**BISMA**

**Model Answer Paper**

**MBA IV Sem**

**CONSUMER BEHAVIOR AND MARKET RESEARCH**

**Section A**

**Q.1 Long Questions (Each carry equal marks)**

 **Attempt any 3**

1. Define Consumer Behavior? Define nature and scope of consumer behavior?
2. Explain Maslow need hierarchy theory in detail?
3. What are the different factors that affect consumer behavior? What is the traditional family life cycle?
4. Describe the consumer decision making process in detail.

**Section B**

**CASE STUDY**

Toyota simply is tops in quality, production, and efficiency. From its factories pour a wide range of cars, built with unequaled precision. Toyota turns out luxury sedans with Mercedes-Benz-like quality using one-sixth the labor Mercedes does. The company originated just-in-time production and remains its leading practitioner. It has close relationships with its suppliers and rigid engineering specifications for the products it purchases. Toyota’s worldwide leadership in the automotive industry was built on its competitive advantage across the supply chain. Between 1990 and 1996, Toyota reduced part defects by 84 percent, compared to 47 percent for the Big 3. It also reduced the ratio of inventories to sales by 35 percent versus 6 percent. These reduction advantages occurred despite the fact the Big 3 relied on identical suppliers. A study by Jeff Dyer of The Wharton School of the University of Pennsylvania and Kentaro Nobeoka of Kobe University attributed Toyota’s success partly to its implementation of bilateral and multilateral, knowledge-sharing routines with suppliers that result in superior Inter organizational or network learning. Toyota uses six approaches to facilitate knowledge sharing: (1)a supplier association;(2) teams of consultants;(3)voluntary study groups;(4)problem-solving teams;(5)interfere employee transfers; and (6)performance feedback and monitoring processes. This effort also involves intense levels of personal contact between Toyota and its suppliers.

 Toyota pioneered quality circles, which involve workers in discussions of ways to improve their tasks and avoid what it calls the three Ds: the dangerous, dirty, and demanding aspects of factory work. The company has invested $770 million to improve worker housing, add dining halls, and build new recreational facilities. On the assembly line, quality is defined not as zero defects but, as another slogan puts it, “building the very best and giving the customer what she/he wants.” Because each worker serves as the customer for the process just before hers, she becomes a quality control inspector. If a piece isn’t installed properly when it reaches her, she won’t accept it. Toyota’s engineering system allows it to take a new car design from concept to showroom in less than four years versus more than five years for U.S. companies and seven years for Mercedes. This cuts costs, allows quicker correction of mistakes and keeps Toyota better abreast of market trends. Gains from speed feed on themselves. Toyota can get its advanced engineering and design done sooner because, as one manager puts it, “We are closer to the customer and thus have shorter concept time.” New products are assigned to a chief engineer who has complete responsibility and authority for the product from design and manufacturing through marketing and has direct contacts with both dealers and consumers. New-model bosses for U.S. companies seldom have such control and almost never have direct contact with dealers or consumers. The 1999 Harbour Report, a study of automaker competencies in assembly, stamping, and powertrain operations, stated that the top assembly facility in North America (based on assembly hours per vehicle) is Toyota’s plant in Cambridge, Ontario. In this plant, a Corolla is produced in 17.66 hours. Toyota was also rated number one in engine assembly, taking just 2.97 hours to produce an engine. In  Toyota’s manufacturing system, parts and cars don’t get build until orders come from dealers requesting them. In placing orders, dealers essentially reserve a portion of factory capacity. The system is so effective that rather than waiting several months for a new car, the customer can get a built-to-order car in a week to 10 days. Toyota is the best carmaker in the world because it stays close to its customers. “We have learned that universal mass production is not enough,” said the head of Toyota’s Tokyo Design Center. “In the 21st century, you personalize things more to make them more reflective of individual needs.”

 In 1999, Toyota committed to a $13 billion investment through 2000 to become a genuinely global corporation without boundaries. In this way, it will be able to create worldwide manufacturing facilities that produce cars according to local demand. Its goal is to achieve a 10 to 15 percent global market share by 2010. Why the drive towards customization of vehicles? Part of this is due to fierce competition that provides consumer with a multitude of choices. The Internet enables consumers to be more demanding and less compromising. They now have access to the lowest prices available for specific models of vehicles with all of the bells and whistles they design. From the comfort of their homes, they are able to bypass dealers and still find the vehicle of their dreams. Senior management at Toyota believes that kaizen is no longer enough. The senior vice president at the Toyota USA division, Douglas West, states that his division is committed to both creating and executing a new information system to drive the fastest, most efficient order-to-delivery system in the North American market. Toyota management has come to realize Kaizen alone can no longer predict business success. The sweeping changes taking place in the business environment can no longer rely on the kaizen philosophy of small, sustained improvements. In fact, one expert in the industry believes that “pursuing incremental improvements while rivals reinvent the industry is like fiddling while Rome burns.” Competitive vitality can no longer be defined by continuous improvement alone.

**QUESTION & ANSWERS:**
Q. 1. In what ways is Toyota’s new-product development system designed to serve customers?

Q. 2. In what ways is Toyota’s manufacturing system designed to serve customers?

Q. 3. How does Toyota personalize its cars and trucks to meet individual consumer needs?

**MBA IV**

**CONSUMER BEHAVIOUR AND MARKET RESEARCH**

**SOLUTION**

**Q1. Define Consumer Behavior? Define nature and scope characteristics of consumer behavior?**

Consumer behavior is the study of individuals, groups, or organizations and all the activities associated with the purchase, use and disposal of goods and services, including the consumer's emotional, mental and behavioral responses that precede or follow these activities. Consumer behavior emerged in the 1940s and 50s as a distinct sub-discipline in the marketing area. Consumer behavior is an inter-disciplinary social science that blends elements from [psychology](https://en.wikipedia.org/wiki/Psychology),[sociology](https://en.wikipedia.org/wiki/Sociology), [social](https://en.wikipedia.org/wiki/Social_Anthropology) [anthropology](https://en.wikipedia.org/wiki/Anthropology), [ethnography](https://en.wikipedia.org/wiki/Ethnography), [marketing](https://en.wikipedia.org/wiki/Marketing) and [economics](https://en.wikipedia.org/wiki/Economics), especially [behavioral economics](https://en.wikipedia.org/wiki/Behavioural_economics). It examines how emotions, attitudes and preferences affect buying behavior. Characteristics of individual consumers such as [demographics](https://en.wikipedia.org/wiki/Demographic), [personality](https://en.wikipedia.org/wiki/Personality) lifestyles and behavioral variables such as usage rates, usage occasion, loyalty, brand advocacy, willingness to provide referrals, in an attempt to understand people's wants and consumption are all investigated in formal studies of consumer behavior. The study of consumer behavior also investigates the influences, on the consumer, from groups such as family, friends, sports, reference groups, and society in general.

**Nature of Consumer Behavior:**

1. Systematic process: Consumer behavior is a systematic process relating to buying decisions of the customers. The buying process consists of the following steps:

* Need identification to buy the product
* Information search relating to the product
* Listening and evaluating the alternative
* Purchase decision
* Post purchase evaluation by the marketer

2. Influenced by various factors : Consumer behavior is influenced by a number of factors the factors that influence consumers include marketing, personal, psychological, situational, social and cultural etc.

3.Different for different customers   : All consumers do not behave in the same manner. Different consumers behave differently. The different in consumer behavior is due to individual factors such as nature of the consumer's lifestyle, culture etc.

4.Different for different products  : Consumer behavior is different for different products there are some consumers who may buy more quantity of certain items and very low quantity of some other items.

5.Vary across regions  : The consumer behaviour vary across States, regions and countries. For instance, the behaviour of urban consumers is different from that of rural consumers.  normally rural consumers are conservative (traditional) in their buying behaviour.

6.Vital for marketers  : Marketers need to have a good knowledge of consumer behaviour they need to study the various factors that influence consumer behaviour of the target customers. The knowledge of consumer behaviour enables marketers to take appropriate marketing decisions.

7.Reflect status  : Consumer buying behavior is not only influenced by status of a consumer coma but it also reflect it. Those consumers who owned luxury cars, watches and other items are considered by others as persons of higher status.

8.Result in spread effect  : Consumer behavior as a spread effect. The buying behavior of one person may influence the buying behavior of another person. For instance, a customer may always prefer to buy premium brands of clothing, watches and other items etc. This may influence some of his friends, neighbors’ and colleagues. This is one of the reasons why marketers use celebrities like Shahrukh Khan, sachin to endorse their brands.

9.Undergoes a change : The consumer behavior undergoes a change over a period of time depending upon changes in age , education and income level etc, for example, kids may prefer colorful dresses but as they grow up as teenagers and young adults, they may prefer trendy clothes.

10.Information search : Search for information is a common consumer behavior. Consumers cannot purchase goods and services if they are unaware that a good or service exists. When a consumer decides to buy a certain item, his decision must be based on the information he has gathered about what products our services are available to fulfill his needs. There might be a product available that would be better suited to the consumers needs, but if he is an aware of product, he will not buy it.

**Scope of Consumer Behavior:**

1) Consumer behavior and marketing management : Effective business managers realize the importance of marketing to the success of their firm. A sound understanding of consumer behavior is essential to the long run success of any marketing program. In fact, it is seen as a comer stone of the Marketing concept, an important orientation of philosophy of many marketing managers. The essence of the Marketing concept is captured in three interrelated  orientations consumers needs and wants, company integrated strategy.

2) Consumer behavior and non profit and social marketing : In today's world even the non-profit organizations like government agencies, religious sects, universities and charitable institutions have to market their services for ideas to the "target group of consumers or institution." At other times these groups are required to appeal to the general public for support of certain causes or ideas. Also they make their contribution towards eradication of the problems of the society. Thus a clear understanding of the consumer behavior and decision making process will assist these efforts.

3) Consumer behavior and government decision making : In recent years the relevance of consumer behavior principles to government decision making. Two major areas of activities have been affected:

i) Government services: It is increasingly and that government provision of public services can benefit significantly from an understanding of the consumers, or users, of these services.

ii) consumer protection: Many Agencies at all levels of government are involved with regulating business practices for the purpose of protecting consumers welfare.

4) Consumer behavior and demarketing: It has become increasingly clear that consumers are entering an era of scarcity in terms of some natural gas and water. These scarcities have led to promotions stressing conservation rather than consumption. In other circumstances, consumers have been encouraged to decrease or stop their use of particular goods believed to have harmful effects. Programs designed to reduce drug abuse, gambling, and similar types of conception examples. These actions have been undertaken by government agencies nonprofit organizations, and other private groups. The term "demarketing" refers to all such efforts to encourage consumers to reduce their consumption of a particular product or services.

5) Consumer behavior and consumer education: Consumer also stands to benefit directly from orderly investigations of their own behavior. This can occur on an individual basis or as part of more formal educational programs. For example, when consumers learn that a large proportion of the billions spent annually on grocery products is used for impulse purchases and not spend according to pre planned shopping list, consumers may be more willing to plan effort to save money. In general, as marketers that can influence consumers' purchases, consumers have the opportunity to understand better how they affect their own behavior.

**Q2. Explain Maslow need hierarchy theory in detail?**

Abraham Maslow is well renowned for proposing the Hierarchy of Needs Theory in 1943. This theory is a classical depiction of human motivation. This theory is based on the assumption that there is a hierarchy of five needs within each individual. The urgency of these needs varies. These five needs are as follows-

1. **Physiological needs-** These are the basic needs of air, water, food, clothing and shelter. In other words, physiological needs are the needs for basic amenities of life.
2. **Safety needs-** Safety needs include physical, environmental and emotional safety and protection. For instance- Job security, financial security, protection from animals, family security, health security, etc.
3. **Social needs-** Social needs include the need for love, affection, care, belongingness, and friendship.
4. **Esteem needs-** Esteem needs are of two types: internal esteem needs (self- respect, confidence, competence, achievement and freedom) and external esteem needs (recognition, power, status, attention and admiration).
5. **Self-actualization need-** This include the urge to become what you are capable of becoming / what you have the potential to become. It includes the need for growth and self-contentment. It also includes desire for gaining more knowledge, social- service, creativity and being aesthetic. The self- actualization needs are never fully satiable. As an individual grows psychologically, opportunities keep cropping up to continue growing.

**Implications of Maslow’s Hierarchy of Needs Theory for Managers**

|  |  |
| --- | --- |
|  | * As far as the physiological needs are concerned, the managers should give employees appropriate salaries to purchase the basic necessities of life. Breaks and eating opportunities should be given to employees.
 |
|  | * As far as the safety needs are concerned, the managers should provide the employees job security, safe and hygienic work environment, and retirement benefits so as to retain them.
 |
|  | * As far as social needs are concerned, the management should encourage teamwork and organize social events.
 |
|  | * As far as esteem needs are concerned, the managers can appreciate and reward employees on accomplishing and exceeding their targets. The management can give the deserved employee higher job rank / position in the organization.
 |
|  | * As far as self-actualization needs are concerned, the managers can give the employees challenging jobs in which the employees’ skills and competencies are fully utilized. Moreover, growth opportunities can be given to them so that they can reach the peak.
 |

The managers must identify the need level at which the employee is existing and then those needs can be utilized as push for motivation.

**Limitations of Maslow’s Theory**

It is essential to note that not all employees are governed by same set of needs. Different individuals may be driven by different needs at same point of time. It is always the most powerful unsatisfied need that motivates an individual.

The theory is not empirically supported.

The theory is not applicable in case of starving artist as even if the artist’s basic needs are not satisfied, he will still strive for recognition and achievement.

**Q3. What are the different factors that affect consumer behavior? What is the traditional family life cycle?**

Consumer behavior refers to the selection, acquisition and consumption of goods and services to meet their needs. There are different processes involved in consumer behavior. Initially, the consumer tries to find what products you would like to consume, then select only those products that promise greater utility. After selecting the products, the consumer makes an estimate of available funds that can happen. Finally, the consumer looks at the current prices of commodities and makes the decision about which products to consume. Meanwhile, there are several factors that influence consumer purchases, such as social, cultural, personal and psychological. The explanation of these factors is as follows.

**1. CULTURAL FACTORS**

Consumer behavior is deeply influenced by cultural factors, such as buyer’s culture, subculture and social class.

**• Culture**

Essentially, culture is the share of each company and is the major cause of the person who wants and behavior. The influence of culture on the purchasing behavior varies from country to country, therefore sellers have to be very careful in the analysis of the culture of different groups, regions or even countries.

**Subculture**

Each culture has different subcultures, such as religions, nationalities, geographical regions, racial, etc. marketing groups may use these groups, segmenting the market in several small portions. For example, marketers can design products according to the needs of a specific geographical group.

**• Social Class**

Every society has some kind of social class is important for marketing because the buying behavior of people in a particular social class is similar. Thus marketing activities could be adapted to different social classes. Here we should note that social class is not only determined by income, but there are several other factors such as wealth, education, occupation etc.

**2. SOCIAL FACTORS**

Social factors also influence the purchasing behavior of consumers. Social factors are: the reference groups, family, the role and status.

**• Reference groups**

Reference groups have the potential for the formation of an attitude or behavior of the individual. The impact of reference groups vary across products and brands. For example, if the product is visible as clothing, shoes, car etc., the influence of reference groups will be high. Reference groups also include opinion leader (a person who influences others by his special skill, knowledge or other characteristics).

**• Family**

buyer behavior is strongly influenced by a family member. So vendors are trying to find the roles and influence of the husband, wife and children. If the decision to purchase a particular product is influenced by the wife of then sellers will try to target women in their . Here we should note that the purchase of roles change with changing lifestyles of consumers.

**• Roles and Status**

Each person has different roles and status in society in terms of groups, clubs, family, etc. organization to which it belongs. For example, a woman working in an organization as manager of finance. Now she is playing two roles, one of the chief financial officer and the mother. Therefore, purchasing decisions will be influenced by their role and status.

**3. PERSONAL FACTORS**

Personal factors may also affect consumer behavior. Some of the important factors that influence personal buying behavior are: lifestyle, economic status, occupation, age, personality and self esteem.

**• Age**

Age and life cycle have a potential impact on the purchasing behavior of consumers. It is obvious that consumers change the purchase of goods and services over time. Family life cycle consists of different stages as young singles, married couples, unmarried couples etc that help marketers to develop suitable products for each stage.

**• Occupation**

The occupation of a person has a significant impact on their buying behavior. For example, a marketing manager of an organization is trying to buy business suits, while a low level worker in the same organization buy-resistant clothing works.

**• Economic situation**

economic situation of the consumer has a great influence on their buying behavior. If income and savings a customer is high, then going to buy more expensive products. Moreover, a person with low income and savings buy cheap products.

**• Lifestyle**

Lifestyle clients is another factor affecting import purchasing behavior of consumers. Lifestyle refers to the way a person lives in a society and express things in their environment. It is determined by the client’s interests, opinions, etc and activities shapes their 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. In fact, personality is not what one has, but is the totality of the conduct of a man in different circumstances. Has different characteristics, such as dominance, aggression, confidence etc that may be useful to determine the behavior of consumers to the product or service.

**4. PSYCHOLOGICAL FACTORS**

There are four major psychological factors that affect the purchasing behavior of consumers. These are: perception, motivation, learning, beliefs and attitudes.

**• Motivation**

The level of motivation also affects the purchasing behavior of customers. Each person has different needs, such as physiological needs, biological needs, social needs, etc. The nature of the requirements is that some are more urgent, while others are less pressing. Therefore, a need becomes a motive when it is most urgent to lead the individual to seek satisfaction.

**• Perception**

Select, organize and interpret 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 the case of selective attention, sellers try to attract the attention of the customer. Whereas in case of selective distortion, customers try to interpret the information in a way that supports what customers already believe. Similarly, in the case of selective retention, marketers try to retain information that supports their beliefs.

**• Beliefs and Attitudes**

Client has specific beliefs and attitudes towards different products. Because such beliefs and attitudes shape the brand image and affect consumer buying behavior so traders are interested in them. Marketers can change beliefs and attitudes of customers with special campaigns in this

TRADITIONAL FAMILY LIFE CYCLE

Traditionally the life cycle, illustrated a progression of stages through which families passed; it comprised stages, starting from bachelorhood (single), to married (couple), to family growth (parenthood: birth of children), to family contraction (grown up children leaving home for studies or employment) to post parenthood (all children leaving home) to dissolution (single survivor: death of one of the spouses). Based on these, the traditional FLC can be synthesized into five basic stages, which may be mentioned as follows

Stage I: Bachelorhood: Young single adult (male/female) living apart from parents and into a livelihood. Stage II: Honeymooners: Young married couple.

 Stage III: Parenthood: Married couple with at least one child living with them at home.

 Stage IV: Postparenthood: An older married couple with no children living at home. Children have left home for studies or for employment.

Stage V: Dissolution: One surviving spouse.

Stage I: Bachelorhood: The stage comprises a young single adult (male/female) living apart from parents and into a livelihood. While incomes are low as they have just started a career, financial burdens and responsibilities are also low. As such bachelors have a high level of disposable income.

Stage II: Honeymooners: The stage comprises a newly married couple and continues till the first child is born. One of the spouses may be working or both may be working. They are 8 financially better off than they would be in the next stages. If both are working, income is higher. If both are working, the couple has discretionary income at hand that permits a good lifestyle, and provides for purchases or savings.

Stage III: Parenthood: The stage comprises married couple with children. This stage extends for about a long 20-25 year period; and could be further broken up into three stages, viz., Full Nest I, Full Nest II and Full Nest III. Throughout these stages, the size and structure of the family gradually changes, so does income and expenses with varying priorities. The financial expenses increase rapidly with children being born in Full Nest I and gradually decrease as children become independent and self-supporting as one reaches Full Nest III.

Stage IV: Post parenthood: This is a stage that occurs once children have left home. They leave home first for education, and then for employment. As they complete their education, and find employment, they gradually leave home one by one, thus, leaving the nest. Thus, this stage has also been broken into two stages, viz., Empty Nest I and Empty Nest II. As one moves across Empty Nest I and II, the size and structure of the family changes (quite similar to the Parenthood stage and the Full Nest I, II and III).

Stage V: Dissolution: This stage in the FLC occurs when one of the couple dies, and leaves behind the other surviving spouse. Priorities and Preferences of Purchase: When one of the spouses is still earning, or earns money from savings and investments, things are little easier. However, if he/she is not earning, he/she follows a lifestyle that is economical. The primary expenditure is on medicines, checkups with doctors and restrictive diet. Implications for Marketers: The stage is characteristic of a widow/widower with lower income and least shopping and expenses.

**Q4. Describe the consumer decision making process in detail.**

An individual who purchases products and services from the market for his/her own personal consumption is called as consumer.

To understand the complete process of consumer decision making, let us first go through the following example:

Tim went to a nearby retail store to buy a laptop for himself. The store manager showed him all the latest models and after few rounds of negotiations, Tim immediately selected one for himself.

In the above example Tim is the consumer and the laptop is the product which Tim wanted to purchase for his end-use.

**A consumer goes through several stages before purchasing a product or service**.

**NEED
↓
INFORMATION GATHERING/SEARCH
↓
EVALUATION OF ALTERNATIVES
↓
PURCHASE OF PRODUCT/SERVICE
↓
POST PURCHASE EVALUATION?**

**Step 1 -** Need is the most important factor which leads to buying of products and services. Need intact is the catalyst which triggers the buying decision of individuals.

An individual who buys cold drink or a bottle of mineral water identifies his/her need as thirst. However in such cases steps such as information search and evaluation of alternatives are generally missing. These two steps are important when an individual purchases expensive products/services such as laptop, cars, mobile phones and so on.

**Step 2 -** When an individual recognizes his need for a particular product/service he tries to gather as much information as he can.

An individual can acquire information through any of the following sources:

* + Personal Sources - He might discuss his need with his friends, family members, co workers and other acquaintances.
	+ Commercial sources - Advertisements, sales people (in Tim’s case it was the store manager), Packaging of a particular product in many cases prompt individuals to buy the same, Displays (Props, Mannequins etc)
	+ Public sources - Newspaper, Radio, Magazine
	+ Experiential sources - Individual’s own experience, prior handling of a particular product (Tim would definitely purchase a Dell laptop again if he had already used one)

**Step 3 -** The next step is to evaluate the various alternatives available in the market. An individual after gathering relevant information tries to choose the best option available as per his need, taste and pocket.

**Step 4 -** After going through all the above stages, customer finally purchases the product.

**Step 5 -** The purchase of the product is followed by post purchase evaluation. Post purchase evaluation refers to a customer’s analysis whether the product was useful to him or not, whether the product fulfilled his need or not?

**CASE STUDY**

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**QUESTION & ANSWERS:**
Q. 1. In what ways is Toyota’s new-product development system designed to serve customers?

Ans.: Toyota’s new product development system was designed to meet the individual needs of every customer. The new product designing was assigned to the chief engineers who have to research and manufacture after getting feedback and suggestion from their dealers and consumers directly; which never been done by any other US companies till date.

Q. 2. In what ways is Toyota’s manufacturing system designed to serve customers?

Ans.: As per the Toyota’s manufacturing system, the parts and vehicles never built by the company until and unless they receive an order from any dealer or consumer. On behalf of which the company is providing a built-to-order car within 7 to 10 days after getting order for a car. Here, the customers become so happy, that they do not have to wait for several months to get a car. In addition, company is also free from blockage of huge money for several months or years.

Q. 3. How does Toyota personalize its cars and trucks to meet individual consumer needs?

Ans.: Toyota is completely attached to its customers and dealers. It took regular opinions from them regarding any kind of alteration, renovation, expansion or contraction. After looking various aspects, needs and practice of customers, Toyota used to built it products. Therefore, it completely aims to meet every individual’s needs to make those things personalize.