Welcome to Consumer Behavior

Let's start with a Recap

- MM 1 : Introduction to the basic ideas
- MM 2 : The tools to understand the market

- CB   : Who is the consumer, and what does he/she want?

- Let's begin with a story

A Top Secret Meeting

A Top Secret Meeting

- Top CEOs in attendance
  - Kraft, Coca-Cola, Lunchables, Kellogg, Nestlé, Oreos, Cargill, Capri Sun, and many more
- The average American consumes (annually)
  - 15kg of cheese
  - 31 kg of sugar
  - 3.1 kg of salt
- These are figures from the early 2000s
  - The numbers now are likely higher

We move from this..

And this..

To this.

And this

In the U.S., just over half of all dogs are overweight or obese, according to the Association for Pet Obesity.

definitely

A book you should check out
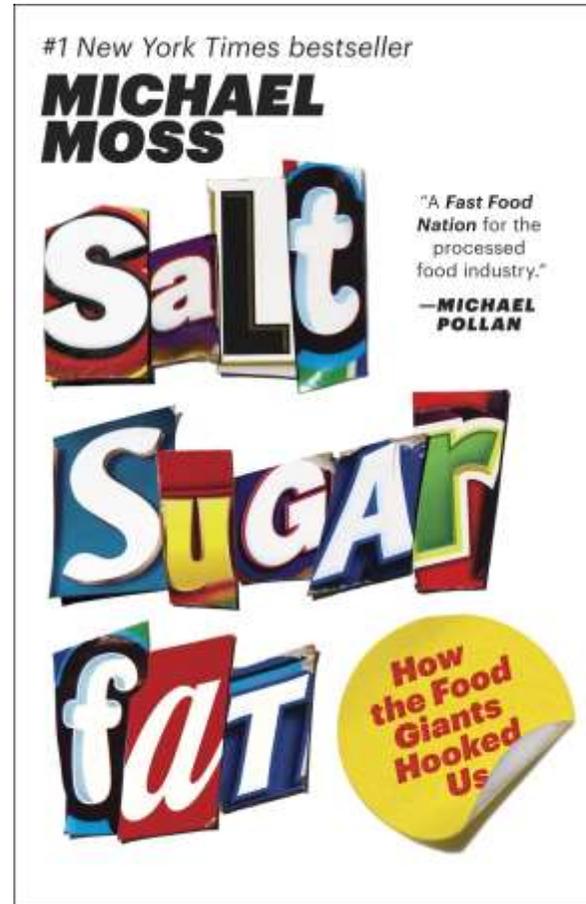
A Global Pandemic

- Obesity is a complex condition
- Has serious social and psychological dimensions
- Affects virtually all age and socioeconomic groups
- No country is left unaffected
- Affected people more susceptible to
  - Diabetes mellitus
  - cardiovascular disease
  - Hypertension and stroke
- Remember COVID 19?

Share of Deaths due to Obesity

Share of deaths attributed to obesity, 1990

Obesity is defined as having a body-mass index (BMI) equal to or greater than 30. BMI is a person's weight in kilograms divided by their height in meters squared. Shown is the share of total deaths, from any cause, with obesity as an attributed risk factor.

No data 0%   5%   10%   15%   20%   25%   30%
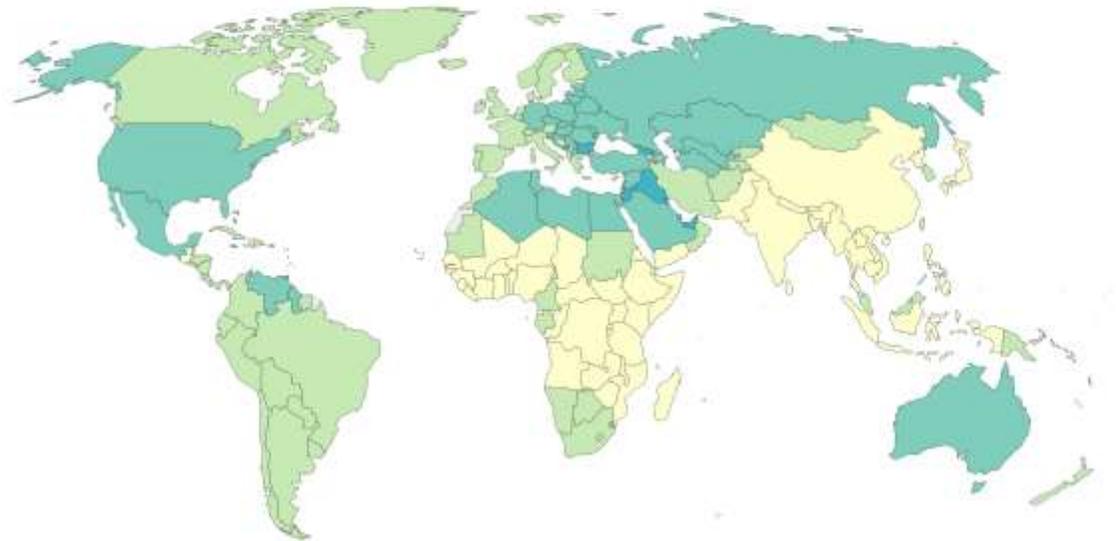
Source: IHME, Global Burden of Disease

OurWorldInData.org/obesity · CC BY

Share of Deaths due to Obesity

Share of deaths attributed to obesity, 2000

Obesity is defined as having a body-mass index (BMI) equal to or greater than 30. BMI is a person's weight in kilograms divided by their height in meters squared. Shown is the share of total deaths, from any cause, with obesity as an attributed risk factor.

No data   0%   5%   10%   15%   20%   25%   30%

Source: IHME, Global Burden of Disease

OurWorldInData.org/obesity · CC BY

Share of Deaths due to Obesity

Share of deaths attributed to obesity, 2010

Obesity is defined as having a body-mass index (BMI) equal to or greater than 30. BMI is a person's weight in kilograms divided by their height in meters squared. Shown is the share of total deaths, from any cause, with obesity as an attributed risk factor.

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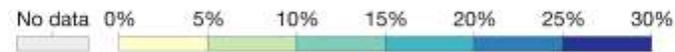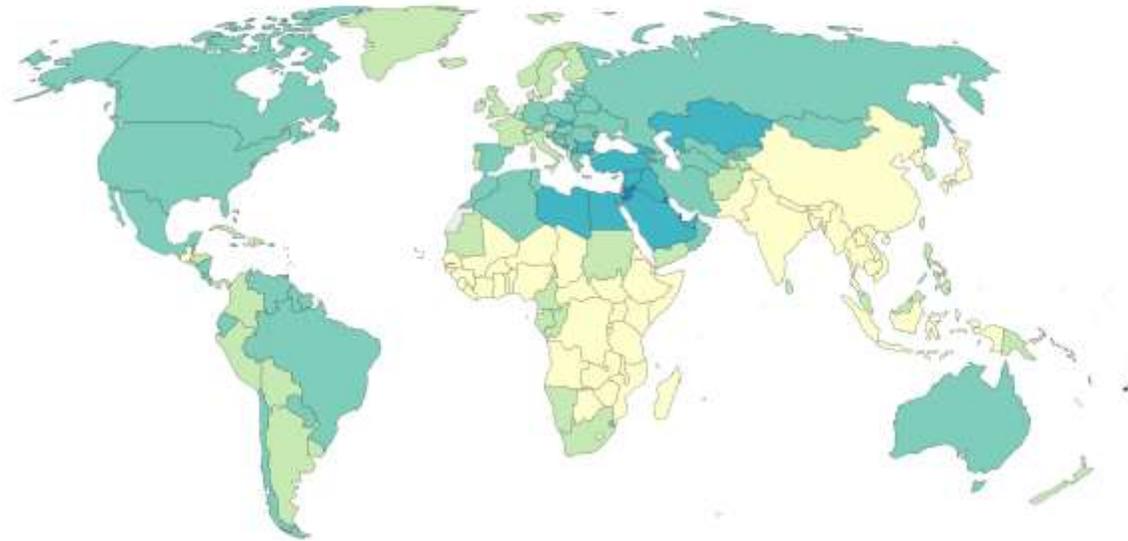
Source: IHME, Global Burden of Disease

OurWorldInData.org/obesity · CC BY

Share of Deaths due to Obesity

Share of deaths attributed to obesity, 2019

Obesity is defined as having a body-mass index (BMI) equal to or greater than 30. BMI is a person's weight in kilograms divided by their height in meters squared. Shown is the share of total deaths, from any cause, with obesity as an attributed risk factor.
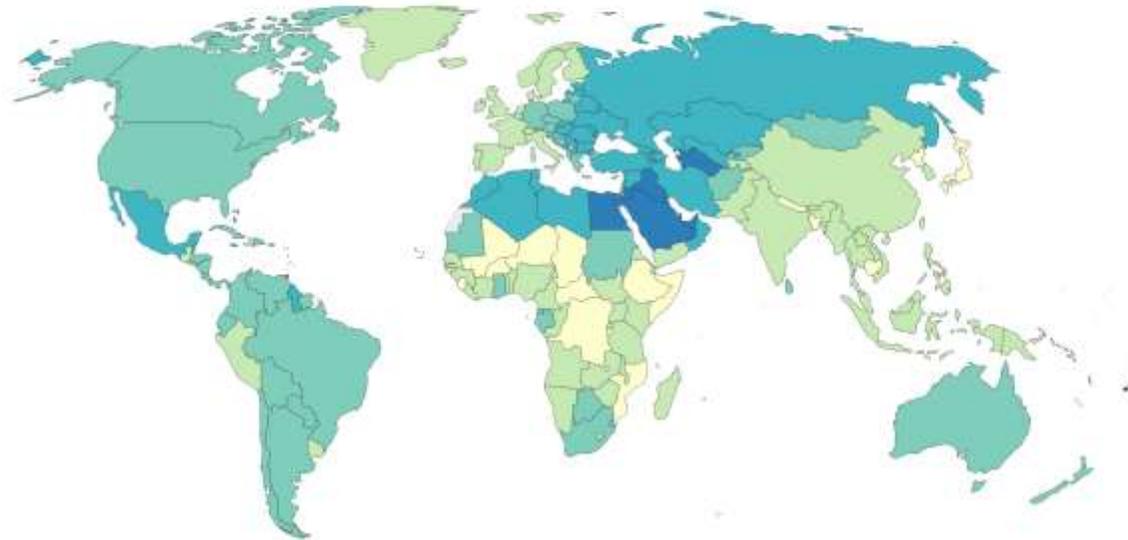
No data 0%   5%   10%   15%   20%   25%   30%

Source: IHME, Global Burden of Disease

OurWorldInData.org/obesity · CC BY

Share of Deaths due to Obesity

Share of deaths attributed to obesity, 1990 to 2019

Our World in Data

Obesity is defined as having a body-mass index (BMI) equal to or greater than 30. BMI is a person's weight in kilograms divided by their height in meters squared. Shown is the share of total deaths, from any cause, with obesity as an attributed risk factor.

United States

India
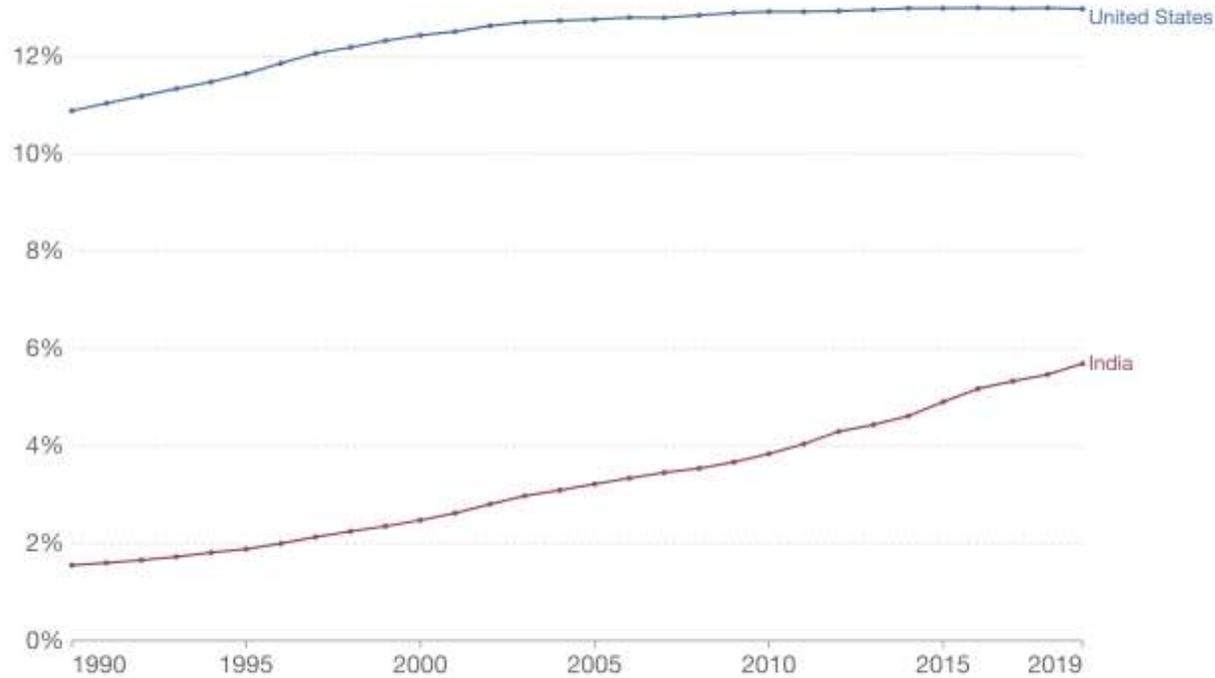
Source: IHME, Global Burden of Disease

OurWorldInData.org/obesity · CC BY

Number of Deaths

Number of deaths by risk factor, World, 2019

Total annual number of deaths by risk factor, measured across all age groups and both sexes.

Risk factor	Deaths
High blood pressure	10.85 million
Smoking	7.69 million
Air pollution (outdoor & indoor)	6.67 million
High blood sugar	6.5 million
Obesity	5.02 million
Outdoor air pollution	4.51 million
Alcohol use	2.44 million
Indoor air pollution	2.31 million
Diet high in sodium	1.89 million
Diet low in whole grains	1.84 million
Low birth weight	1.7 million
Secondhand smoke	1.3 million
Unsafe water source	1.23 million
Diet low in fruits	1.05 million
Child wasting	993,046
Unsafe sex	984,366
Low physical activity	831,502
Unsafe sanitation	756,585
No access to handwashing facility	627,919
Diet low in nuts and seeds	575,139
Diet low in vegetables	529,381
Drug use	494,492
Low bone mineral density	437,884
Child stunting	164,237
Non-exclusive breastfeeding	139,732
Iron deficiency	42,349
Vitamin A deficiency	23,850
Discontinued breastfeeding	7,788

Source: IHME, Global Burden of Disease (GBD)

OurWorldInData.org/causes-of-death · CC BY

What is Culture?
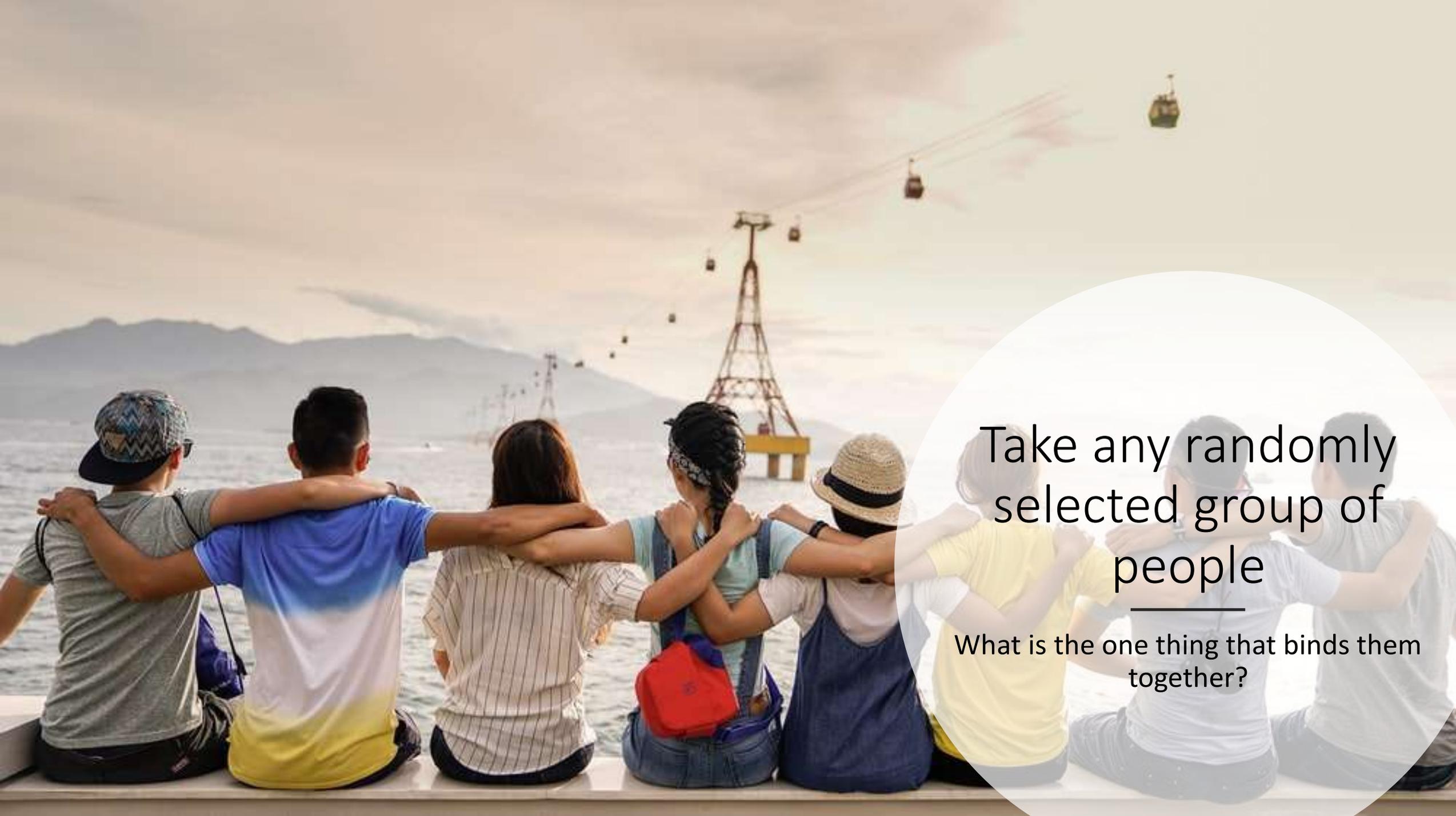
Take any randomly selected group of people

———

What is the one thing that binds them together?

The Rise of a Consumption Culture

Consumption phenomenon

Consumption phenomenon

- Have it with milk, or without milk
- With the sugar on top, or without it
- Before the tea, or after the tea
- Lick the cream, or it eat it whole?
- How often?
- Does it make you feel good?

Consumption phenomenon

Consumption phenomenon

Consumption phenomenon

Consumption phenomenon

U.S. Recorded Music Revenues by Format

1973 to 2021, Format(s): All
Source: RIAA
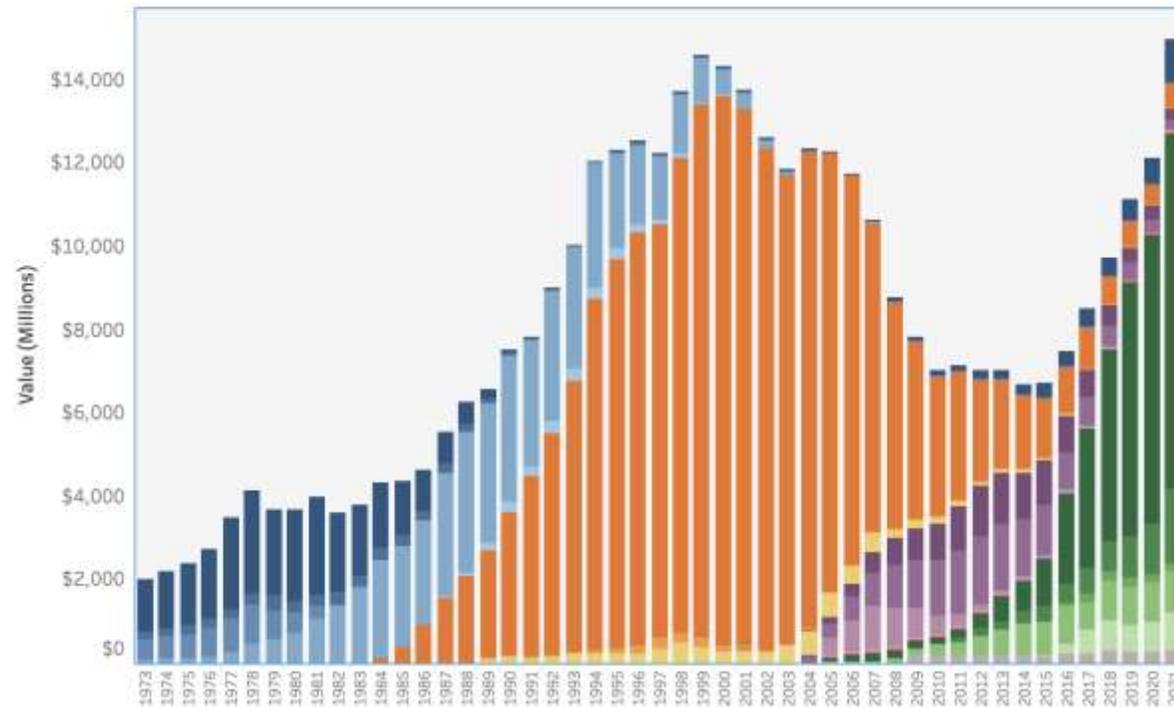
Source: RIAA

Consumption phenomenon

- Stackable discounts
- (Ir)rational customer
- Comment prices
- Research shopping
- Transformative consumer research

Consumer Behavior

- *The study of the processes involved when individuals or groups select, purchase, use, or dispose of products, services, ideas, or experiences to satisfy needs and desires.*

Consumer Behaviour

- *the study of the processes involved when <mark>individuals</mark> or <mark>groups</mark> select, purchase, use, or dispose of products, services, ideas, or experiences to satisfy needs and desires.*

Consumer Behaviour

- *the study of the processes involved when individuals or groups ==select, purchase, use, or dispose== of products, services, ideas, or experiences to satisfy needs and desires.*

Consumption is a Process

The Consumption process

**PREPURCHASE
ISSUES**

**PURCHASE
ISSUES**

**POSTPURCHASE
ISSUES**

The Consumption process

CONSUMER'S PERSPECTIVE

PREPURCHASE ISSUES
How does a consumer decide that he/she needs a product? What are the best sources of information to learn more about alternative choices?

PURCHASE ISSUES
Is acquiring a product a stressful or pleasant experience? What does the purchase say about the consumer?

POSTPURCHASE ISSUES
Does the product provide pleasure or perform its intended function? How is the product eventually disposed of, and what are the environmental consequences of this act?

The Consumption process

CONSUMER'S PERSPECTIVE

MARKETER'S PERSPECTIVE

PREPURCHASE ISSUES

How does a consumer decide that he/she needs a product? What are the best sources of information to learn more about alternative choices?

How are consumer attitudes toward products formed and/or changed? What cues do consumers use to infer which products are superior to others?

PURCHASE ISSUES

Is acquiring a product a stressful or pleasant experience? What does the purchase say about the consumer?

How do situational factors, such as time pressure or store displays, affect the consumer's purchase decision?

POSTPURCHASE ISSUES

Does the product provide pleasure or perform its intended function? How is the product eventually disposed of, and what are the environmental consequences of this act?

What determines whether a consumer will be satisfied with a product and whether he/she will buy it again? Does this person tell others about his/her experiences with the product and influence their purchase decisions?

Over the course of this course

Session	Topic we deal with	Pre readings for class
1	Introduction to the course and the foundations of consumer behaviour	
2	Motivation, Ability, and Opportunity	Petty, R. E., & Cacioppo, J. T. (1986), "The Elaboration Likelihood Model of Persuasion," in Communication and Persuasion (pp. 1-24). Springer, New York, NY
3	Exposure & Attention	
4	Attitudes	McCracken, G. (1989). Who is the celebrity endorser? Cultural foundations of the endorsement process. Journal of consumer research, 16(3), 310-321.
5	Perception	Salt Sugar Fat: How the Food Giants Hooked Us - Chapter 1 and 2
6	Preferences & Choice	Hsee, C. K. (1996). The evaluability hypothesis: An explanation for preference reversals between joint and separate evaluations of alternatives. OBHDP, 67(3), 247-257 Hsee, C. K., & Hastie, R. (2006). Decision and experience: why don't we choose what makes us happy?. Trends in cognitive sciences, 10(1), 31-37.
7	The Decision-Making Process	
8	Identity & Signaling	Belk, R. W. (1988). Possessions and the extended self. JCR, 15(2), 139-168
9	Influence & Persuasion	Cialdini, R. B. (2001). The science of persuasion. Scientific American, 284(2), 76-81 Friestad, Marian, and Peter Wright (1994), The Persuasion Knowledge Model: How People Cope with Persuasion Attempts," Journal of Consumer Research, 21(1), 1-31
10	Studying consumer behaviour - Tools and Methods	

Over the course of this course

Session No	Topic we deal with	Pre readings for class
10	Studying consumer behaviour - Tools and Methods	
11	Mid course Presentations - 1	NA
12	Mid course Presentations - 2	NA
13	Prospect Theory	Thinking, Fast and Slow - Daniel Kahneman
14	Pricing & Payments	
15	Consumer Behavior in the Digital Age	Belk, R. W. (2013). Extended self in a digital world. JCR, 40(3), 477-500.
16	Experiential Consumption	"Winning in the Experience Economy," Forbes
17	Consumer behaviour across Channels	Avery, J., Steenburgh, T. J., Deighton, J., & Caravella, M. (2012). Adding bricks to clicks: Predicting the patterns of cross-channel elasticities over time. Journal of Marketing, 76(3), 96-111. Wang, K., & Goldfarb, A. (2017). Can offline stores drive online sales?. Journal of Marketing Research, 54(5), 706-719.
18	Final Presentations - 1	NA
19	Final Presentations - 2	NA
20	Wrapping up the Course	NA

Grading Scheme

Grading Components	Grades
Mid course Presentations	25%
Final Presentations	25%
Class Participation	10%
End term Exam	30%
Surprise Quiz	10%
Total	100%

Mid-course group Presentations

- Groups of 6-8 members each shall present

- One preapproved Consumer behaviour trend

- Explain how it can help in the firm's
  - New product introductions strategy
  - Maintenance of existing product line
 - Improving the firms top and bottom line

End-Course group presentation

- The same groups
- Present on how the consumer trend identified for the mid-course presentation adversely (and positively) impacts
  - welfare of consumer in general
  - Environmental
  - Social
  - Cultural
  - Economical, and
  - Other factors

At the end of the course

In other words

MICRO CONSUMER BEHAVIOR
(INDIVIDUAL FOCUS)

Experimental Psychology
Clinical Psychology
Developmental Psychology
Human Ecology
Microeconomics
Social Psychology
Sociology
Macroeconomics
Semiotics/Literary Criticism
Demography
History
Cultural Anthropology

MACRO CONSUMER BEHAVIOR
(SOCIAL FOCUS)
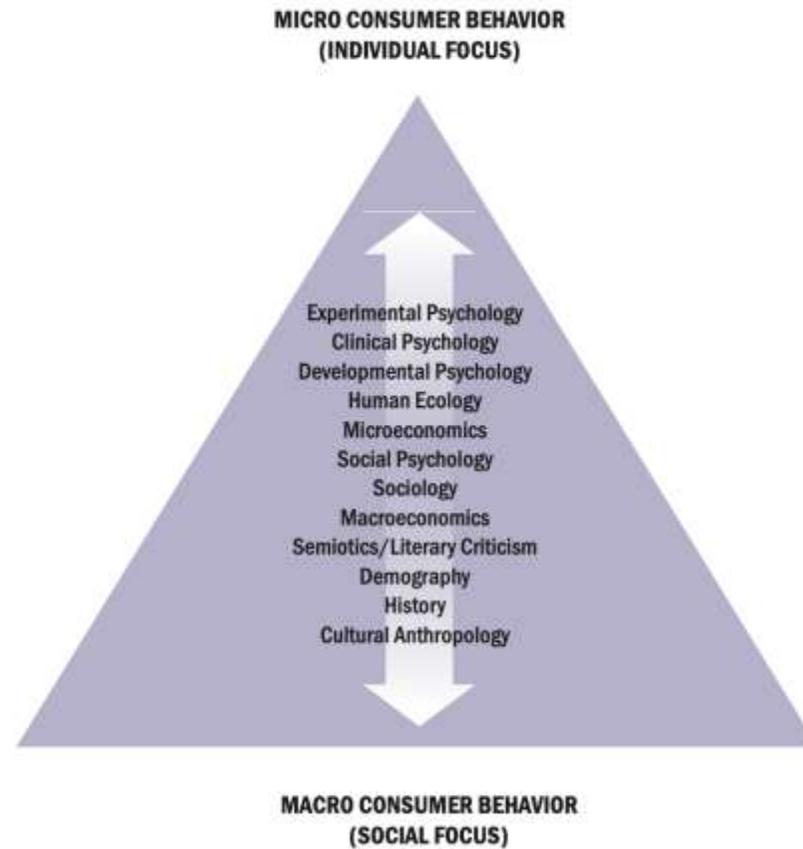
Thank you

For the next class

- Psychological Roots of CB
- Motivation
- Ability
- Opportunity
- How do you measure them?
- Towards a sociological view

In the last episode of Consumer Behavior

- Top secret meeting
- The global obesity pandemic
- Ethics of marketers
- What is culture
- Introduction to consumption culture
- Various consumption phenomenon
- Defining consumer behavior

- The consumption process
- Course outline
- Evaluation scheme
- Logic of the presentation plan

In this episode..

# Motivation, Ability, and Opportunity
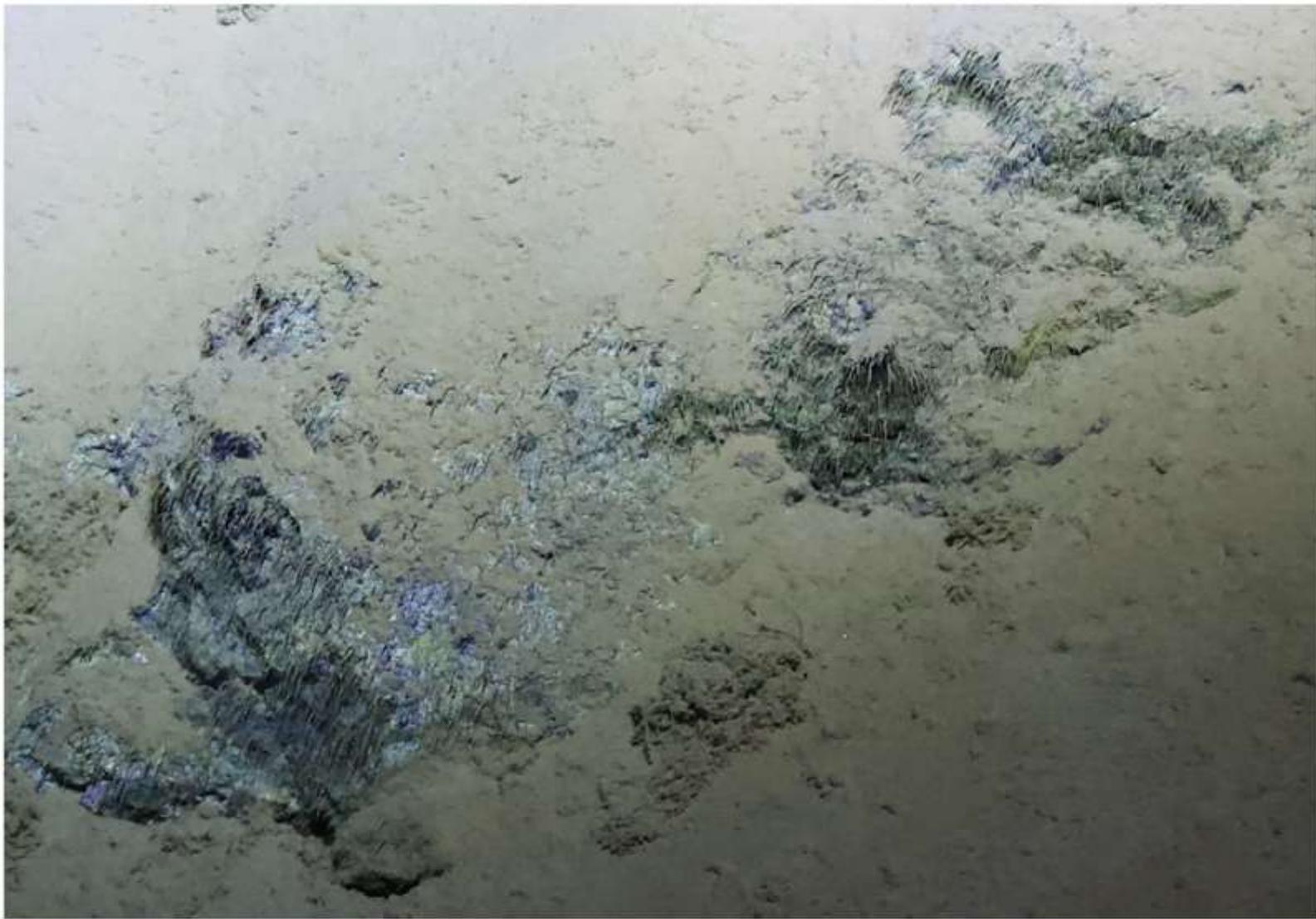
Filamentous structures believed to be a microbial community were observed on a rocky outcrop in the Sirena Deep, about 35,000 feet below sea level, during the 2012 DEEPSEA CHALLENGE expedition to the Mariana Trench.
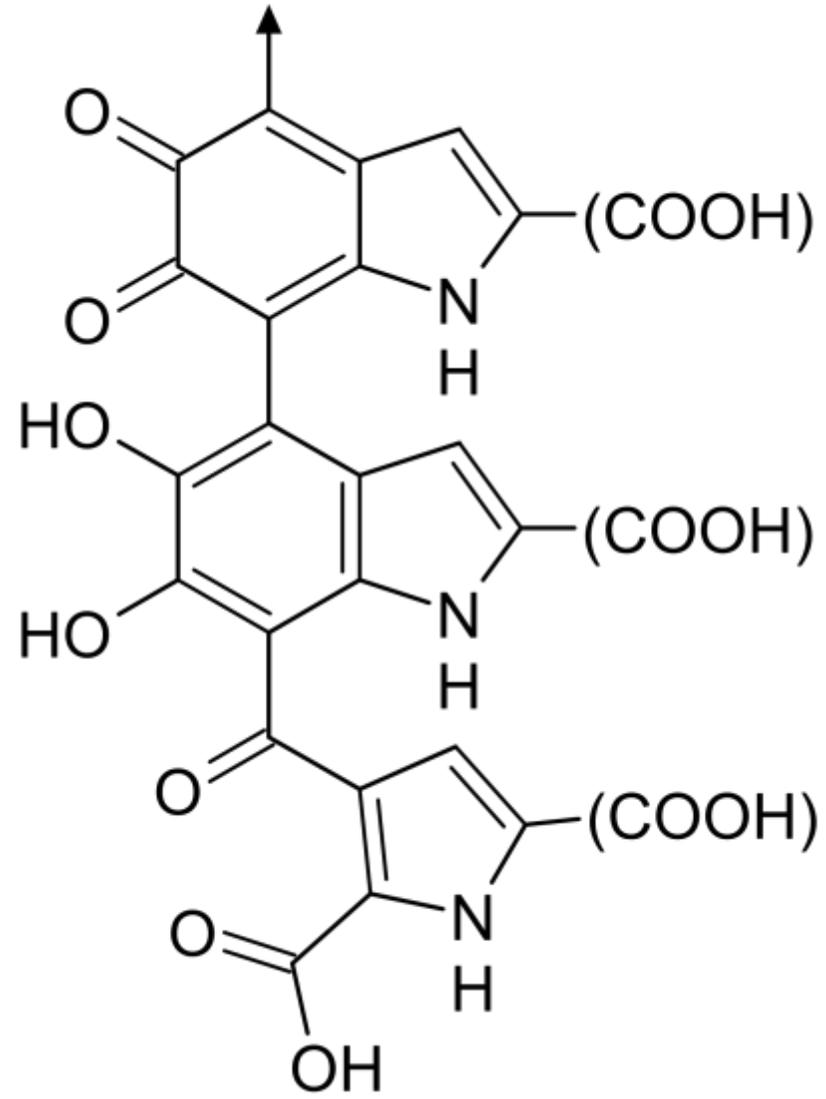
Evolution of the sense of Vision
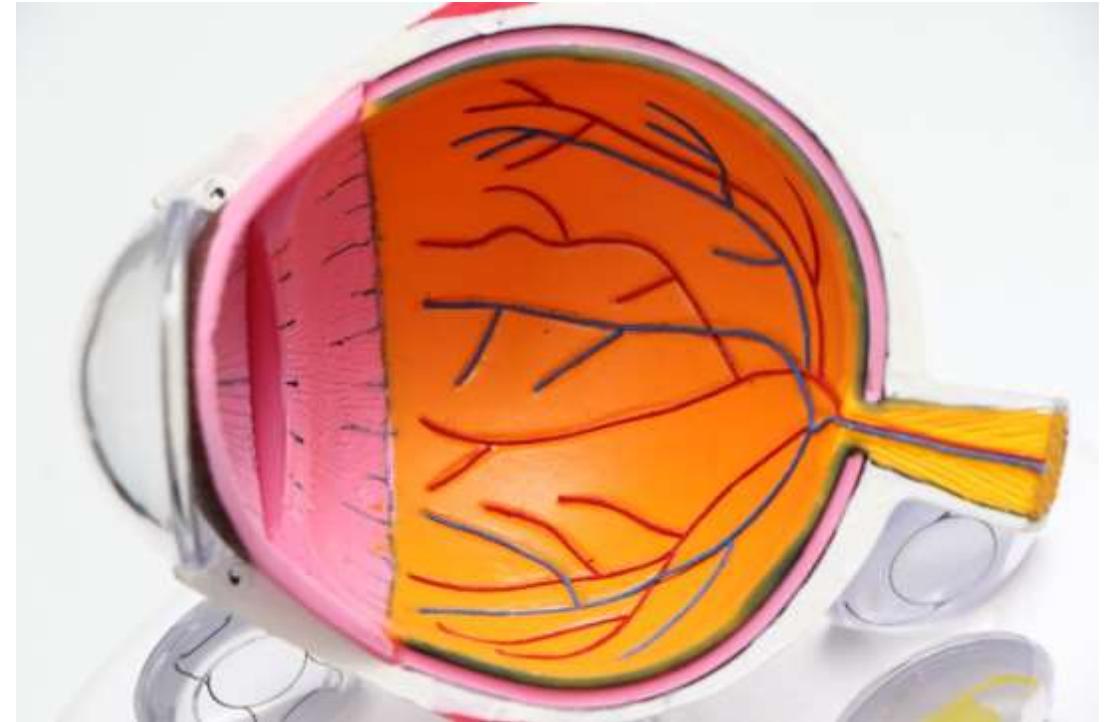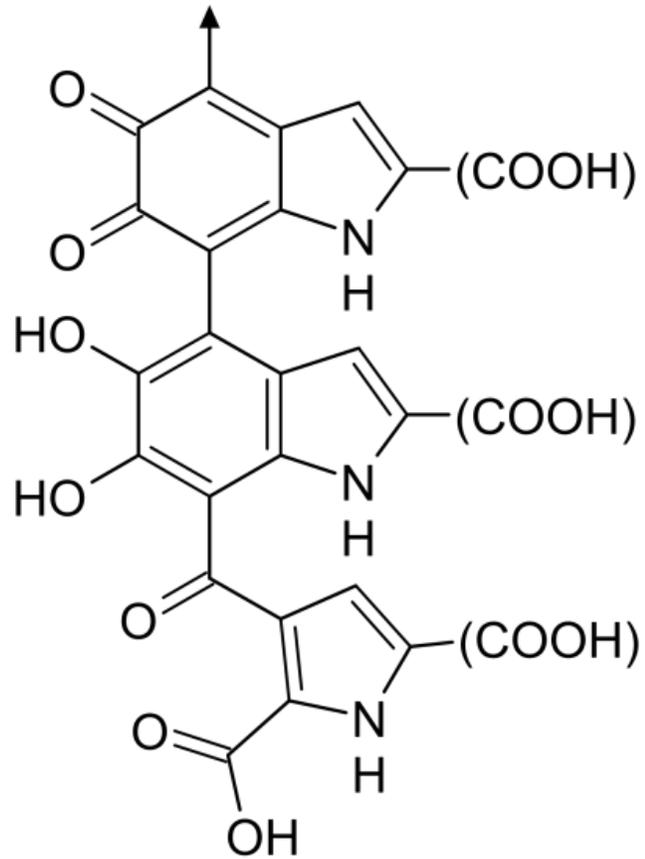
A biochemical toolkit

- 600 million years ago about the time of the Cambrian explosion

- Present in 96% of animal species in 6/35 (main) phyla
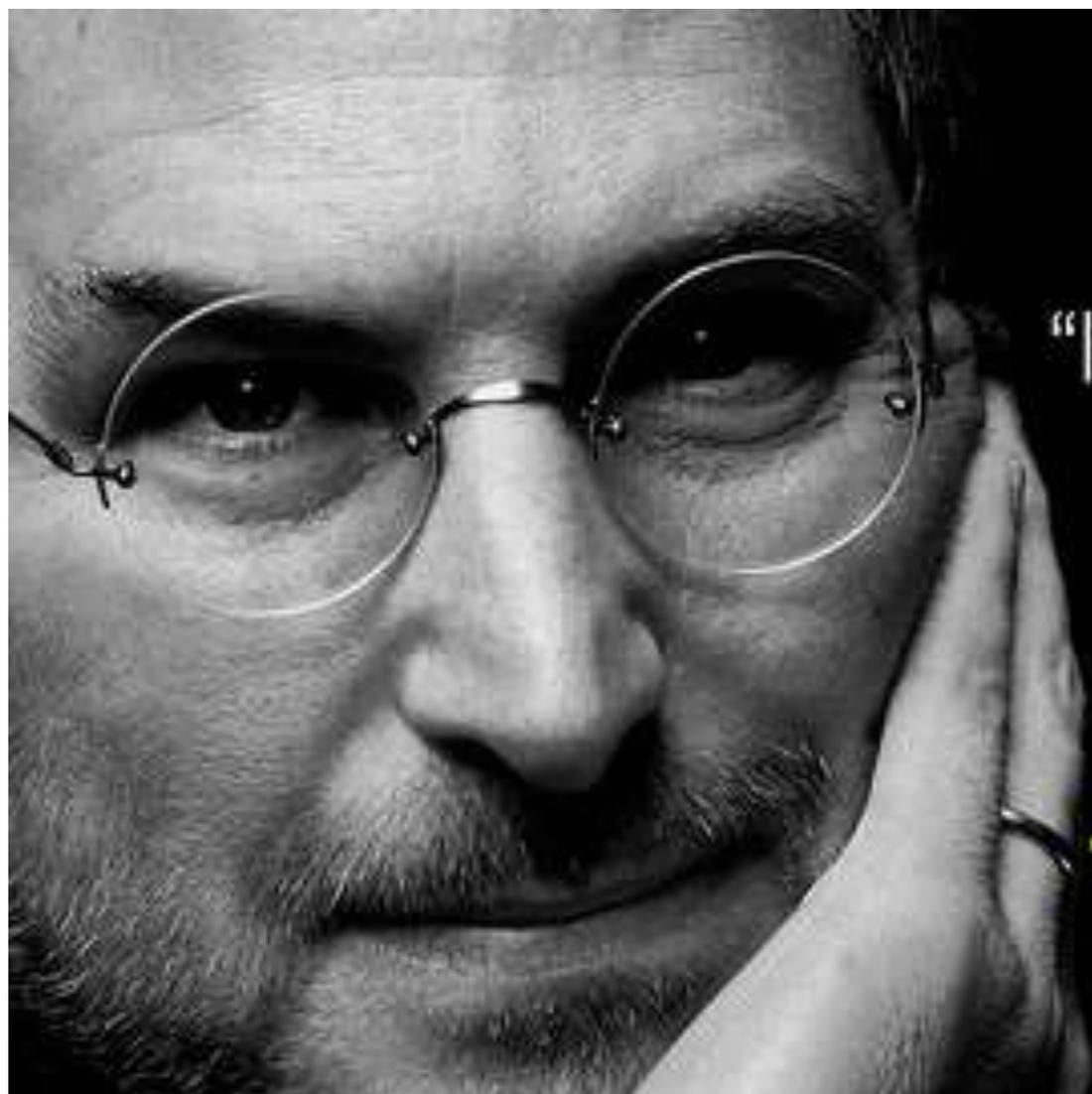
"If you are working on something exciting that you really care about, **you don't have to be pushed. The vision pulls you.**"

Stimulus

Stimulus Response model
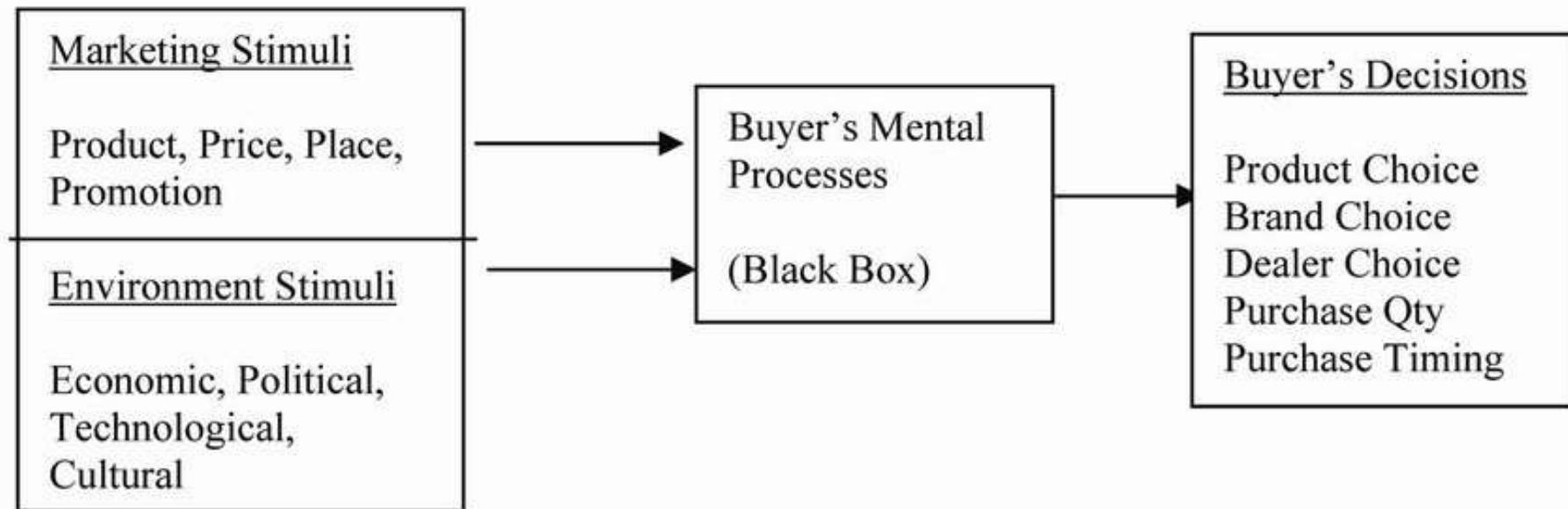
Classical Conditioning
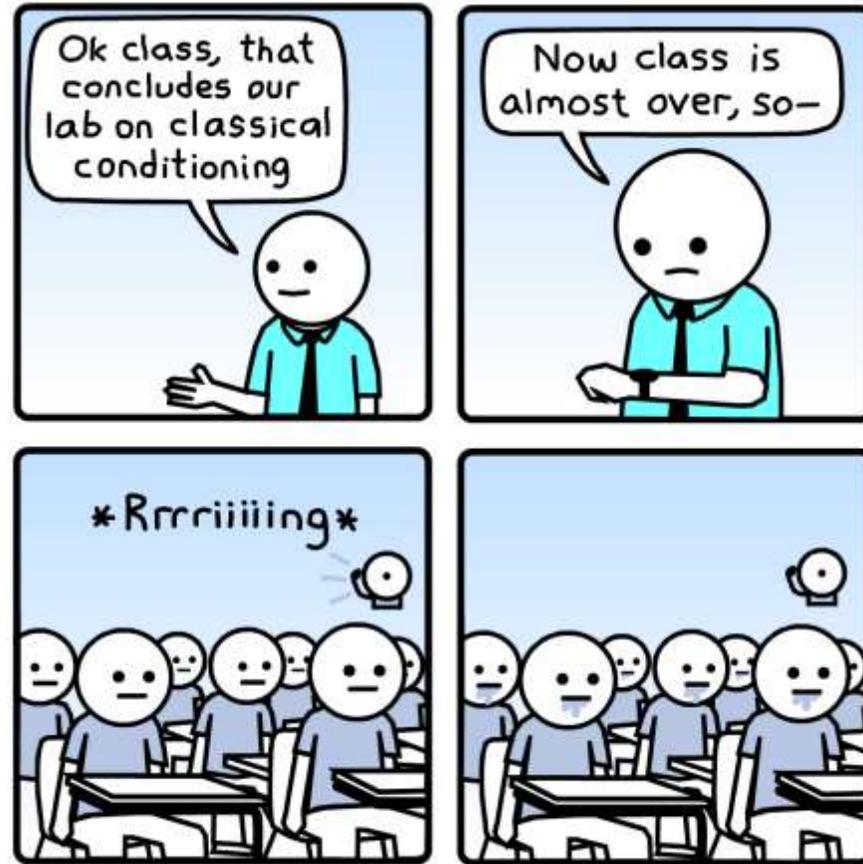
Operand Conditioning
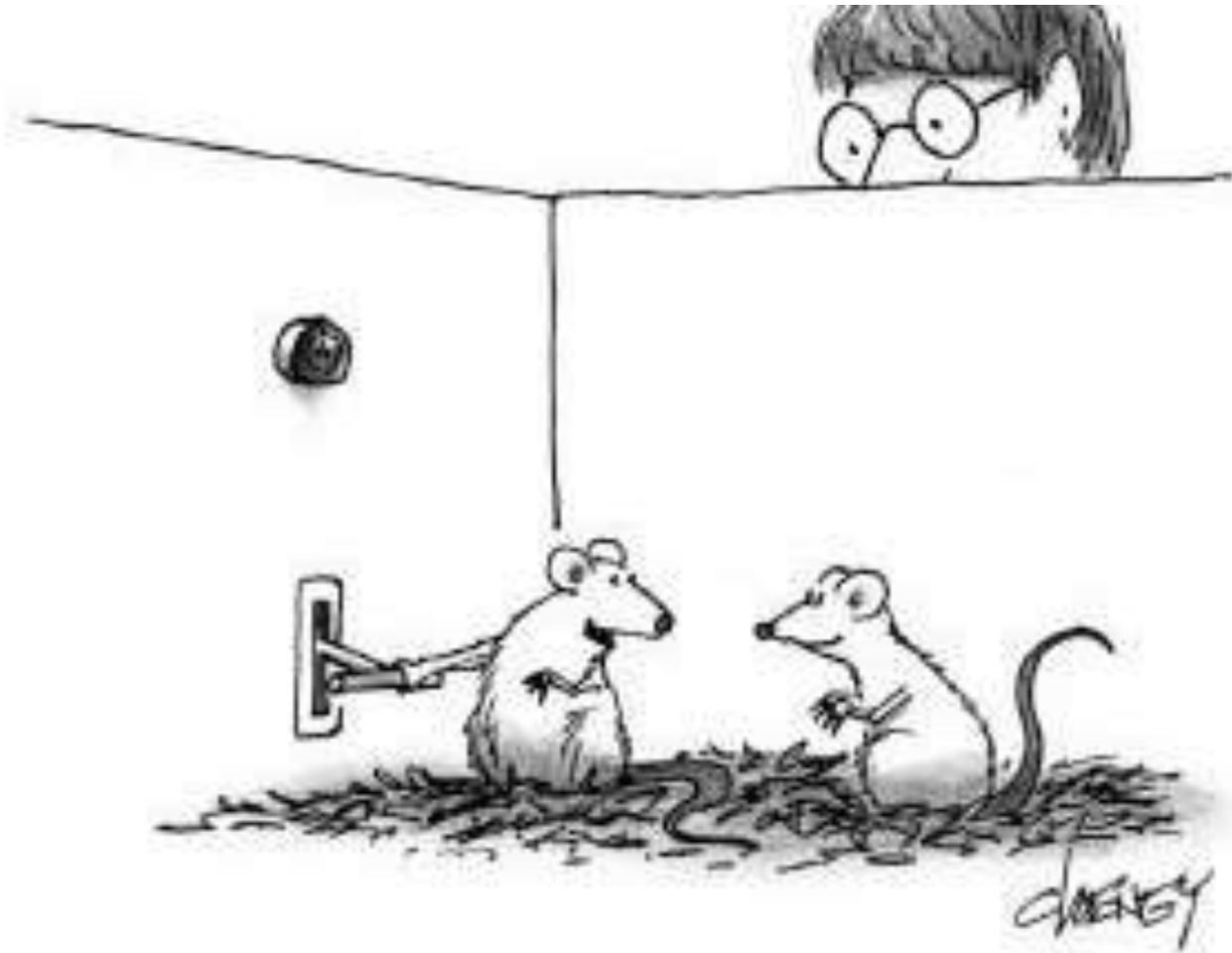
"It's a rather interesting phenomenon. Every time I press this lever, that graduate student breathes a sigh of relief."

Some notes

- A stimulus constitutes the basis for behavior

- A cognitive load may not be necessary
  - These actions can be involuntary
    - Applying breaks when someone comes in the way
    - Blocking or ducking when someone tries to punch you
    - Running helter-skelter when you hear the police siren
    - Hiding cigarette when you see a faculty

- In Effect, you have to routes to making a decisions
  - The Central Route
  - The Peripheral route

What is Motivation?

Why is it that we are all born with limitless potential, yet few people fulfil those possibilities?

Abraham Maslow

In that spirit

Assignment No 1

- Grow wings

- Compete with Icarus

Icarus' dream by Sergey Solomko

On a more serious note- What is Motivation?

- *Motivus* ("a moving cause")
- **Motivation** refers to the processes that lead people to behave as they do.
  - Occurs when need is aroused, and
  - When consumer wishes to satisfy that need
- The desired end state is the consumer's **goal**

Drive Theory

- Founded in Biology

- Homeostasis
  - State of steady internal, physical, and chemical conditions

- When in an unpleasant states of arousal, organisms want to go back to Homeostasis
  - Grumbling stomach
  - Headache when tasked with homework

- Think "retail therapy"

Drive Theory – The issues

- Various commonly observed human behaviors can't be explained
  - Delayed gratification
    - Finish 10th class
    - Finish 12th class
    - Finish UG
    - Finish PG
    - Going to Dominoes tonight? – Skip lunch at hostel mess
- Issues stem from the biological foundation of the theory

Expectancy Theory

- Expectation of achieving desirable outcomes (positive incentives) motivate behavior
  - We choose the product that provides us better outcomes
    - School
    - College
    - Mobile phone
    - Laptop

Motivational Conflicts

- is a situation in which a consumer is driven to make a decision based on conflicting goals

Motivational conflicts

Approach–Approach
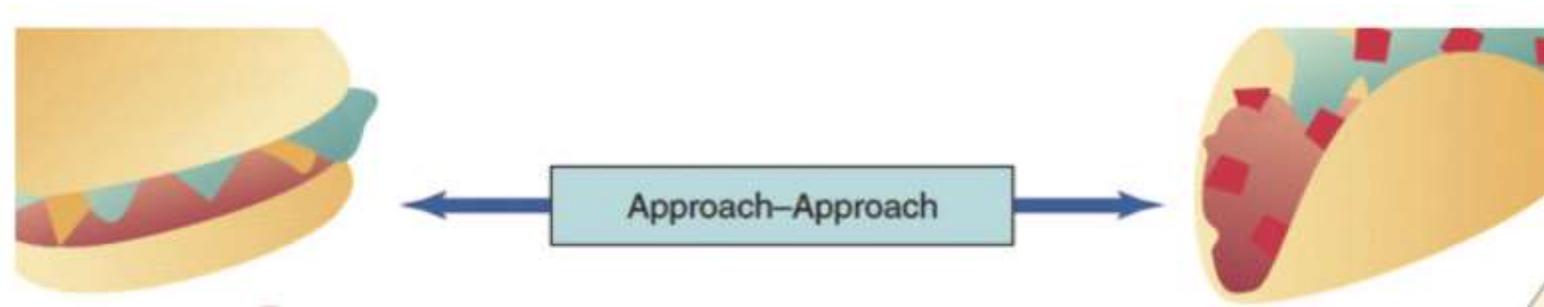
Choosing between two desired outcomes.

Pizza or Burger?

Motivational conflicts
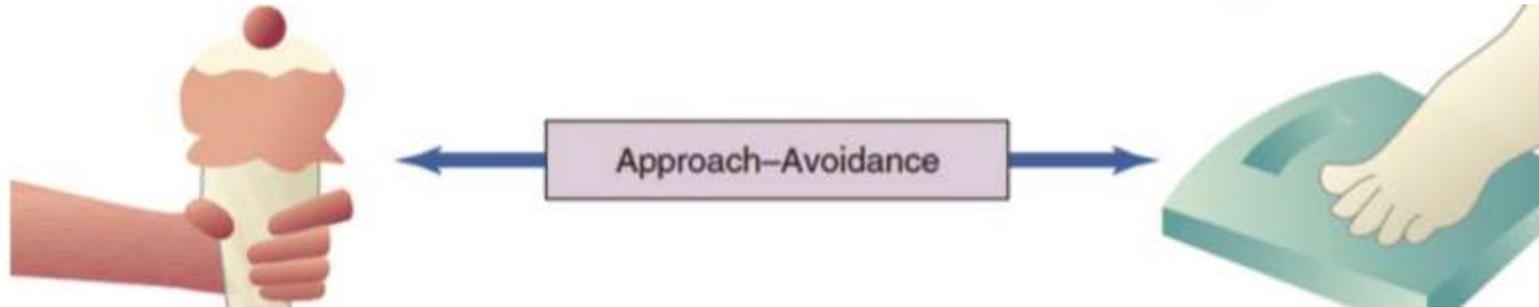
You want it, but you don't want it

Ice cream and no six packs

Motivational conflicts

Avoidance–Avoidance
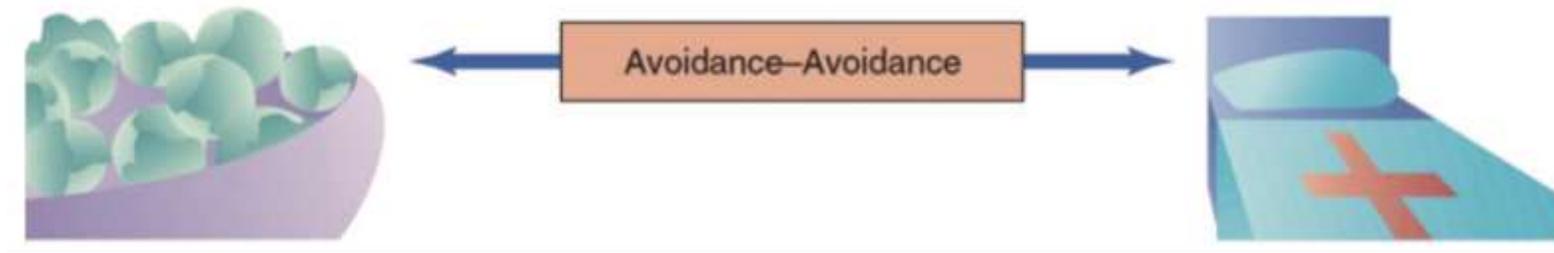
"Between a rock and a hard place"

Death and insurance

But then..

Is Motivation enough?

Ability
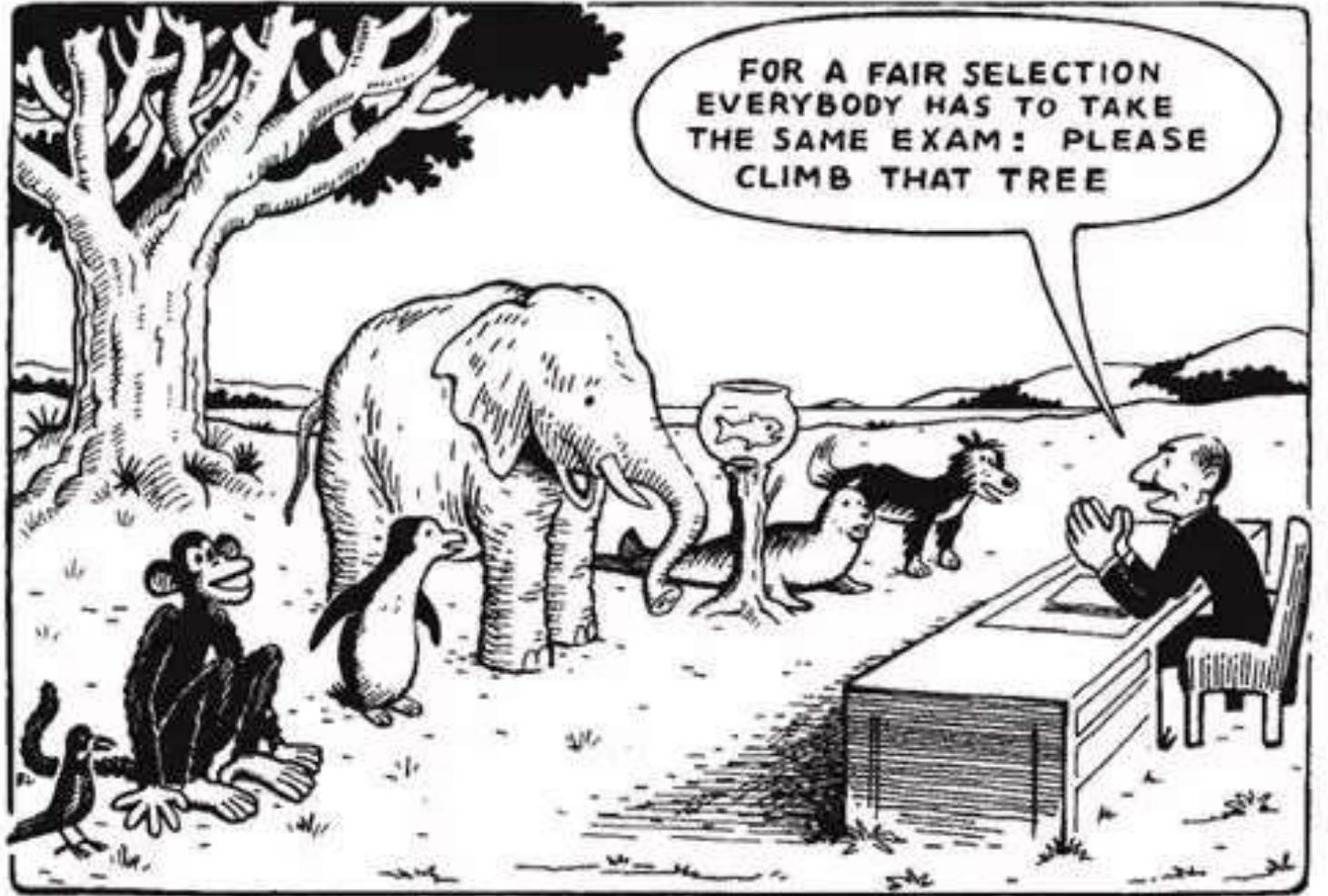
Opportunity

- Situational conditions

The Elaboration Likelihood Model

The Elaboration Likelihood Model

```
┌─────────────────────────────────────────┐
│   PERSUASIVE COMMUNICATION                │
└─────────────────────────────────────────┘
                    │
                    │
                    ▼         ▼
┌─────────────────────────────────────────┐
│   MOTIVATED TO PROCESS?                   │
│   personal relevance; need                │
```

MOTIVATED TO PROCESS?

personal relevance; need
for cognition; personal
responsibility; etc.

Yes

ABILITY TO PROCESS?

distraction; repetition;
prior knowledge; message
comprehensibility; etc.

ABILITY TO PROCESS?

distraction; repetition;
prior knowledge; message
comprehensibility; etc.

No

Yes

NATURE OF COGNITIVE PROCESSING:

(initial attitude, argument quality, etc.)

FAVORABLE THOUGHTS PREDOMINATE	UNFAVORABLE THOUGHTS PREDOMINATE	NEITHER OR NEUTRAL PREDOMINATE

COGNITIVE STRUCTURE CHANGE:
Are new cognitions adopted and
stored in memory?; are

```
                    ┌─────────────────────────────┐
                    │    COGNITIVE STRUCTURE      │
                    │         CHANGE:             │
                    │  Are new cognitions adopted and │
                    │   stored in memory?; are    │──────
                    │   different responses made  │
                    │    salient than previously? │
                    └─────────────────────────────┘
```

COGNITIVE STRUCTURE CHANGE:
Are new cognitions adopted and stored in memory?; are different responses made salient than previously?

Yes (Favorable)   *Yes* (Unfavorable)

CENTRAL POSITIVE ATTITUDE CHANGE   **CENTRAL NEGATIVE ATTITUDE CHANGE**

Attitude is relatively enduring, resistant, and predictive of behavior.

MOTIVATED TO PROCESS?

personal relevance; need
for cognition; personal
responsibility; etc.

N

Yes

ABILITY TO PROCESS?

distraction; repetition;
prior knowledge; message
comprehensibility; etc.

No

Yes

NATURE OF COGNITIVE PROCESSING:

(initial attitude, argument quality, etc.)

| FAVORABLE | UNFAVORABLE | NEITHER OR |

PERIPHERAL ATTITUDE SHIFT

Attitude is relatively temporary,
susceptible, and unpredictive
of behavior.

No

No

Yes

PERIPHERAL CUE PRESENT?

positive/negative
affect; attractive/
expert sources;
number of arguments;
etc.

positive/negative
affect; attractive/
expert sources;
number of arguments;
etc.

No

OR
AL
NATE

No

```
RETAIN OR
REGAIN
INITIAL
ATTITUDE
```

No

PERSUASIVE COMMUNICATION

PERIPHERAL ATTITUDE SHIFT

Attitude is relatively temporary, susceptible, and unpredictive of behavior.

MOTIVATED TO PROCESS?

personal relevance; need for cognition; personal responsibility; etc.

No

Yes

PERIPHERAL CUE PRESENT?

positive/negative affect; attractive/ expert sources; number of arguments; etc.

Yes

ABILITY TO PROCESS?

distraction; repetition; prior knowledge; message comprehensibility; etc.

No

Yes

No

NATURE OF COGNITIVE PROCESSING:

(initial attitude, argument quality, etc.)

| FAVORABLE THOUGHTS PREDOMINATE | UNFAVORABLE THOUGHTS PREDOMINATE | NEITHER OR NEUTRAL PREDOMINATE |

RETAIN OR REGAIN INITIAL ATTITUDE

COGNITIVE STRUCTURE CHANGE:

Are new cognitions adopted and stored in memory?; are different responses made salient than previously?

No

Yes (Favorable)   *Yes (Unfavorable)*

CENTRAL POSITIVE ATTITUDE CHANGE

CENTRAL NEGATIVE ATTITUDE CHANGE

Attitude is relatively enduring, resistant, and predictive of behavior.

In Other words

Marketers try to tap both

Marketers try to tap both

Central Route

Audience	Processing	Persuasion
Motivated, analytical	High effort; evaluate message	Lasting change in attitude

Marketers try to tap both

Peripheral Route

Not motivated, not analytical → Low effort; persuaded by cues outside of message → Temporary change in attitude

A question to leave you with

- Which do you think is more effective? And why?

In the previous episode of CB

- Stimuli
- Response
- Models of consumer behavior
- Black box model
- Motivation
- Motivation conflict
- Ability
- Drive theory

- Expectation theory
- The Elaboration Likelihood Model

Exposure and Attention

Case discussion

Recall Perception

SENSORY STIMULI

- Sights $\longrightarrow$

- Sounds $\longrightarrow$

- Smells $\longrightarrow$

- Taste $\longrightarrow$

- Textures $\longrightarrow$

SENSORY STIMULI

- Sights
- Sounds
- Smells
- Taste
- Textures

SENSORY RECEPTORS

Eyes

Ears

Nose

Mouth

Skin

Exposure

SENSORY STIMULI

- Sights
- Sounds
- Smells
- Taste
- Textures
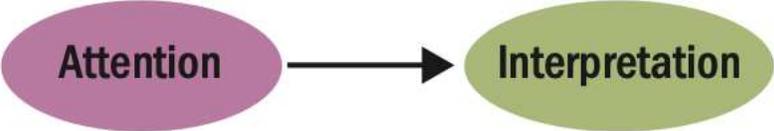
SENSORY RECEPTORS

Eyes

Ears

Nose

Mouth

Skin

Exposure → Attention → Interpretation
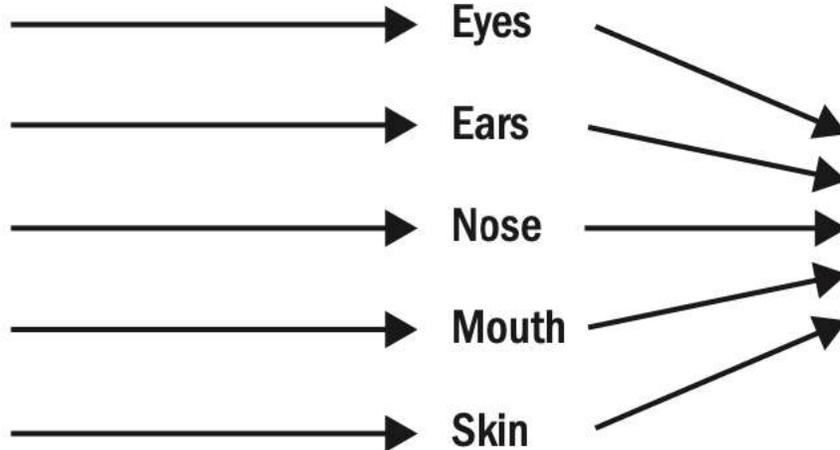
How do Headspace and Calm stay exposed?

In the Headspace vs Calm case

Feature	Headspace	Calm
App interface	Bright colors, goofy animated characters, simple layouts, and uncomplicated backdrops	Earthly tones, images of nature
Projected image	'Simple and fun' and not be associated with 'mysticism and cliched imagery'	Superiority with added focus on sleep, soothing image

Recall
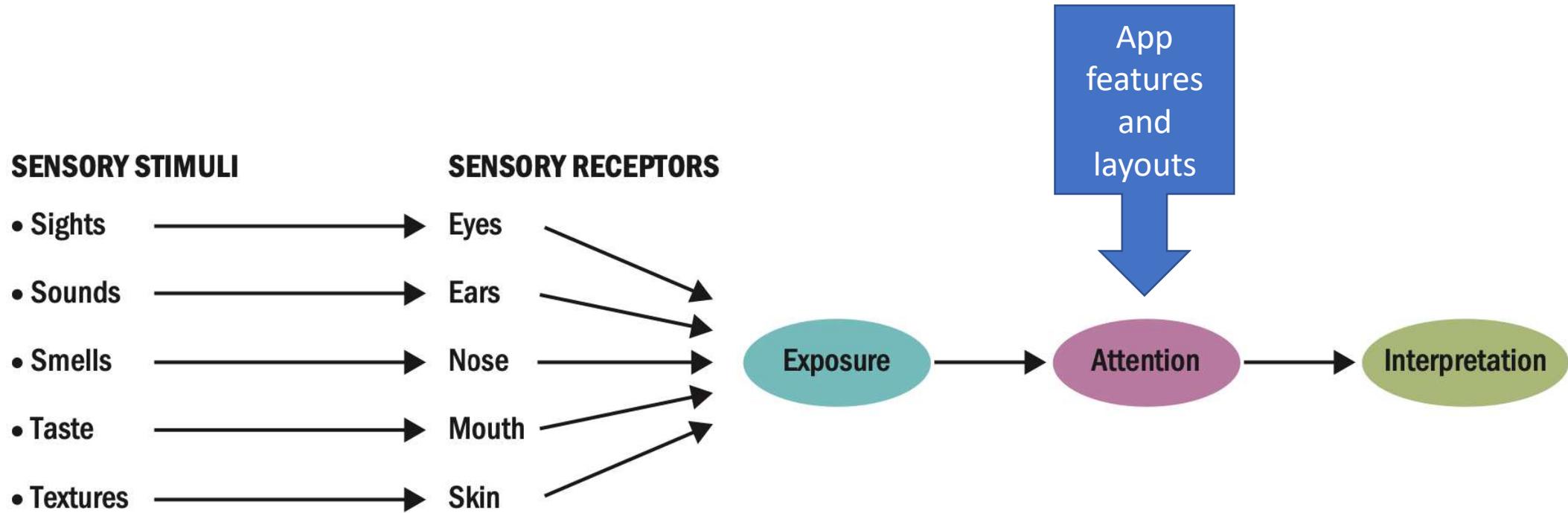
The goal here is to 'sustain' the user/consumer's attention. It is about showing you provide value.

SENSORY STIMULI

- Sights
- Sounds
- Smells
- Taste
- Textures

SENSORY RECEPTORS

Eyes

Ears

Nose

Mouth

Skin

This is how you get into the consideration set

Exposure → Attention → Interpretation
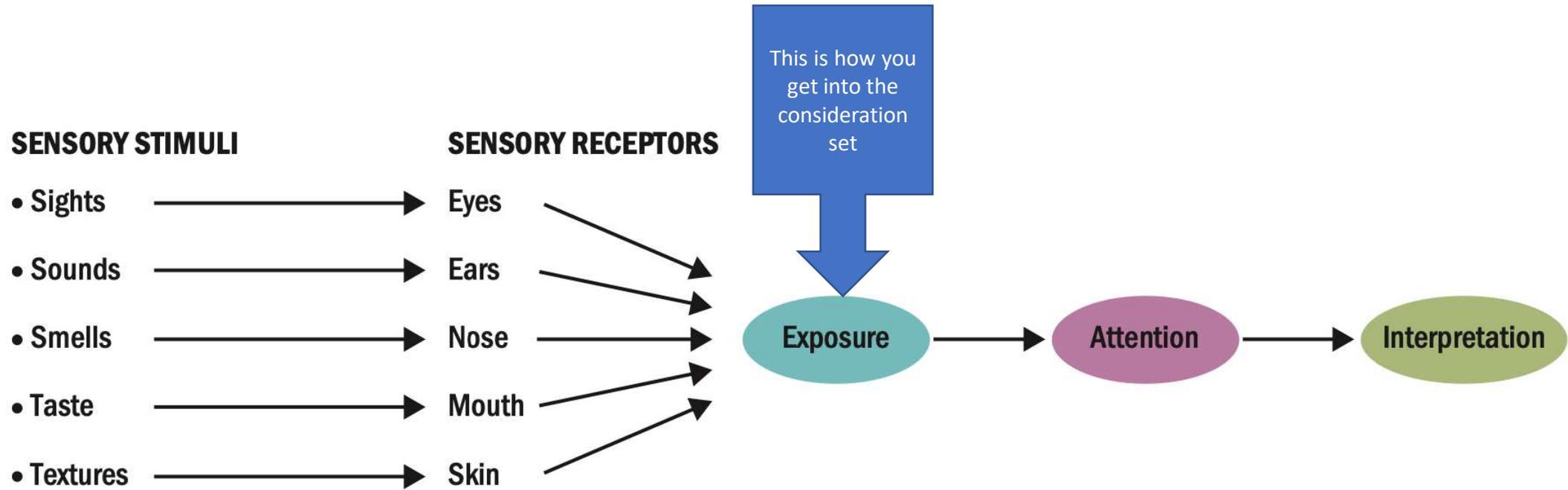
Exposure

Exposure occurs when the consumer is presented with a marketing stimulus

The end goal is to get the consumers' attention

An Example

An Example

An Example

Tropicana's rebranding gone wrong

- Consumer thought something was wrong, and did not pick Tropicana off the shelves

- Sales of the Tropicana Pure Premium line had plummeted by a whopping 20%

- PepsiCo reversed their decision- Soon reverted to Original

But then..

PEPSI 1898:

PEPSI 1905:

PEPSI 1974:

PEPSI 1987:

PEPSI 1906:

PEPSI 1940:

PEPSI 1991:

PEPSI 1998:

PEPSI 1950:

PEPSI 1962:

PEPSI 2003:

PEPSI 2006:

PEPSI 2009:

Thresholds

- Absolute Threshold

- Differential Threshold

- Just noticeable difference

- This can apply across stimuli
  - Brightness
  - Pricing

Brands use this, very often

Brands use this, very often

Coming back to the Case discussion

Exposure

- Headspace
  - Netflix programmes
  - Out of home and TV advertising
  - Social Media
  - Virgin Atlantic
  - Headspace for work
- Calm
  - A list celebrities
  - Social Media
  - Strategic partnerships and sponsorships
  - Hollywood focus
  - Calm for business

Calm

- A list celebrities
- Social Media
- Strategic partnerships and sponsorships
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Headspace

- Netflix programmes
- Out of home and TV advertising
- Social Media
- Virgin Atlantic
- Headspace for work

Focus is on pros
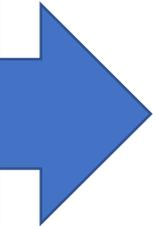
- A list celebrities
- Strategic partnerships and sponsorships
- Hollywood focus

Business users
Social Media

- Netflix programmes
- Out of home and TV advertising
- Virgin Atlantic

Focus is on novices

Anti Exposure Tactics

- Consumer behaviours to prevent Exposure
  - Zipping
  - Zapping
  - Flipping

- Counter mechanisms Marketers use
  - Road blocking

Back to Headspace vs Calm

- What was the prevalent view on Medication and Mindfulness?
- How do headspace and calm plan to change this view?

- Both firms want to grow the market.
- There is no single 'correct' route

Attention

- **Attention** refers to the extent to which processing activity is devoted to a particular stimulus.
- Too much of a good thing = Sensory overload
- Getting attention is tough
  - **Multi tasking**
  - **Eyeball economy**

What are Headspace and Calm choosing to do to keep user attention?

What's wrong with our thinking?

Temporality of Purchase
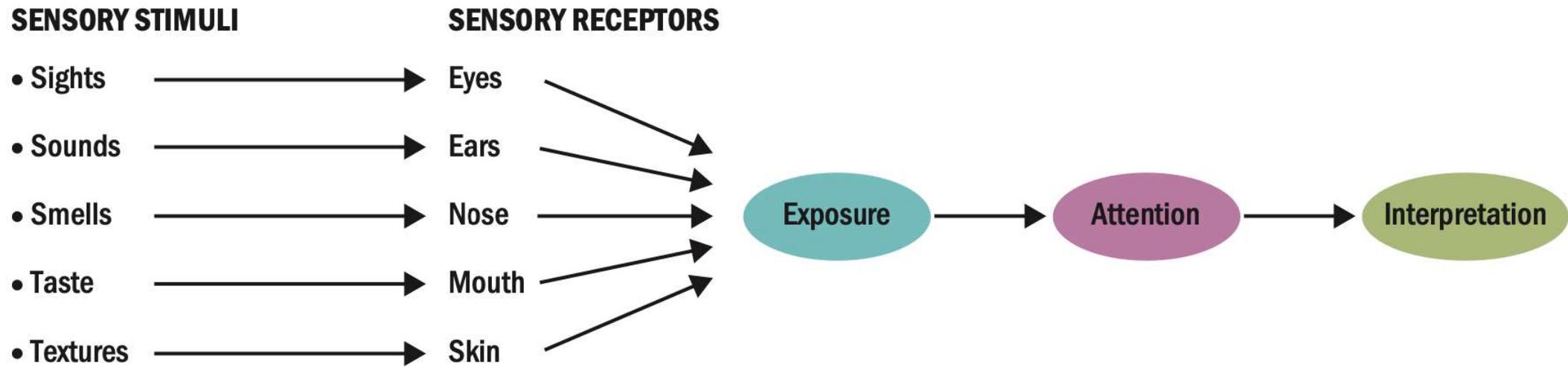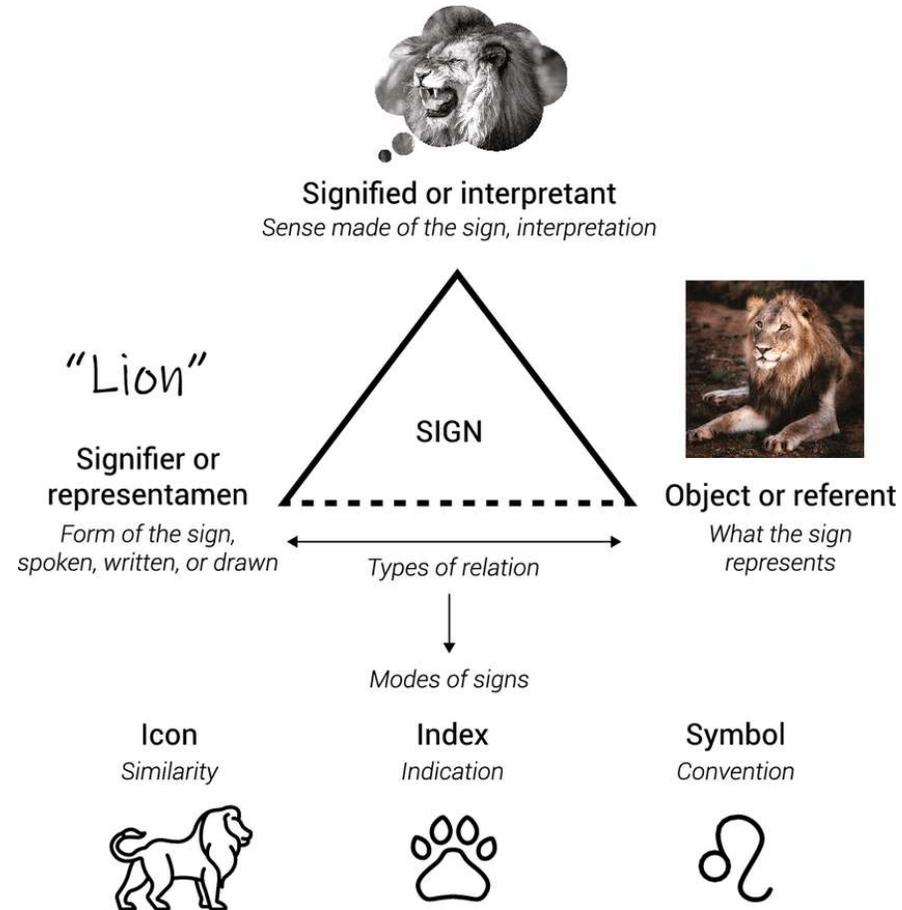
Interpretation

Interpretation
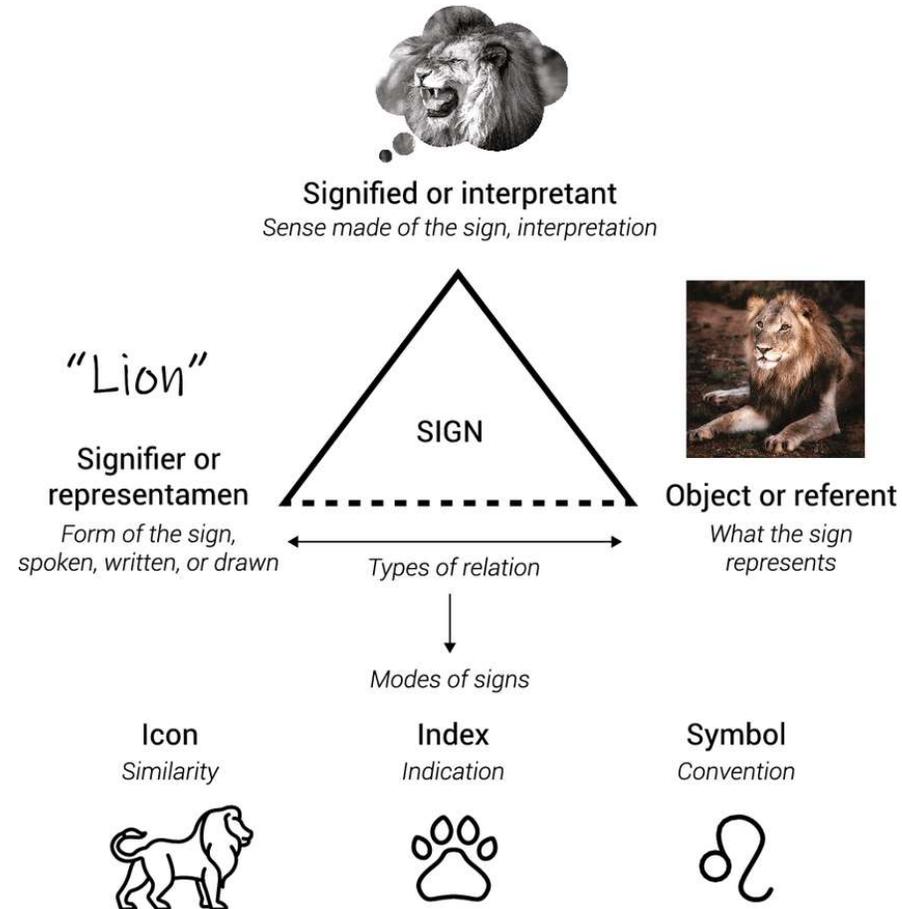
- Meanings we assign to sensory stimuli
  - Depends on Scheme (set of beliefs) that we assign to stimuli
- Identifying and evoking the correct schema is crucial
- Examples
  - Describing labels

Remember

- These terms have predefined meanings in Marketing (and psychology)
- Do not mix them up with popular usage

AIDA Model
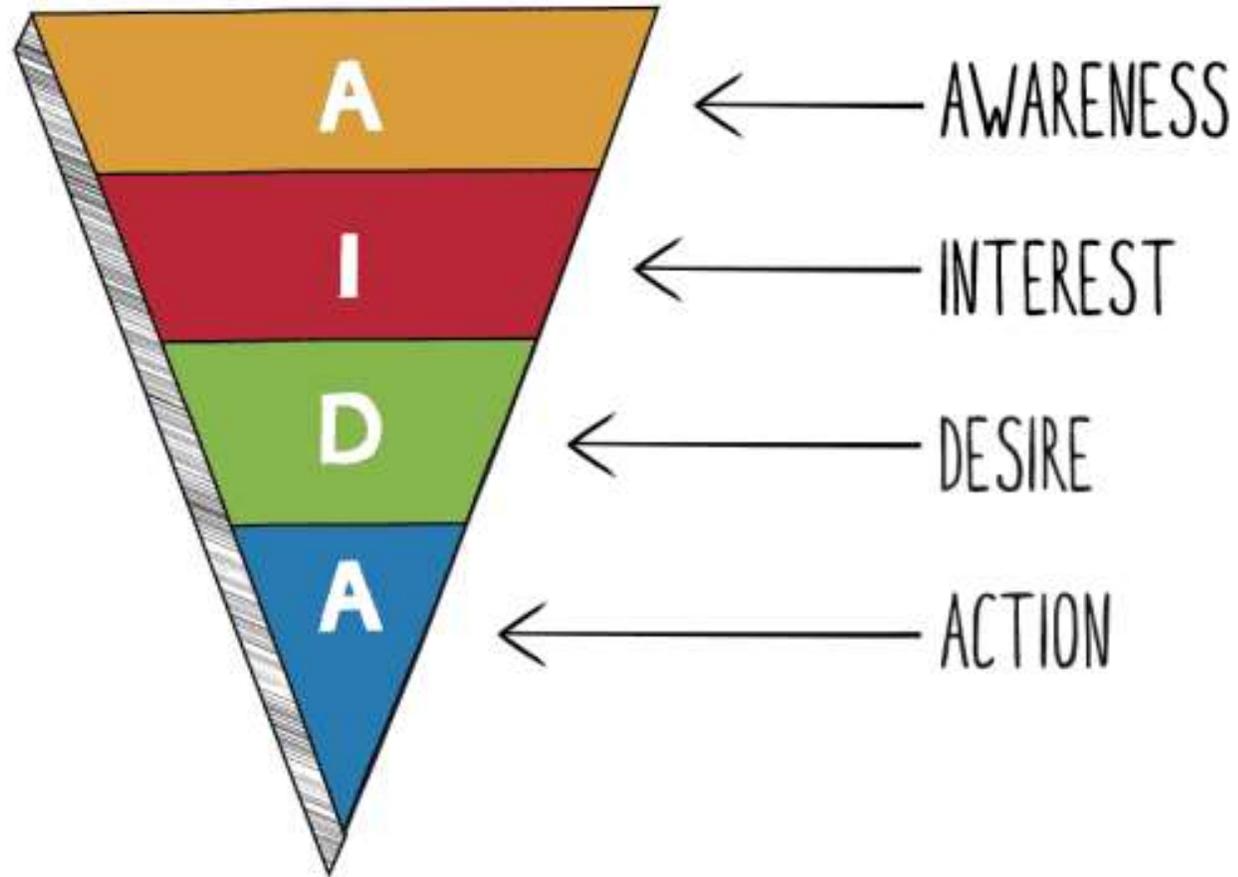
Does WTP increase as desire increases?

On that note

- Think about other markets with similar players
  - Fast food delivery
  - Operating systems
  - Ride hailing
  - OTT
- Think about the consumer behavior angle here:
- Consumers want to experience more mindfulness
  - How have headspace and calm taken advantage of this opportunity?
  - What are the negative consequences that can come about because of this?

- Case for next class: Not yet issued