

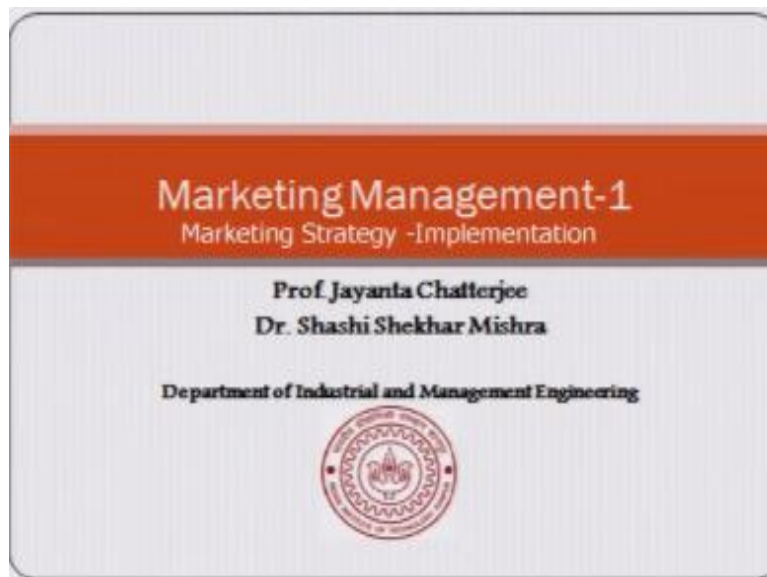
Indian Institute of Technology Kanpur
National Programme on Technology Enhanced Learning (NPTEL)
Course Title
Marketing Management – 1

Lecture: W7.I.1
Generic Modeling Strategy

by
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Prof. Jayanta Chatterjee: Welcome to the seventh week of our course on marketing management fundamentals.

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Prof. Jayanta Chatterjee: Our marketing management one, in these two weeks seventh and eighth week, in the concluding part of this course we will look at the implementation aspects of marketing strategy, at least one significant part of that with respect to how we recognize opportunities, how we evaluate and segment opportunities, and how do we create our marketing offerings and our company positioning to address the desired targets effectively.

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Prof. Jayanta Chatterjee: Now before I start on this first part of this week.

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Prof. Jayanta Chatterjee: I would like to recap some important aspects of what we discussed during week 5, and week 6. And maybe one or two new concepts I would introduce, so that it helps us to understand our strategy analysis and implementation concepts and practices better. So the key topics that we have discussed during the last two weeks.

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Prof. Jayanta Chatterjee: Are consumer purchase processes, the buying environment and the buying models of consumers. And the trends in consumer behavior, of course we have also discussed separately the same issues in business to business marketing, and so we have discussed the business buyer's group behavior or the business buying center behavior, as well as the B2B purchase processes.

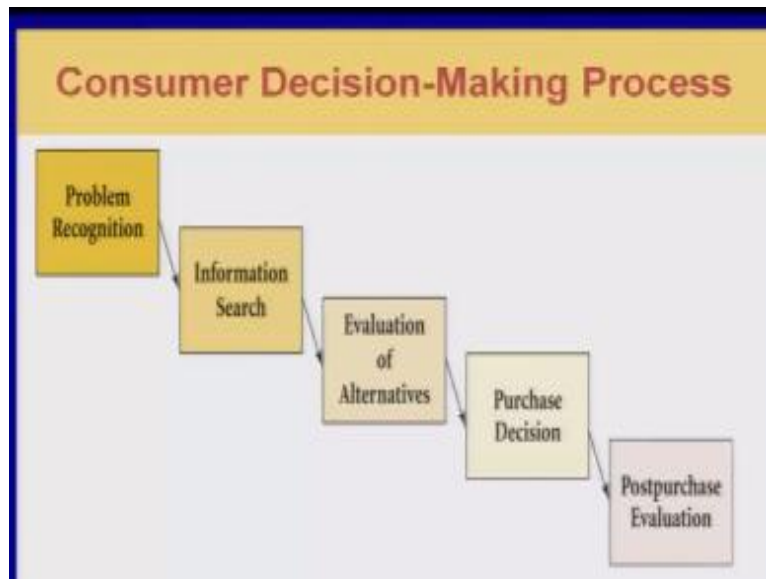
In either case whether it is in the consumer market or in the business market, the reasons why we buy something, you know there is an interesting book like why we buy, and there are many other interesting ways these subjects have been expressed, like if you search on the net you will find a nice presentation on biology.

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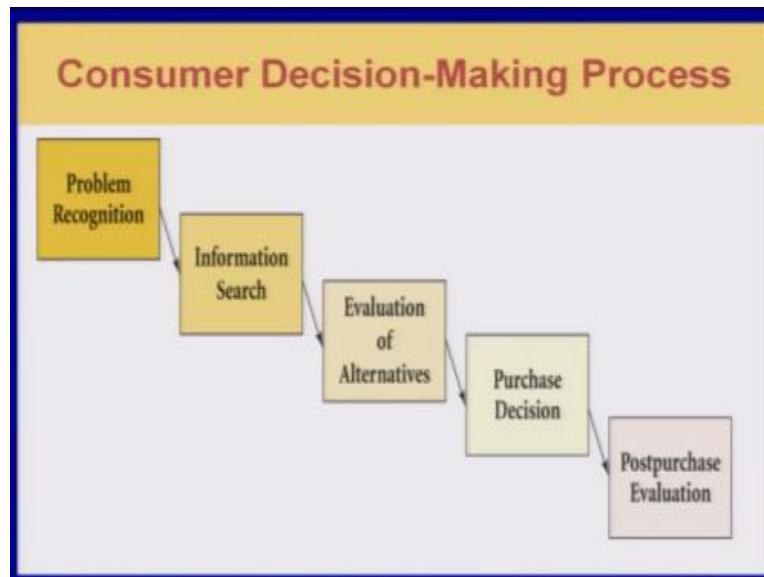
Prof. Jayanta Chatterjee: But to summarize common purchase reasons are the utility, or the service, or the solution that is provided by the product. And we need these to satisfy physical needs, emotional needs, social needs, and so on. We have looked at Maslow's hierarchy of needs, and we know that different products satisfy different needs at different levels of that hierarchy.

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Prof. Jayanta Chatterjee: The decision-making process of the consumer, this we have discussed in detail, but just to recap I present to you this particular image, that what you see here that problem recognition, the need expression leads to information search. And then we go to -- after we have certain amount of information, as I have discussed earlier in a way this is actually not only search for information, but information plus interpretation or context comments provided by other customers. So referrals on the basis of which we evaluate the different alternatives that are possible that are available to us for purchase and then we make a purchase decision.

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And once the purchase has been made then there is the last stage which in a way affect back, so in many cases that means slide here what we have the post purchase evaluation kind of comes back and often integrates with the evaluation of services, so this is often called the waterfall model or the sequential linear model for consumer purchase decision making.

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Prof. Jayanta Chatterjee: So this information plus interpretation search happens in two ways, the first part obviously is internal search based on what we know or what secondary information we can gather that could be from different media from the internet, and so on and we often make purchase decisions just based on internal search in case of low risk low involvement purchases, so also we use mostly this internal search and interpretation based decision making for staple or convenience products whereas for high-value or what we also call high ticket purchases, for less frequent purchases for major asset purchases.

Like an air conditioner, or a TV or a washing machine we will also definitely look for external information and the search for the external information as well as interpretation comparative data etcetera needed for important purchases for social financial purposes also, so not only the utilitarian refrigerator, TV etcetera but also issues that relate to the hierarchy of needs declaring your status, declaring your life achievement etcetera... get reflected in purchases like your car and that definitely involves a lot of external search for information and interpretation.

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Prof. Jayanta Chatterjee: In the external search important points that we have discussed are the ability to search which is often influenced by education and pre-existing knowledge. So external search by major buyer for car in a small town will differ from the way a car will be purchased by somebody in a big metropolitan city, so there the opportunity for comparison, opportunity for additional data gathering, opportunity for additional consultation would be higher and so pre-existing knowledge around you, within you, as well as your background will influence the extent of your external search.

Also decisions which are of high involvement which means you know if you are buying a computer or if you are buying a new type of appliance for multimedia access which will be both for information as well as for entertainment you will actually also look for understanding, and that means you are not only seeking information this is what I mention that you will look for interpretation by experts, opinion of people you trust and so on and you would like to then put it all together and would like to understand.

We often call that the cognition part, and the motivation for external search or extent of your external search will also depend on your personality, your level of enthusiasm for shopping

etceteraetera. The key purpose for gathering all this information as we have discussed before is to create in your mind a sort of a balance sheet sometimes when families are involved in purchasing a car or a new refrigerator they may actually put it all down on paper but really what you are trying to do is trying to create a mental model of cost versus benefit. So in the on the benefits side we have these issues relating to attitude.

I discussed in the earlier week this all relationship between purchase behavior, our habit, our attitude, and so on we discussed that attitudes are shaped.

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Consumer Values

- Attitudes shaped by personal values.
- Values are strongly held beliefs.
- Values contribute to attitudes.
- Personal values
 - Comfortable life*
 - Equality, Freedom*
 - Happiness*
 - Personal accomplishment*

Prof. Jayanta Chatterjee: Personal values and values are what are strongly held beliefs, so values influence, contribute, interact with attitude and the values are what we value and therefore something like a comfortable life or freedom, happiness, these are all often underlying issues in motivation for making a purchase decision, so as we have discussed therefore there are both cognitive and rational logical factors as well as subliminal, embedded, emotional, and intangible and subjective assessments, so we introduce this 3 terms to you before affective.

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Consumer Attitudes

- Affective
- Cognitive
- Conative

Attitudes drive purchase decisions.

Marketing communications attempts to influence attitudes.

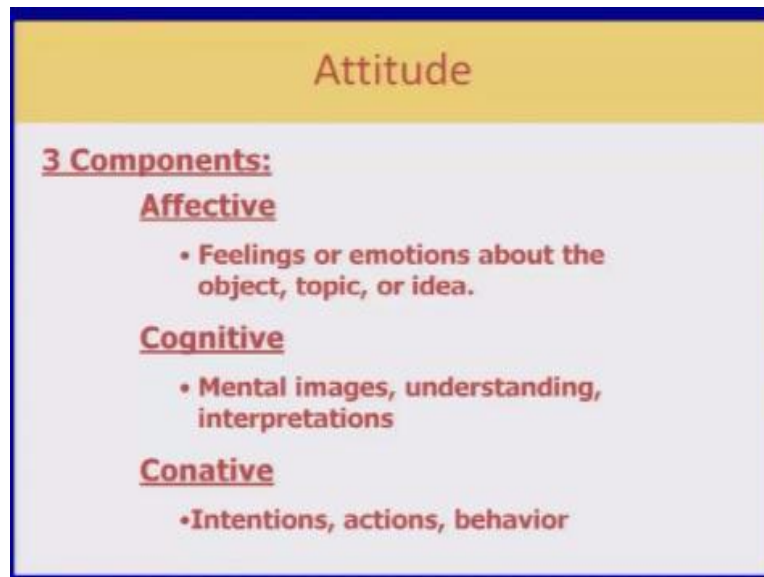
Prof. Jayanta Chatterjee: Cognitive and Conative, attitudes drive purchase decisions and marketing communication attempts to influence attitude. These are 2 important principles which will lead to 2 significant studies that we will take up in greater detail later on relating to communication and the way communication shapes or preconditions the purchase behavior.

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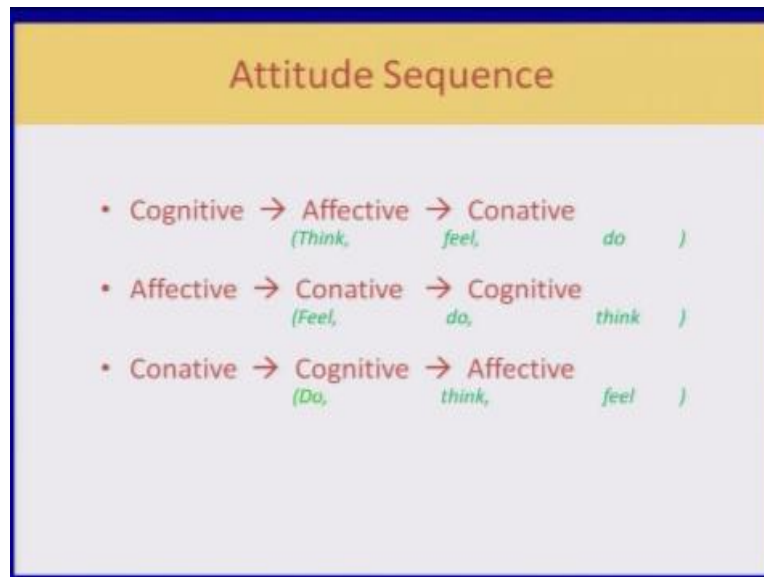
Prof. Jayanta Chatterjee: Just to recap the 3 components are affective, cognitive, conative. Affective means feelings or emotions about the object, about the topic, about the idea, so which means both for intangible services as well as for tangible products there will be these affective part, and then we have cognitive part which relates to understanding, interpretation, logic, analysis of refining the mental image and so on, and then finally the conative

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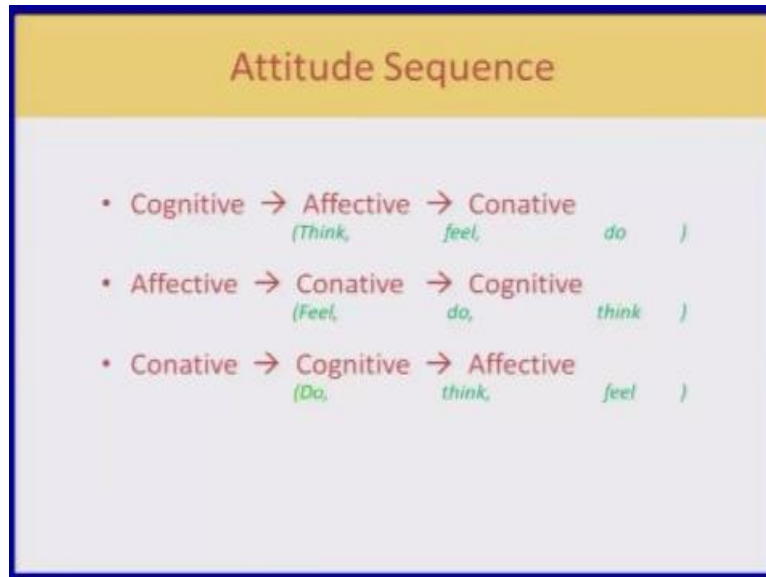
Prof. Jayanta Chatterjee: The purchase intent, the behavior.

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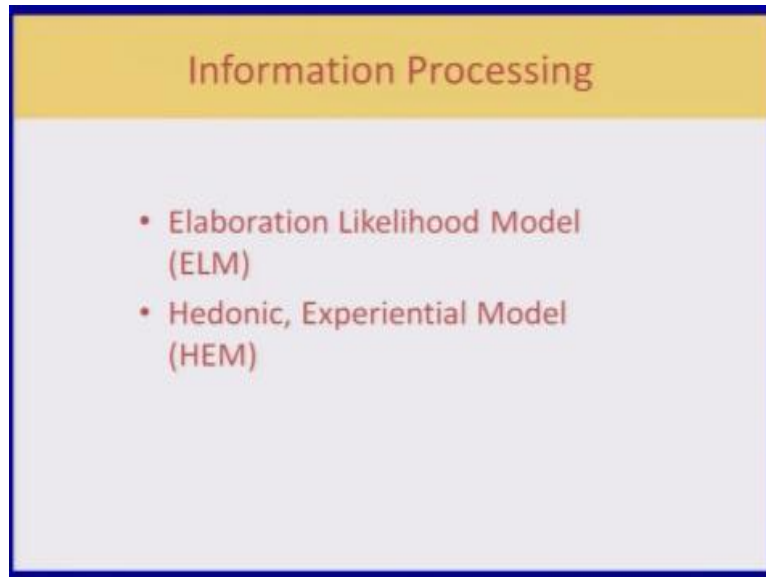
Prof. Jayanta Chatterjee: The implementation of the purchase process, so we have, we have discussed that depending on the involvement level. So for high involvement, for high contact, for high-value the cycle or the sequence often will be cognitive, affective and conative. Whereas for as you go down in the involvement level as you go down in the purchase value you, you, you go down on that on that chart that is there in front of you.

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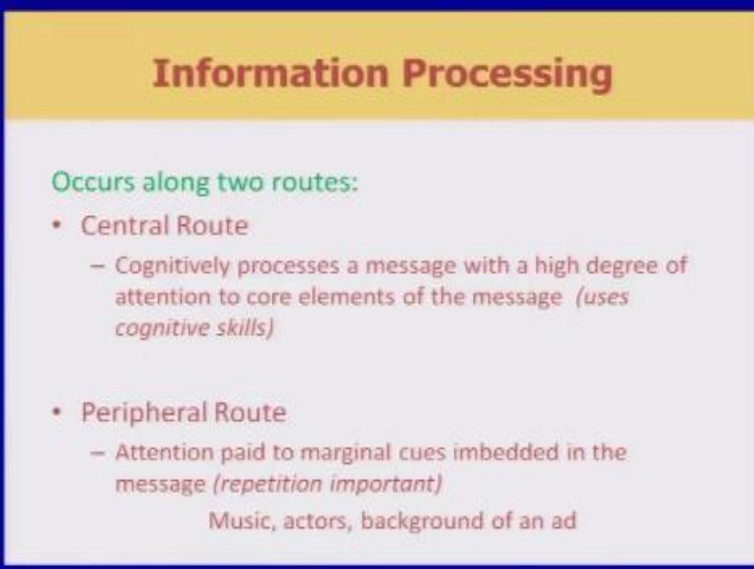
Prof. Jayanta Chatterjee: Where you see this cognitive, affective, conative leading to or rather becoming for higher emotion laden products affective, cognitive, conative or it can be conative, cognitive, affective, these are the different variations. We will see apply this now to these two.

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Prof. Jayanta Chatterjee: Information processing models that we have namely ELM and HEM. In ELM as you see here is the elaboration likelihood model, and the hedonic experiential model, you can immediately see that the ELM.

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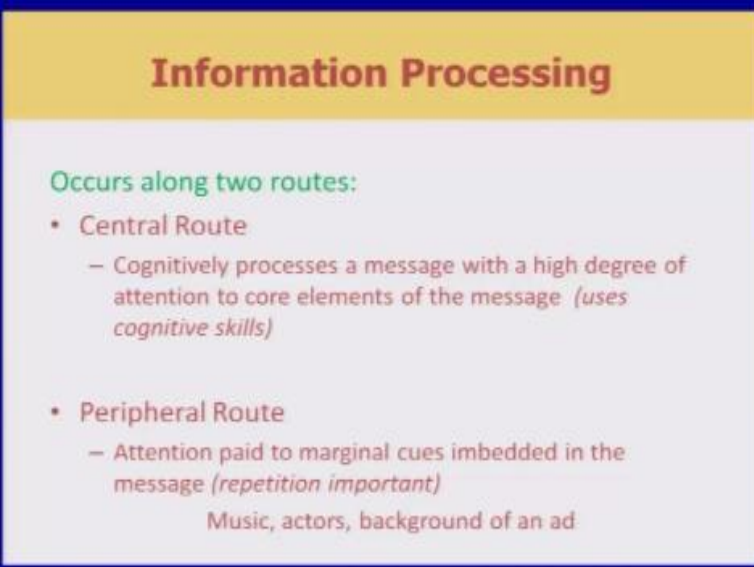
Information Processing

Occurs along two routes:

- **Central Route**
 - Cognitively processes a message with a high degree of attention to core elements of the message (*uses cognitive skills*)
- **Peripheral Route**
 - Attention paid to marginal cues imbedded in the message (*repetition important*)
Music, actors, background of an ad

Prof. Jayanta Chatterjee: Will be involved in often in high-value purchases etceteraetera or high involvement purchases. So to understand this ELM and HEM we have to understand that the information processing the customers mind, consumers mind occurs along two routes. The central route is, we cognitively process a message with a high degree of attention to core elements of the message, and so it uses the consumer's analytical skill and the consultant that means if the person is taking the opinion of others, they are cognitive skills extra. And the peripheral route is.

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A presentation slide titled "Information Processing" in a yellow header. The main content area is light blue and contains text about two routes of information processing. The title is in bold red font. The text "Occurs along two routes:" is in green. The two routes are listed with red bullet points. The first route, "Central Route", includes a sub-point about cognitive processing with a high degree of attention, noting it uses cognitive skills. The second route, "Peripheral Route", includes a sub-point about attention to marginal cues, noting repetition is important, and provides an example: "Music, actors, background of an ad".

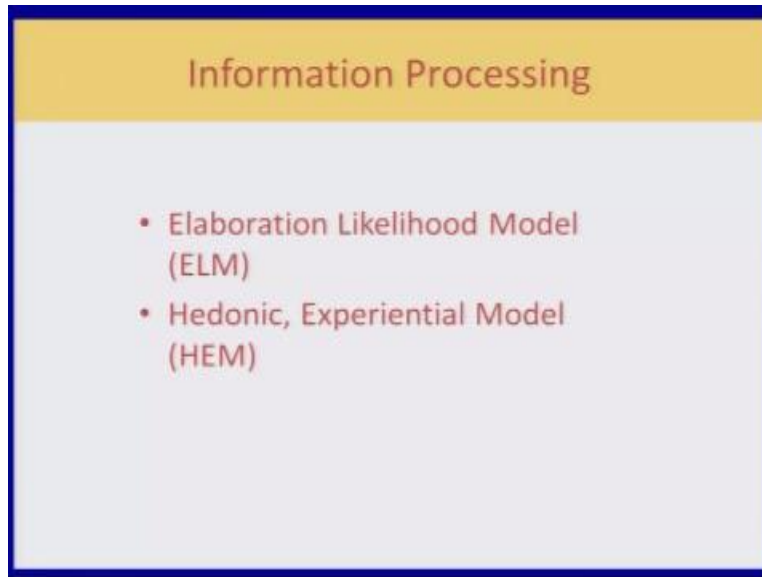
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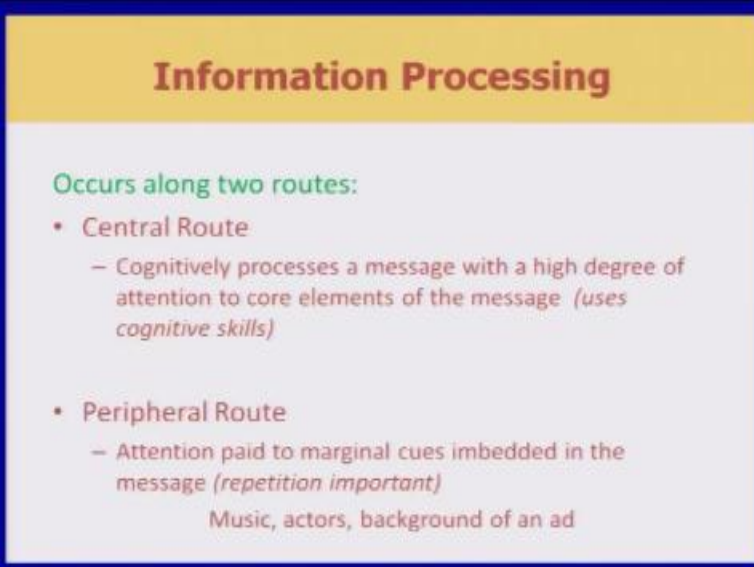
Prof. Jayanta Chatterjee: Attention paid to the implied embedded messages, so these are you know for example in an ad will be not the content of the message but the music, the celebrities who are endorsing the background etceteraetera. And our the consumer's mind actually processes both, the central route is active, the peripheral route is active and just because we call it central and peripheral it does not mean that in importance also there is some kind of you know higher and inferior type of difference. Actually both are very important and they get integrated, so for example if it is ELM.

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Prof. Jayanta Chatterjee: That means if it is elaboration likelihood model.

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A presentation slide titled "Information Processing" with a yellow header and a light blue body. The slide lists two routes of information processing: Central Route and Peripheral Route, each with a brief description and an example for the peripheral route.

Information Processing

Occurs along two routes:

- Central Route
 - Cognitively processes a message with a high degree of attention to core elements of the message (*uses cognitive skills*)
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Music, actors, background of an ad

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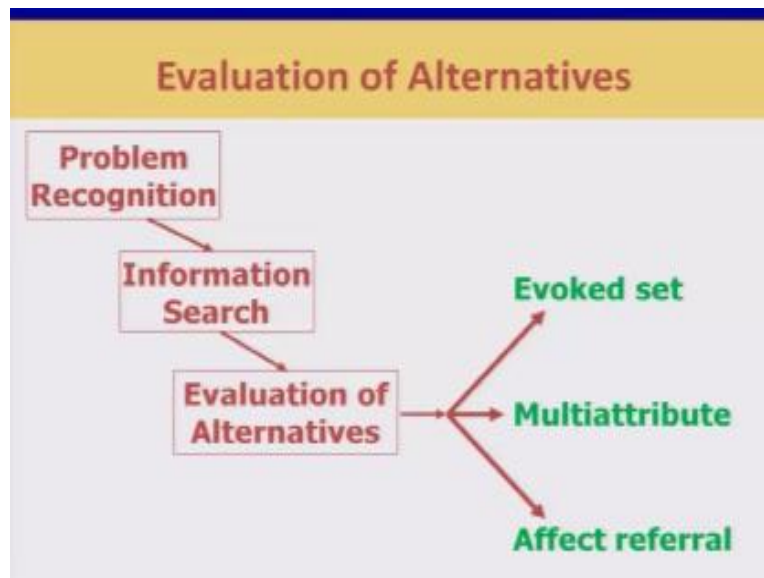
Prof. Jayanta Chatterjee: Then consumers pay attention to prices information available with respect to product, quality, and performance. The company, reputation, brand attributes etceteraetera, so you can see here that ELM situation or ELM model for purchase decision making is highly dependent on information knowledge, interpretation, consultation, so here the cognitive part is heavy. Whereas in the hedonistic experiential model on the right hand side.

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Prof. Jayanta Chatterjee: The consumers pay more attention to emotions, feelings, fun, experience, and so on. And you can immediately see that often therefore even commodity items or regularly purchased items like toothpaste or soaps we would like to shift from the left hand side to the right hand side. If we now slightly elaborate the earlier presented waterfall model that we have this problem recognition

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Prof. Jayanta Chatterjee: Information search and this evaluation of alternatives, what we are saying to this ELM HEM etcetera etcetera that the evaluation of alternatives happens at three levels or kind of three streams get integrated in the evaluation of alternatives. One is the evoked set, the second is the multi-attribute consideration, and the affected referral, so evoked set method.

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The slide has a yellow header with the title 'Evoked Set'. Below the header, on a light blue background, is the definition: 'The set of brands and purchase locations that meet both the objective and subjective requirements of the consumer.' Below the definition are two bullet points in red text.

Evoked Set

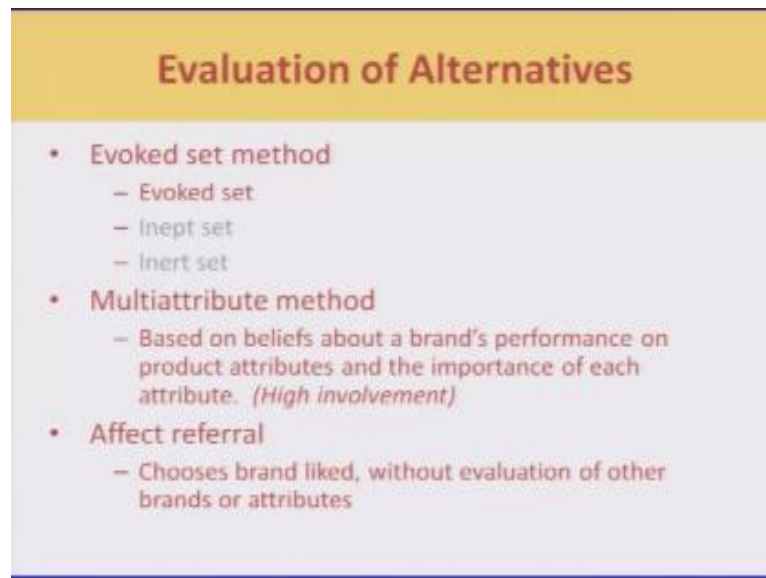
The set of brands and purchase locations that meet both the objective and subjective requirements of the consumer.

- Development of the evoked set begins during the internal search.
- Inclusion in the evoked set is a major goal of marketers.

Prof. Jayanta Chatterjee: Is relates to the setup brands and purchase locations that meet both the objective and subjective requirement of the consumer, so evoked set is the first set of alternatives that immediately spontaneously rise in the mind of the consumer, so obviously as you can see the major goal of all marketing promotion is to be part of the evoked set in the consumers mind.

So the consumer thinks of soap, or toothpaste, or refrigerator, or computer. In all cases you your first attempt as a marketer should be that your name, brand, product characteristics, or differential specialties that you offer should arise in customer's mind spontaneously, that gives you a lot of strength because it almost creates a first preference situation. People do modify in their final purchase decision but very seldom they go completely out of the evoked set. So with evoked set there may be alternatives of which then they make the choice

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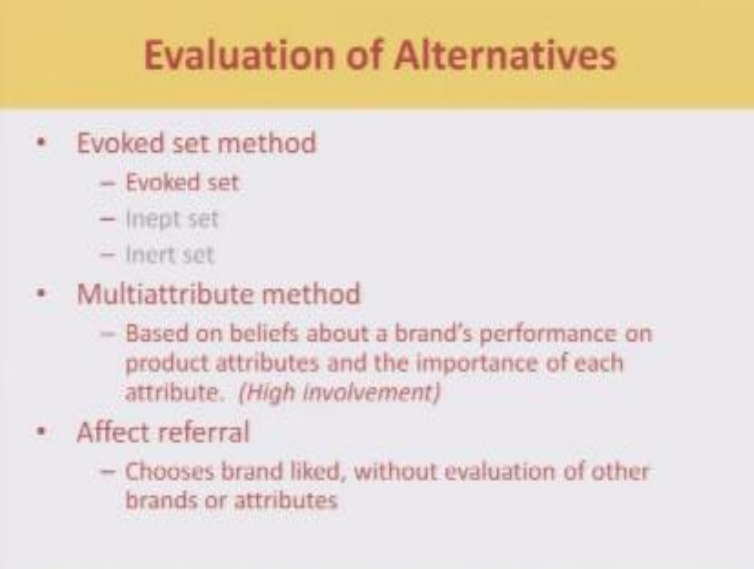


Evaluation of Alternatives

- **Evoked set method**
 - Evoked set
 - Inept set
 - Inert set
- **Multiattribute method**
 - Based on beliefs about a brand's performance on product attributes and the importance of each attribute. (*High involvement*)
- **Affect referral**
 - Chooses brand liked, without evaluation of other brands or attributes

Prof. Jayanta Chatterjee: So as you see the evoked set arises out of an internal search but then we have the multi-attribute that means once we have this evoked set we basically then look at different aspects to make our final decision. It will be based on performance, it will be based on features like color, weight, shape, certain intangible aesthetic inputs will be there and higher the rate of involvement higher will be the degree of the number of attributes we will look at, and then of course finally comes to the effect referral which is based on brand liking

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Evaluation of Alternatives

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Prof. Jayanta Chatterjee: And often actually we will look for at this stage first preference position where actually customer will go for limited comparison and will almost make up their mind right off the start for a particular preferred brand, so if we are able to successfully create our position within the evoked set then it is often possible to limit customers search for alternative.

And when later on we discuss the power of brand in creating your position in the market you will understand that how important this part is, is this part of appearing as a first choice when the need is felt and the factors that affect

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Prof. Jayanta Chatterjee: Consumers purchase behavior this we have discussed in brief but this is what we are now going to discuss in detail when we are going to discuss about segmentation and targeting or in short what we call in marketing STP, so just like the marketing mix is a big important way we understand marketing similarly STP and perhaps this STP comes earlier, that is where we would like to play, which opportunities we would like to address, how are we going to classify or describe or define the nature of that market segment that we target, the process of targeting, all of these will depend on these factors that are now in front of you, age, gender

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Prof. Jayanta Chatterjee: Income level of the customer, their background, their family lifecycle position that is whether they are bachelor, married, senior citizen, married with small young children and so on. Then of course there are life changing events you know like marriage or birth of a new child, baby, first baby of the family and so on, all these various life milestones and social cultural environment events, festivities like Diwali, Christmas, all of these factors that affect purchase behavior and then of course there are always unplanned impulse variety seeking behavior.

So there are as you see most of the points relate to purchase occasions we know of, we can plan for, we can campaign for and of course we have to be also prepared and well positioned that if there are these unplanned impulse needs that we are in a, we are placed to well-placed to satisfy, and then the consumer trends

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Prof. Jayanta Chatterjee: Will depend on age, gender, individualism, lifestyle, pleasure, health, wellness, you know love for gatherings or love for solitude all of those things will determine the different types of, so these are different sites which actually create the boundary which we call a target market and in this week we are going to now see more and more details about this target market, so more tomorrow, thank you.

Acknowledgement
Ministry of Human Resource & Development

Prof. Satyaki Roy
Co-ordinator, NPTEL IIT Kanpur

NPTEL Team
Sanjay Pal
Ashish Singh
Badal Pradhan
Tapobrata Das
Ram Chandra
Dilip Tripathi
Manoj Shrivastava
Padam Shukla
Sanjay Mishra
Shubham Rawat
Shikha Gupta
K. K. Mishra
Aradhana Singh
Sweta
Ashutosh Gairola
Dilip Katiyar
Sharwan
Hari Ram
Bhadra Rao
Puneet Kumar Bajpai
Lalty Dutta
Ajay Kanaujia
Shivendra Kumar Tiwari

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