

Consumer Behaviour

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Additional Notes

Personal Influence & Opinion Leadership Process

Opinion Leadership is the process by which one person (the opinion leader) informally influences the actions or attitudes of others, who may be opinion seekers or merely opinion recipients.

Is Interpersonal, Informal and takes place between 2 or more people who have no pecuniary interest/commercial interest/gains.

WOM: In TV, we will find turban-clad old man in an Ad, trying to explain to another about a tractor and in the end say, this is from Mahindra Tractor.
This is using WOM concept even in an Ad.

Viral Marketing: Is the combination of email and WOM. Gmail did it. Hotmail was the first to use it.>>Sure success.

Many Computer Anti-Virus companies use it. It would send a signature of the company's product on every mail that the recipient would read and possibly form an attitude towards the product/service.

Opinion Leadership Process: Very dynamic and powerful consumer force

Credibility: Highly credible sources of information. Their intentions are best perceived as being in the best interest of the opinion recipient.

A person may not act favorably to an Ad, but is likely to do so, when a friend or colleague recommends the product/service.

Opinion Leadership Process: Positive & Negative Product Information

An Ad might not be always favorable to a product. Because an Opinion leader provide both favorable and unfavorable info, they are regarded more credible.

Opinion Leadership Process: Information & Advice

Opinion Leaders are a source of both Information and Advice.
They share experience with a product, relate what they know about a product or even advise to buy or avoid a product.
They start "In my experience...."

In Canada, consultants start “if I were you....”

Opinion Leadership - Reality

Corporates engage aged and experienced Consultants to advise suspects and prospects.

In real estate industry, life style malls, cars, you have consultants, who are typically Opinion Leaders. Fin/BPO/Software comp..engage senior and experienced bank professionals

Their very presence will create an impression that a consumer will receive valuable advice based on experience.

In an Ad, 2 women discuss a woman’s personal product where one advises the other and recommends a suitable product.

Opinion Leadership - Reality

HP, IBM, Dell and many other corporates have web forums where there are Opinion Leaders present online to answer questions and posts relating to the product.

Diffusion of Innovations

Relates to acceptance of new products and services

Diffusion of Innovations = Diffusion process + Adoption process

Diffusion refers to the macro process of spreading the new product to the public, right from its source.

Adoption is a micro process that focuses on the stages that the consumer passes through, when deciding to accept or reject a new product.

A.Diffusion Process:

Is the process by which the acceptance of an innovation (A new product, new service, new idea or new practice) is spread by communication (mass media, sales people, or informal conversations) to members in a social system (target market) over a period of time.

Has 4 basic elements

1. Innovation:

No basic definition has been provided so far.

But 4 orientations attempt to define it.

Firm oriented: Product is new to company. Treats the newness from the perspective of the company.

Product oriented: Continuous Innovation (latest version of Windows, Redesigned Santro, Sugar-free Horlicks) Has the least disruptive influence

Dynamically Continuous Innovation: Is somewhat more disruptive (HDD Camcorders, Disposable diapers, Bluray DVDs)

Discontinuous Innovation: Requires consumers to adapt to new behavior patterns. (Broadband, Mobile Phone with TV, Blackberry, e-learning)

Market oriented :

Judges newness of a product in terms of how much exposure consumers have to the new product.

A product is considered new if it has been bought by a relatively small (fixed) % of the potential market

A product is considered new if it has been on the market for a relative short (specified) period of time

Consumer Oriented:

A “new” product is one that a potential customer judges to be new.

Newness is based on the consumer’s perception of the product rather on physical features or market realities.

Characteristics that influence Diffusion::

Relative Advantage (Degree to which potential customers perceive a new product as superior to existing substitutes)

Compatibility (Degree to which potential customers feel a new product is consistent with their present needs, values and practices)

Complexity (Degree to which a new product is difficult to understand or use, affects product acceptance)

Trialability (Degree to which a new product is capable of being tried on a limited basis)

Observability (Is the ease with which a product’s benefits or attributes can be observed and described)

2. Channels of Communication

WOM

Advertising

Publicity

Sales personnel

Informal Opinion Leaders

Internet

NDTV, Rediff, Amazon websites

3. Social System

Is a physical, social or cultural environment to which people belong and within which they function. Key point is that a social system's orientation is the climate in which marketers must operate to gain acceptance of their new products.

Eg: Sugar-free Horlicks>>caters to the segment of all diabetic patients

Eg: Cholesterol-free chocolates>>health conscious

Eg: Egg-free cakes>>>religion-oriented

Eg: Garlic-free>>>Jain food>>religion/belief based

4. Time

Is the backbone of the diffusion process

Has 3 components

Purchase time (Time between awareness of a new product and actual purchase)

Identification of Adopter categories (Innovators 2.5%, Early Adopters 13.5%, Early Majority 34.0%, Late Majority 34.0%, Laggards 16.0%)

Rate of Adoption: How long it takes a new product or service to be adopted by members of a social system.

B. Adoption Process

Study the schematic (from textbook) which consists of blocks such as:

Need or Existing Problem

Awareness

Interest

Evaluation

Trial

Adoption (or Rejection)

Post Adoption or Post Purchase Evaluation

Extensive Problem Solving: Decision-making efforts of consumers have no established criteria for evaluating a product category or brand or have not narrowed the number of brands they will consider

Limited Problem Solving: At this level, consumers already have established the basic criteria for evaluating the product category and the various brands in the category. But they have not fully established preferences over select groups of brands

Routinized Problem Solving: Consumers have experience with the product category and a well-established set of criteria with which to evaluate the brands they are considering.

Post Purchase Dissonance

Dissonance occurs because making a relatively permanent commitment to a chosen alternative, requires one to give up the attractive features of the unchosen alternatives.

Probability of post-purchase dissonance, as well as the magnitude of such dissonance is a function of:

1. Degree of commitment or irrevocability of the decision- the easier it is to alter the decision, the less likely the consumer is to experience dissonance (30-day money refund policy, US, Canada even 6 months for toys/kid products, ICICI Pru gives 15-days refund insurance policy, Diamonds 1 week, Nalli Silk/Kumaran Silks etc)
2. Importance of decision to consumer-the more important the decision, the more likely dissonance will result.
3. Difficulty of choosing among the alternatives- the more difficult it is to select from among the alternatives, the more likely the experience and magnitude of dissonance
4. Individual's tendency to experience anxiety- Some individuals have a higher tendency to experience anxiety than others do.

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