



**Full Length Research Article**

**CHANGING BUYER BEHAVIOR**

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**ABSTRACT**

Marketing is an applied science that tries to explain and explore how firms and consumer behave in markets. Usually Marketing models are formulated and applied using standard economic theories relying on strong assumptions of rationality of consumers and firms. Recently marketing researchers are increasingly exploring consumer behavior. The goal of this article is to understand the overall components of how the marketers should understand the consumer behavior by exploring and integrating Behavioral Economics to effectively formulate Marketing models for long lasting success & profitability of the firm. Behavioral economics is a reaction to traditional economic theory, this attempt to systematically outline how these behavior factors work. Consumer psychology is an important domain for a marketing manager as it gives insight into a number of factors which affect sales and relationships that are not in the control of the company. An attempt has been made to combines both academic and practitioner perspectives to highlight several issues and emerging trends that emphasizes on marketing research in the new era.

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**INTRODUCTION**

Consumer psychology studies how our perceptions, thoughts, feelings, and beliefs influence how we relate to and buy goods and services. It is the study of why we buy certain products and not others, and the process of what we go through to use, select, secure, and dispose of these products or services. It delves into the reasons of how we satisfy our needs and the impact these processes have on society and the consumer. Marketing communications and other media are messages that is used to communicate with a market. It is considered the promotion part of marketing which consist of pricing, products, promoting, and placing. Marketing communications is what drives us to buy, whereas consumer psychology studies how or why we buy. Relationship between consumer behavior and marketing concept is that consumer behavior is the study of how individual make decision to spend their available resource (time, money, effort) on consumption. Marketing when integrated with Behavioral economics could actually make the marketing of resources, goods and services more effective. Marketing is a process of using Psychology to persuade the acceptance and purchase of a product, person or an idea. When behavioral economics is studied in relation to marketing, it provides opportunities to apply concepts, theories and methods

that could form significant aspects of contemporary organization behavior synergizing between the analysis of market mechanism from an economic perspective with the identification of consumer's wants and needs in marketing. Behavioral economics impact is expected to grow in the future as it works closely with growing centrality of digital solutions in marketing. Its insight has driven the strategies of digital companies like Amazon, Facebook, etc.

**Behavioral Economics**

An Eighteenth century economist Adam Smith acknowledged Behavioral economics when he noted that human psychology is irrational and imperfect that could have an impact on economic decisions. Its importance was recognized when other well known economists Irving Fisher and Vilfredo Pareto started including "Human" factor into economic decision making when they started to understand and explain the stock market crash of 1929. Behavioral economics was later pioneered by other economists like Herbert Simon in 1955 and by Kahneman and Tversky in 1979 when they published a paper entitled "Prospect Theory" which offers a framework for how people frame economic outcomes as gains and losses and how this framing affects decision making from among various choices. That said Behavioral Economics is still in its nascent stage and lot more is left to be explored.

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This article aims to understand Consumer buying behavior. The consumer participates in any or all of these market types as discussed below.

## Types of Market

### Financial Markets

It is a market in which individuals and corporate trade financial securities, commodities, currency, bonds etc at low transaction costs and prices as decided by the forces of supply and demand. They are further grouped as general markets (many commodities are traded) and specialized markets (specific commodity is traded). It facilitates raising of capital, risk transfer, price discovery, foreign trade.

### Monopolistic Competition

A market where imperfect competition exists. Many competing producers sell products which are differentiated from one another. Here the products are substitutes in nature with difference in Branding which are not exactly alike. Examples are restaurants, cereal, shoes, clothing, cars etc.

### Monopoly

Monopoly is said to exist when an enterprise is the only seller of a good or services. In the absence of Govt. interventions, the monopoly enjoys freedom to set any price it chooses that will result in yields giving largest possible profit. And it would be the only provider of a service in an area. Examples include utilities, Internet or cable operating companies, Railways etc.

### Oligopoly

It is a market structure where few firms dominate. In this market suppliers are independent and effectively control the supply and demand factors. They offer similar products but are differentiated by their advertising or promotional strategies. Examples include Airline, Automobiles, Banking, Petroleum markets.

### Perfect Competition

In this market structure we can find larger number of buyers and sellers, homogenous product by every firm and existence of free entry and exit norms, nil advertisement costs, less government intervention and all factors of production via labor, capital, etc have perfect mobility in the market and are not hindered by any market forces or market factors. Here participating firms are price takers and earn normal profits only. Generally Agricultural, fish & meat markets fit in as example.

In any of the above market structure, the goods and services are ultimately produced to the final end user i.e. Buyer or the consumer. The buyers are considered to be the foundation of any business success. Thus the prime goal of any marketing strategy would be to identify and meet the needs of buyers/consumers.

### Importance of marketing to Consumer's

From Buyer point of view, marketing is important for a variety of reasons. One of the main reasons is that it helps buyers to select good quality products at a very reasonable price. It also

provides them with a variety of products to choose from as well as satisfaction in the products they select.

### Importance of Consumers from marketing perspective

Customers are most important people for any company. They form the main resource upon which the success of the business ultimately depends. The repeat business is the backbone of selling. It keeps the certainty of business and revenue gets going. It is important to earn customer loyalty and satisfaction and retain them for long term basis. Without customers the organizations would not exist, and its main purpose is to fulfill the needs of the customers. It is only through customers the business achieves its goals. Business's Buying is an activity of procuring raw materials and converting it into final goods. Consumer purchases goods for direct final consumption.

The psychological make-up of the consumers plays a vital role in developing a product and suitable marketing campaign that identifies consumer needs and addresses it upto consumer delight. The buyer consideration is basically done by thinking, feeling, reasoning and selecting the best option among the different alternatives.

Consumer Behavior study is generally based on consumer buying behavior. Here the customer plays three unique roles of Buyer, Payer & User. Consumer behavior is difficult to study since it's based on consumer buying behavior. The study of consumer behavior blends elements from Psychology, Sociology, Marketing & Economics. It tries to assess the influences on the consumer from groups such as family, friends, reference groups and society. Relationship marketing is highly influential for customer behavior analysis as it has keen interest to understand the importance of customer. A greater importance is also placed on personalization and customization and one-to-one marketing and customer retention.

There are many models of Consumer buying behavior, but the most common among them are:

**The customer identifies a need:** The need is generally aroused in a consumer by advertisements, word of mouth, the awareness is generated here. Example Mr. A seeing his friend or a celebrity using a product or service.

**Looks for information:** At this stage the customer is actively seeking more details to know more about the product. Word of mouth is still important here. Customer interacts with Sales personnel, checks brochure, and sees videos/ads.

**Checks for alternative products:** The customer at this stage try's to choose between products and readies to back up his purchasing decision. The seller should promote his products convincing the clients by way of guarantees/warranties, maximizing package and attractive product display. Sales personnel play an important role at this stage giving promotional offers.

**Makes Purchase decision:** If sales personnel succeeds in convincing the client and close the deal, he should be incentivized for closing the deal.

**Utilization of Product:** Reinforcing the customer by sharing instruction about usage of the products and certain other tips

for the same. Companies can share their manual and announce loyalty schemes. Testimonials are generally included to reassure them that they have made the right decision.

Consumer's buying behavior and the resulting purchase decision are strongly influenced by cultural, social, personal and psychological characteristics. A purchase decision making pattern is a complex amalgam of needs and desires and often influenced by societal role, social and cultural environment and norms, and consumer's aspiration & inhibitions. An understanding of these influencers is vital for marketers to develop suitable marketing mixes to appeal their target customers.

**Cultural Factors:** These include buyer's culture, sub-culture & social class. Researchers have proved that these factors are often inherent in our values and decision making processes.

**Social Factors:** These include family, groups – reference group, aspiration groups, roles and status in society. This explains the outside influences of factors on our purchase decision either acting directly or indirectly.

**Personal Factors:** The variable factors such age and client life cycle stage, occupation, financial or economic circumstances, living lifestyles, personality. These will explain our changing preferences according to changing situations.

**Psychological Factors:** Such factors that influence our purchase decision which includes motivation, perception, learning's, our belief and attitudes.

Behavior change is inherently linked with the material progress and innovations. Consumers like maintaining their status quo and avoid perceived loss. Behavioral economics enunciates that Human beings are not rational in their evaluation. There are few emotional biases which decide the way in which people respond to change is crucial.

The generally found emotional biases of consumer who are irrational are:

**Loss Aversion:** Behavioral economics pins this loss aversion where the consumer strongly prefer to avoid loss to acquiring gains and this fear forms a key barrier to change behavior.

**Mental Triggers:** It's a common trait of human behavior where the tendency to stick to what is known and easier, even when the change is something that I desired. In the absence of strong trigger, people will remain with same old choices and behavior.

**Peer Pressure/Herd Mentality:** Often human beings are influenced by what others do and it is very much important to understand the social context of any behavior change journey. Media plays an important role as people often form views on what they read, hear and see.

**No Procrastination:** Consumers prefer instant gratification rather than waiting for the future to reap a benefit. An alcohol attempting to quit, for instance, may value short term benefits of satisfying a craving vs. long term health benefits which leads to relapse.

**Mental accounting:** A consumer assigns different levels of utility to each asset group, which affects their consumption decision and other behaviors. For example a spend thrift will not mind paying bills for the purchases made for 500/ but may grumble to pay 15/ as parking charges.

The marketing companies should keep a watch on consumer trends and offer products satisfying their needs. With the opening up of Indian economy by liberalization and globalization and opening up the transcending boundaries and culturally diversified population, it may seem impossible that there exists just one consumer ideal, Indian consumers are said to be amongst the most discerning consumers in the world. It is still a developing economy and moving forwards towards becoming a developed economy year on year basis. Generally marketers capitalize after understanding consumer choices and preference and their way of thinking. Time tested methods so far have been Celebrity Endorsement, Freebies, Quality statements, Eco-friendly products, powerful branding, Online Marketing etc. Consumers in India can be classified into Rural & Urban, who are further sub-divided into

- a) Elite & Rich clients
- b) Working Women
- c) Youth
- d) Conservatives
- I) Upper Middle class – Active consumers
- II) Middle Class – Aspirant consumers
- III) Lower Middle Class/Destitute – Little purchasing power.

The conservative groups i.e. Upper & Middle class are fast moving towards luxuries with gravitating needs & wants, in order to gain a feel-good experience are more experimenting with fashion and technology. They are also driven by quality consciousness and preferring consumer durable as well as FMCG's. The retail sector is growing in different departments as in food & grocery, Clothing, Books & Music, digitalization etc. There is a tremendous potential for the organized sectors such as supermarkets, specialty stores, food courts, discount chains etc. Post liberalization, the trend started changing fast with India's IT boom period, it provided employment opportunities to tech-savvy Indians, which created new generation of young professionals with increased purchasing power and made understanding consumer behavior all the more challenging. With the advent of smart mobile phone and the internet revolution, the market has opened up new venues for social marketing.

India following the steps of a developed economy and in order to become an export-driven economy, facilitates lower interest rates through banking sector and makes loans easily available to consumer and stimulate consumer spending. India has to strike a balance through its fiscal and monetary policies through effective monitoring and timely measures to avoid any debt crisis affecting the world. In India about 3/4<sup>th</sup> population is rural offering tremendous potential in rural retailing that could change the consumption pattern in India. Consumers may still move beyond the basic needs to discretionary spending and seek value in products that serve basis needs such as food and grocery. The definition of Value will be perceived differently for different products. Consumers will get more conscious about their health, wealth and wellbeing. Also they are getting concerned with the surrounding

environment – including nature, society, politics & administration. We can also witness the culture of throughout-the-year consumption rather than “Occasion” or “Festival” led spending seen in the recent past.

Businesses which understand and cater to changing consumer needs, desires and expectations will not only survive but also gets the opportunity to make profits. The global economy is remapped with old technologies replaced with new technologies. And consumer themselves participating as stakeholders through funding and participating in pre-launch of new products and brands. India also has moved from catering its requirements from developed economy to now exporting to developed and other developing economies. Emerging markets can also take pride in exporting their natural and cultural heritage through fashion & designing route. Recycling of product wastes and discharges are taking a new shape and becoming more eco-friendly in nature. After making strides in mobile world where handheld sets perform multitasking without leaving the comforts of one’s home, to new development in digital technology is making ways into health industry where a Doctor can prescribe medicine through online interaction and remote monitoring thereby promising to reduce costs by making consumers more aware of their health.

The marketers should be successful in identifying or uncovering common internal and external influencers of the buyers. The general internal influences are grouped as below:

**Personal influences:** Demographics, purchases for personal consumption, etc

**Psychological factors:** Personality, objectives, attitudes, lifestyle etc.

Apart from internal factors there are basic other external factors that has to be tracked

**Social influencers:** Social networks, word of mouth marketing

**Marketing influencers:** Product, Brand, Advertising, Promotions etc.

**Economic influences:** Inflation, interest rates, Business confidence etc.

**Market factors:** Competitions, availability of substitutes etc.

**Technological factors:** Role and influences of Technology, new product utility like smart phones etc.

Businesses have to constantly monitor and upgrade its strategy based on consumer buying behavior model. To ensure that the marketing strategy continues to leverage the greatest opportunity as it is very critical to ongoing success because change is constant and happens to all markets, consumers, products and services. The key element should be regularly evaluate and validate the buyer behavior model. It is required to stay ahead in business that companies has to constantly know the findings from buyer behavior model would actually influence the company’s vision, it should give space to innovate new business concept, new brand or a venture. Adding new product, service or expertise for certain customer segments and it is very important to speak the language of those end using consumers. Companies planning for growth through online retailing need to have reliable estimates of growth in online shopping segments and data of online consumer purchasing behavior are also required as it plays a vital role for online retail strategies. Forecasts are likely to be reliable if they are backed by the behavior pattern of online consumer. The entire efforts of a company lie towards satisfying the needs and desires of the consumer which help in creating surplus for the company. Considering customer importance at all stages of the marketing processes, it helps a company to ensure greater customer satisfaction and increase its long-term goal of repeat business and profitability. It is time to also realize that customer retention costs are much lesser than the customer acquisition costs.

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