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NAME OF FACULTY: Dr. Sadhna Trivedi

Lecture-19

Individual Determinants of Consumer Behavior

CONSUMER IMAGERY

Consumers formulate mental images or descriptions of the marketing stimuli that they are faced with. This is known as imagery. The perceived images that get formed may relate to the goods and service offerings and the marketing mix.

I. Goods and Service Offerings and Imagery:

In today's era, when the market is competitive and not much difference exists within brands, the product and its image have an important bearing on the success of a brand. While making purchase decisions, consumers are faced with numerous alternatives, and purchase decisions are often made on the basis of the image that the goods and service offerings and/or the brand hold. Suitable consumer imagery must be developed in the minds of the consumers.

Through positioning, marketers make conscious attempts to create imagery about the good and service offering and/ or brand in the mind of a consumer. Consumer imagery is the mental picture that the marketer creates about his good and service offering. The image could relate to the good and service attributes and features, the price, or the overall brand persona. Due to the inherent characteristics of services, such as intangibility, variability, perishability, and simultaneous production and consumption, marketers find it much more difficult to position services than to position products.

II. Perceived Price and Imagery:

The manner in which a marketer prices a product and creates an image also has an impact on consumer decision-making. The price of a good or service offering must be reflective of the value that it provides. Prices may be perceived as (i) fair/unfair or (ii) high, medium (fairly priced), or low, and this has an influence on the purchase intention, action, as well as satisfaction/dissatisfaction of the consumers. Price imagery often gets related to the quality of the good and service, the brand name, the store name, and the manufacturer's (corporate) name.

Price-and imagery-related issues are detailed as follows:

1. Fairness of Price:

Consumers consciously or sub-consciously give a lot of importance to fairness of price. Differential pricing strategies used by marketers in the case of economically poor people or senior citizens are looked upon by other customers as unfair practices, but they often reconcile to it as being justified because of the group or the category of customers to whom it has been offered. However, any other kind of discrimination with respect to prices is treated as unfair. Any kind of unfairness leads to discontinuation of the brand usage and a switch over to other brands or stores.

2. Reference Price:

Perception of price as high, medium (fair priced), or low – The reference price is defined as the base price that a consumer uses to compare with another price. Reference prices may be internal and external. Internal reference prices are prices that are internal to the consumer, stored in his memory and retrieved from the memory bank as and when required. These are generally prices that a person has paid in the past and as such, they are based on his experience.

External reference prices are used by the marketer who communicates with the customer and tries to influence the consumer's price expectations to his advantage by telling how that it was expensive earlier. Marketers often show how a product and/or brand are being sold at a higher rate in other places (e.g., 'sold at other places as…., we sell much lower at 20 per cent discount').

This type of communication portrays a price advantage, and is persuasive in nature to influence the consumer that the product and/ or brand offer is a good buy and that the deal is a good one. Reference prices are not constant and keep changing with market trends and consumer experience in the marketplace.

Prices are also perceived as high, medium, or low on the basis of a comparison with a reference price. When studied in terms of internal and external, as well as high, medium, or low, price is defined as plausibly low, plausibly high, and implausibly high.

3. Price Discount Slogans:

Various kinds of slogans in various formats can be used by a marketer to his/her advantage.

i. Odd pricing or prices on the product assortment that end in 99 (e.g., 299 only or 9999 only) are used to portray how cheap and reasonable a store is. This is because a product assortment priced at a value that ends in 99 is perceived as being cheaper. Research has revealed that odd pricing helps develop a price affordability perception in the minds of the consumer. Odd pricing is commonly used in most retail stores across product categories ranging from grocery to electronic goods.

ii. The wording and the semantics used to denote price or any information related to prices can also affect a consumer's perception about price.

a. 20 per cent off at store ABC. Sold elsewhere at Rs. 500. Such slogans tend to communicate 'value' to the customer through perceptions of increased savings and low price. The consumer then decides to patronize store ABC.

b. Discounts may be communicated either objectively or specifically, as precise (e.g., 50 per cent off), or non-specifically in a range, as tensile (e.g., 20-50 per cent off).

c. Further, discounts may be offered on the entire product range (e.g., sale on all items) or on select products and/ or brands (e.g., sale on select items or limited stock).

iii. Objective versus tensile price cues – Objective price claims are indicative of a single discount (e.g., save 40 per cent), generally for a specific good or service offering. Tensile price claims are spread over a range (e.g., 'save 30-40 per cent', 'save up to 40 per cent', and 'save 40 per cent or more'). Such claims are generally spread over a wide assortment (an entire product line or various product lines) or even across a store. They have a greater impact on the consumer psyche than objective price claims, which are indicative of a single discount and help build store traffic, and subsequently larger sales and revenue.

4. Discount Levels:

Advertisements indicating discount levels can be framed variously, and their effectiveness varies across formats.

i. Consumers' shopping intentions are less favourable when advertisements are framed as stating the minimum discount level (e.g., save 5 per cent or more) than when they state the maximum discount level (save up to 30 per cent).

ii. The effectiveness of advertisements that specify the maximum discount level (save up to 30 per cent) either equals or exceeds the effectiveness of advertisements stating a tensile discount range (save 5—30 per cent).

iii. Further, when across a product line, say, soaps, varying levels of savings are advertised, (5 per cent off on Lux, 10 per cent off on Liril, and 15 per cent off on Dove), the maximum discount level would be most effective as a store traffic builder because it would influence the consumers' perceptions of savings.

iv. In addition, sales promotional schemes like 'buy one, get one free' are often used to attract consumers towards a product purchase. Consumers perceive such offers to be of value, and they get attracted towards such offers. They fail to realize that in most of such cases, the price of the item has been increased beforehand. Sometimes while keeping the prices intact, the content of the pack is reduced. As the j.n.d. is kept low, consumers fail to realize that they are buying a decreased quantity for the same price.

v. Last, when a store offers small, but frequent, discounts across a large product assortment, the store loses its high price-quality-value image, and is perceived as an 'economy store' or a 'discount store.' On the other hand, when a store offers higher discounts, it does not lose its premier image.

5. Bundle Pricing:

When a marketer sells together two or more goods and/or service offerings as a single pack at a special discounted price, it is known as bundle pricing or price bundling. The goods are sold as a bundle at a single price, which is much lower than the price that would be charged if the goods were sold separately. There are two kinds of price bundling, namely pure bundling and mixed bundling.

In pure bundling, the marketer does not provide to the buyers the option of buying the goods and service offerings separately, and so the consumer is forced to buy either the entire bundle or nothing, for example, a shampoo and a conditioner. Pure bundling can be further sub-divided into two categories, namely joint bundling and leader bundling.

Joint bundling Is a type of pure bundling where two or more goods and service offerings are sold at one bundled price, for example a baby kit containing a soap, shampoo, powder, creme, and comb. Leader bundling is another type of pure bundling, where a leader product and/or brand is given at a discounted price only if it is bought along with a non-leader product and/or brand; for example, a TV may be sold at a discounted rate only when the customer also buys the DVD player.

In mixed bundling, the option to buy the offerings separately at higher prices is available, and the consumers can choose to buy either the entire bundle or one or few items from the bundle, for example, software packages. Because of the concept of reference price, mixed bundling has been found to be more attractive to customers.

III. Perceived Quality and Imagery:

Consumers judge the quality of the product offering on the basis of internal and external cues. Internal cues refer to the physical characteristics internal to the good or service, such as size and colour, while extrinsic cues refer to cues that are external to the good or service, such as price of the product, brand image, retail store image, or the country of origin.

For some product offerings, quality can be assessed using intrinsic cues or physical characteristics. For example, flavour and aroma are used to assess the quality of bakery products and ice creams and colour is used to assess the quality of mouthwashes and detergent soaps.

It is difficult to judge quality in the case of services due to the characteristics that differentiate services from products, namely intangibility, heterogeneity, perishability, inseparability of production and consumption, and irreversible or irrevocable action. Comparisons are made between expectation (before) and perception (after), so as to determine the gaps and assess quality. However, with respect to consumer perception of quality of services and imagery, consumers rely on extrinsic cues like surrogate cues to evaluate quality.

IV. Price/Quality Relationship and Imagery:

Consumers relate a high price to the good or service features, attributes and benefits, and the overall quality that the offering provides. Price is seen as an indicator of quality; the general perception is that the higher the price, the better is the quality. However, when a consumer has knowledge and prior experience with the brand or is familiar with the brand name and the brand image, price would become a less important factor in the assessment of quality. So price is regarded as a surrogate indicator of quality, and consumers prefer buying the most expensive brand.

Further, an increase in price is perceived as an improvement in the good or service, especially in terms of features and attributes, and overall quality, while a decrease in price is looked upon as deterioration in the good or service quality. In fact, when prices are decreased, consumers become sceptical about the purchase and use of the good or service.

While this perception of the price-quality relationship is considered for most product categories, the relationship is more important for high-involvement products or complex products that are difficult to test, and experiential goods and services that cannot be tested until purchased and used.

V. Retail Store and Image:

Just as goods and service offerings are positioned and clearly indicate the segment(s) for which they are aimed, retail stores are also positioned. They are not only indicative of the goods or service offerings, their quality, and the price at which they sell, but also reflective of the layout, design, ambience, and the price of the offerings, which clearly demonstrate the segment(s) for which they exist. A good store image increases people's confidence about its product quality, leading to the intention to buy.

Layout, Design, Merchandise Presentation, and Ambience:

The store layout and design, aesthetic, and appealing presentation of merchandise, as well as the ambience (colour, light, sound, scent, visual designs, and general atmosphere) of a retail store, reflect the kinds of product lines it carries. In fact, the mannequins that it keeps and displays also reflect the stores image. The store could be a specialty store catering to clothing and apparel, or a department store catering to edibles, clothing, and even durables. The design and ambience would vary considerably across the two kinds of stores.

Labelling:

Retail stores often create an identity for themselves, and introduce private label brands. The effects of the store image translate into the products as well, and vice versa. This accounts for the success of private label brands. Retail stores such as Westside or Pantaloons go in for putting their own labels on the creations of others. Big Bazaar packs and labels its edibles and staple food grains as Food Bazaar.

Pricing:

The retail store and its image are greatly impacted by the price of the offerings and the discounts that it offers. Specialty and super specialty stores price their offerings high and offer hardly any discounts, except during festive seasons or clearance sales. On the other hand, department stores and general stores offer discounts; such stores have the option to offer a small discount on a large number of items or larger discounts on a smaller number of products.

While the former provides frequency of price advantage, the latter provides magnitude of price advantage. Stores that offer a small discount on a large number of items are perceived to be having lower prices overall than stores that offer large discounts on a smaller number of products.

VI. Manufacturer Name and Image:

People also form perceptions about companies, and manufacturers have their own distinct images. People are more receptive to goods and service offerings that emanate from a respectable, credible, and reputed manufacturer, rather than from one who is less favourable, or neutral, or totally unknown. All these increase consumers' confidence about the product quality, and the overall value proposition that the company provides. Consumers also prefer old traditional business houses.

VII. Brand Image:

Consumers tend to form images of a brand. The brand image is defined as the manner in which a consumer forms perception about a brand. It is an impression of the brand's personality that a consumer creates in his memory. It also denotes the set of associations related to the brand, which a consumer retains in his memory.