six types of re-sources with one another. These resources include love, status, information, money, goods and services and are organized on concreteness/ symbolism and particularism/ universalism dimensions. Concreteness refers to the degree of tangibility (e.g., concrete goods vs. symbolic information). Particularism refers to the resource‟s value in relation to the person who delivers it (e.g., exchange of love with a particular individual versus exchange of money with a stranger). Exchange is more likely to involve resources that are proximal to one another (rather than more distant) in terms of concreteness and particularism, e.g.,a person who receives love from another person is apt to return love (versus money) to that person. Rosenbaum and Massiah extend and apply resource exchange theory to service settings.

They argue that a customer who receives social support in a service establishment will respond by providing resources to the estab-lishment‟s other customers with feelings of love and genuine concern. Also, customers who receive social-emotional support and instrumental support from other customers in a commercial establishment may respond by expressing their appreciation via customer citizenship toward the establishment and customers. In addition, they may help or support other customers besides those who originally who supported them. Altruism.The altruism view isbased on biological considerations and ideas that altruism is a facet of human na-ture and personality. Biological research suggests that an altruism personality and altruism gene exist. Masters notes that altruism and sharing reflect a moral virtuewhich involves-the development of human nature ver-sus mere conventional restraints on individual pleasure or gain. The altruism motivation is activated or facilitated by the some persons‟ needs for assistance and other persons‟ inclinations to give help. In this sense, arguably, al-truism behavior reflects human nature. Human behavior does not always conform to Darwinian assumptions that a "self gene" dictates behavior that would further the proliferation of the species at the expense of others or to se-venteenth-century economists arguments that behavior is based on egoistic self-interest and that humans are "splendidly neutral to others" in their behavior. Instead, there is the readily observable evidence of people helping others without getting anything tangible in return. Guy and Patton argue that a strong (or perhaps the strongest) human motive is the basic need to help others without expectation of reward other than the pleasure of helping. Research suggests that, compared to individuals who assist others because they follow social norms or expect to gain status, self-esteem, or other personal benefits, persons who give assistance because they seem to have the intrinsic need to help others are more motivated to help, more involved in helping others, and more likely to provide appropriate helping responses. In this sense, altruism involves a form of the previously described in-trinsic process motivation and may explain why some customers help employees or other customers.

Top-of-mind Awareness

Top-of-mind awareness is an important concept in consumer behaviour, marketing research and marketing communications. Top-of-mind awareness is one measure of how well brands rank in the minds of consumers.

In marketing, top-of-mind awareness (TOMA) refers to a brand or specific product being first in customers' minds when thinking of a particular industry or category.

Top-of-mind awareness is defined in Marketing Metrics: "The first brand that comes to mind when a customer is asked an unprompted question about a category. The percentage of customers for whom a given brand is top of mind can be measured."

TOMA has also been defined as "the percent of respondents who, without prompting, name a specific brand or product first when asked to list all the advertisements they recall seeing in a general product category over the past 30 days."

At the market level, top-of-mind awareness is more often defined as the "most remembered" or "most recalled" brand names.

Top-of-mind awareness: uses and applications.

Top-of-mind awareness is a special form of brand awareness. Companies attempt to build brand awareness through media exposure on channels such as internet, radio, newspapers, television, magazines, and social media.

In a survey of nearly 200 senior marketing managers, 50% responded that they found the "top-of-mind" metric very useful.

Panic Buying

Panic buying is a type of behavior marked by a rapid increase in purchase volume, typically causing the price of a good or security to increase. From a macro perspective, panic buying reduces supply and creates higher demand, leading to higher price inflation. On a micro level (e.g. in investment markets), fear of missing out (FOMO) or buying triggered by a short squeeze can exacerbate panic buying, into a so-called melt-up.

Panic buying, which is often associated with emotion of greed can be contrasted with panic selling, which is associated with fear.

Panic buying may result from a number of different events. Generally panic buying occurs from increased demand which causes an increase in price. Adversely, panic selling has the opposite affect resulting in increased supply and a lower price. Conceptually panic buying and selling on a large scale can have dramatic affects leading to market shifts in various scenarios.

Investment trading and a country's economic framework provide two settings for broad market affects from panic buying. Both can be important landscapes for following supply, demand and price inflation. Investment trading will typically see more direct and immediate affects from panic buying. A country's economic framework will also be influenced by panic buying however it would have less of an immediate impact since it causes price fluctuation in goods which are depleted over a longer amount of time from supply backed by inventory.

Panic Buying and Investing

Panic buying in the financial markets is typically evidenced by a spike in volume with the majority of investors seeking buy positions. Panic buying for a security may occur when a security reaches a support zone and shows strong signals for a rebound. This can create a high interest in the security since it is selling at a low price and actively followed by a broad audience. Panic buying can also occur after unanticipated news about a company has been released that will positively affect its value and trading price.

Market trading mechanisms are a central component influencing the volatility of a security's daily price. Since security's trade continuously on the secondary market they can easily be immediately affected when panic buying occurs. Market makers match buyers and sellers in the trading market. When market makers have a high demand for a security with a lower supply, it can immediately increase the ask price, pushing the price steadily higher. Regardless of whether panic buying is driven by technical or fundamental factors, the market mechanisms facilitating trades on the open market will generally always see prices move higher when panic buying occurs.

Panic Buying and the Economy

Economists watch prices and price inflation across a wide range of goods and services within an economy. Price inflation is typically one of a few important economic indicators that can provide a reading on economic activity. Generally, prices inflate during growing economies where consumers are actively spending. However, the availability of goods and services can also affect price inflation.

Panic buying in an economy can occur for various reasons, each of which can have different impacts on an economy and its monetary policy support. High volume buying may be driven by demand for a new product that consumers are overwhelmingly interested in. This type of high demand can be good for the economy while also leading to price inflation. Adversely, in some economic situations, panic buying may be driven by an extremely low supply which can drive up the price and also cause a shift towards new alternatives. Some panic buying situations may also only be for a short term such as a high demand for goods related to weather-related conditions which can have their own economic implications.

Variety Seeking Buying

Variety seeking buying is a type of buying in which customers are not very loyal to one brand or product and prefers buying different type of products. Here the customers are very frequent brand switcher but this doesn't necessary means customer are dissatisfied with product.

The cost of switching between two brands is not high and also it helps buyers to avoid boredom of using same variety.

Companies tackle this behavior by introducing different versions of same brand and thus creating more options for the consumers. Also frequent reminder advertisements and promotions helps to garner more customer buying.

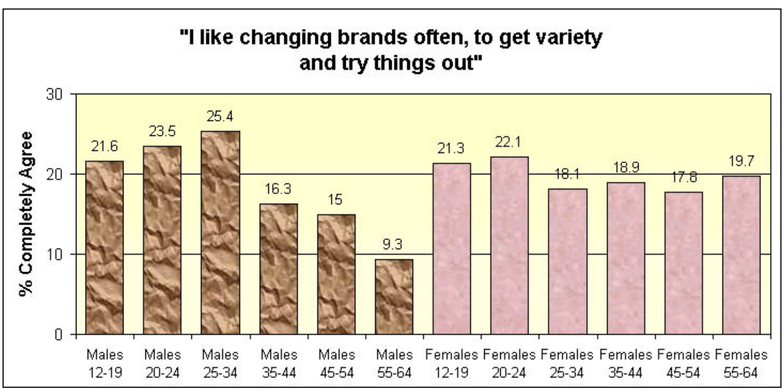
Variety-Seeking Behavior in Product Choice

In a free market (as opposed to a planned economy), consumers are offered a great deal of choices. Within a single product category, there are often a large number of brands. These brands may differ in size, quality, price, image and other attributes. In a free market, consumers make their choices based upon the utilities that they derive from the different brands. Thus some consumers will look for the cheapest product, others will look for the best quality (whatever that means) and still others will look for products that are consistent with their self-images.

There are also consumer utilities that are independent of product attributes. An example is the so-called variety-seeking behavior, whereby consumers routinely switch from one product to another because they are motivated by the utility inherent in experiencing variety. For marketers, such variety-seeking behavior represents mixed blessings of opportunities and vulnerabilities. An understanding of variety-seeking behavior is therefore important in defending and expanding market share.

one approach towards the study of variety-seeking behavior is based upon understanding the psychological processes that lead to the need for variety. One psychological driver is boredom, whereby the utility from one brand decreases with repeated use while competing brands become more attractive simply by being not the current brand. Another driver is curiosity because different brands may promise to provide different experiences.

In the following graph, we show the agree rates separately by age/sex groups. For the females, the agree rates are slightly higher among the 12 to 24 year olds, but the older groups are below average. For the males, the agree rates are highest among the young (12 to 34 year olds), and then drops down rapidly as age increases.



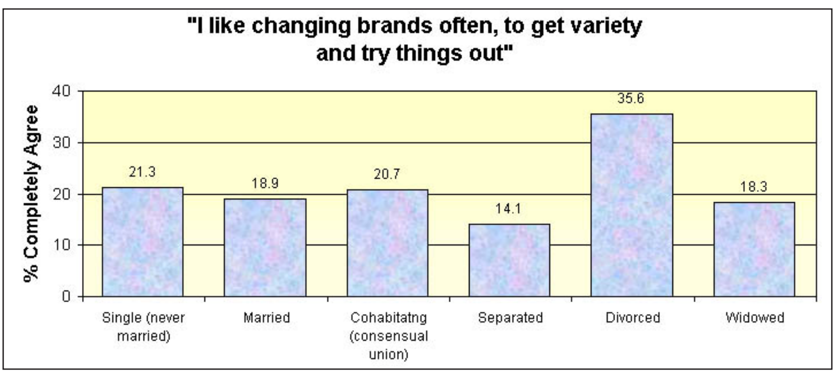
Age/Sex Groups.

The study of variety-seeking behavior based upon psychological processes may be criticized for relying too much on stated intention A different approach to the study of variety-seeking behavior is through the empirical analysis of observed temporal variations in consumption patterns. Better yet, it would be interesting to see the extent to which the stated preference for variety-seeking behavior translates into physical action.

In the next chart, we show the 'completely agree' rate to the statement "I like changing brands often to get variety and try things out" separately within product users who have consumed a single brand within a product category. For the beverage and snacks, the time period was 7 days; for jeans, the time period was 12 months. If the statement means anything, we would expect the single brand users to be less likely to agree. Compared to the overall agree rate for the total population of 19.9%, the agree rates for the single brand users in most of these product categories are not significantly different.

Single brand counsumers.

One reason for the lack of agreement between the psychographic statement and the reported purchase behavior is that this specific psychological statement was not category-specific. A consumer may be a brand-loyalist in some product categories, but a variety-seeker in other categories. Another reason is that each category has its own configuration of competition and product differentiation. The best synthesis of the psychological and behavioral approaches should be category-specific.



Marital Status.

Complex Buying Behavior

Complex buying behavior comes into play when consumers exhibit a high level of involvement in purchase decisions. Involvement refers to what shoppers must do to understand a product of interest (i.e. a new or pre-owned vehicle). A high level of involvement, typical of car shoppers, means that the individual goes to significant lengths to understand the product. This behavior is driven by the nature of the decision itself.

First, complex purchases are expensive. Whether the vehicle is $10K or $50K, it is far beyond what would be cataloged as regular, discretionary spending. This prompts high involvement.

Second, complex purchases are emotional and include a deep sense of commitment. Whether the buyer and owner experience is good or bad, the vehicle purchased is the vehicle one lives with for an extended length of time.

Third, complex purchases are extremely personal. Because a vehicle purchase is expensive, shoppers equate the purchase with the time and effort behind it. The decision becomes reflective of the buyer. For dealers it's one more unit. For shoppers, it is intensely personal.

Fourth, complex purchases are uncommon or infrequent. The average consumer thinks of purchases in terms of a monthly cadence. Since vehicles are not purchased often, it drives higher levels of involvement. Even when shoppers choose short-term leasing, it still falls far outside the bounds of a common purchase.

Fifth, not only are complex purchases uncommon, they are unfamiliar. Regardless of brand-loyalty, the purchase cycle is unfamiliar territory. Since I was last in market, what has changed? Which make or model is better? Will I love what I end up with? Today's shoppers spend nearly six months researching vehicle purchases, in large measure, to make the unfamiliar, familiar.

Finally, complex purchase decisions are rarely made alone. Regardless of how much a dealership drives positive ratings and reviews, shoppers are inundated with data throughout their research. The ease with which a shopper makes his or her complex buying decision is related to the degree in which one is informed, based on the experiences of others.

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PERMISSIONS

All chapters in this book are published with permission under the Creative Commons Attribution Share Alike License or equivalent. Every chapter published in this book has been scrutinized by our experts. Their significance has been extensively debated. The topics covered herein carry significant information for a comprehensive understanding. They may even be implemented as practical applications or may be referred to as a beginning point for further studies.

We would like to thank the editorial team for lending their expertise to make the book truly unique. They have played a crucial role in the development of this book. Without their invaluable contributions this book wouldn't have been possible. They have made vital efforts to compile up to date information on the varied aspects of this subject to make this book a valuable addition to the collection of many professionals and students.

This book was conceptualized with the vision of imparting up-to-date and integrated information in this field. To ensure the same, a matchless editorial board was set up. Every individual on the board went through rigorous rounds of assessment to prove their worth. After which they invested a large part of their time researching and compiling the most relevant data for our readers.

The editorial board has been involved in producing this book since its inception. They have spent rigorous hours researching and exploring the diverse topics which have resulted in the successful publishing of this book. They have passed on their knowledge of decades through this book. To expedite this challenging task, the publisher supported the team at every step. A small team of assistant editors was also appointed to further simplify the editing procedure and attain best results for the readers.

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The publishing team has been an ardent support to the editorial, designing and production team. Their endless efforts to recruit the best for this project, has resulted in the accomplishment of this book. They are a veteran in the field of academics and their pool of knowledge is as vast as their experience in printing. Their expertise and guidance has proved useful at every step. Their uncompromising quality standards have made this book an exceptional effort. Their encouragement from time to time has been an inspiration for everyone.

The publisher and the editorial board hope that this book will prove to be a valuable piece of knowledge for students, practitioners and scholars across the globe.

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