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POST GRADUATE DIPLOMA IN MANAGEMENT (2017-19)
MID TERM EXAMINATIONS (TERM -III)

Subject Name: Consumer Behavior

Time: 01.30 hrs

Sub. Code: PG-18

Max Marks: 20

Note: 1. Writing anything except Roll Number on question paper will be deemed as an act of indulging in unfair means and action shall be taken as per rules.

2. All questions are compulsory in Section A, B & C. Section A carries a Case Study with 2 questions of 4 marks each. Section B carries 3 questions of 2 marks each and Section C carries 2 questions of 3 marks each.

SECTION – A

04+04 = 08 Marks

Q. 1: Please read the Case Study ‘**Holiday decision-making: an adaptable and opportunistic ongoing process**’ and answer the questions below:

Holiday decision-making: an adaptable and opportunistic ongoing process

Consumers have traditionally been portrayed as rational and risk averse. As a consequence, consumer decision-making has been presented from a problem solving or information processing perspective. These models start from the assumption that any consumer need or desire creates a problem within the individual. The consumer undertakes to solve that problem by deciding a course of action in order to satisfy this need or desire. Decision-making typically entails five steps: need recognition, information search, evaluation of alternatives, product choice (purchase), and decision outcomes (post-purchase evaluation). An alternative view has seen consumers’ decision-making as a hierarchy of cognitive, affective and behavioral responses (i.e. the C-A-B sequence). Within the context of these two main approaches, existing models of holiday decision-making have seen it as: a rational process implying high involvement; high risk perception; extensive problem-solving and information search; and a sequential evolution of plans which starts from the generic decision to go on holiday.

The case here shows how consumer decision-making – within the context of going on holiday – may vary from these traditional tenets. We followed the holiday decision-making process of 27 households (singles, couples, families and groups of friends) over the course of a year. They were interviewed in-depth four times: three times before their summer holiday and once after it. Many interesting findings emerged which challenged traditional ways of understanding consumer decision-making.

Holiday decision-making proved to be an ongoing process, which was not necessarily characterized by fixed sequential stages, and which did not stop once a decision had been made. Firstly, the generic decision about whether or not to go on holiday was not always the starting point; and sometimes this generic decision was irrelevant (for instance, in the case of regular holidaymakers). For example, a young family had two possible holiday plans. They had already decided on transportation (car), accommodation (camping), activities (beach and visits), and organization (by oneself). However, in April they still did not know whether or not they would go on holiday:

Anu (F, 41, family): ‘Actually, it’s not up to us to decide. There are administrative factors that stand in the way at the moment, and it is clear that if we’re looking for a job, and he [her husband] finds a job starting on June 15th, it’s not entirely appropriate to ask for holidays for the entire month of August! It would be a bit stupid to refuse a job on the grounds that you cannot go away on vacation this year. It is the second year where we do not have control over anything!’

Secondly, there is seldom a linear (i.e. sequential and hierarchical) evolution of holiday plans. Situational factors, as well as levels of involvement, are responsible for many deviations and changes of mind. Daydreaming, nostalgia and anticipation are other important influences. Thirdly, final decisions and bookings are often made very late. There are a number of reasons for this, e.g. risk reduction, expectancy (situational variables), availability (opportunism), loyalty and personality. Finally, informants often expressed cognitive dissonance or post-decision regret, which they strove to reduce.

In the same way, information search is not always a well-defined stage in the holiday decision-making process. Information collection tends to be ongoing, and it does not stop when the holiday has been booked. Substantial amounts of information are gathered during and/or just after the holiday experience. Cognitive dissonance and prolonged involvement (hedonic consumption) are the major explanations for this. Moreover, information search is much less intensive and purposive than is usually assumed. A majority of holidaymakers could be described as low information searchers; they do not prepare their trip in much detail nor for a long time beforehand, rather they prefer serendipitous discoveries and the unexpected. When they were asked about whether or not they had already collected a lot of information about their forthcoming holiday in June, Vinay replied on behalf of a group of young friends:

Vinay (M, 26, friend party): 'No, it's on the spot. That's better unplanned, to decide on the day "we'll go and visit this, we'll go and visit that". It's . . . Planning everything in advance is a bit annoying.'

Interviewer: 'So you prefer the unexpected and to organize everything once you arrive?'

Vinay: 'Yes, it's better . . . to say already, to see the images and everything. When you arrive, you no longer see it in the same way. You pass it by and you do not even inquire about it because you have read about it, you are . . . It's better to go without having seen anything. You go, you discover and you're more amazed because you're discovering that . . .'

Searching for holiday information tends to be memory-based (internal) rather than stimulus-based (external). Information is often collected accidentally and passively. Moreover, when information is collected it is not always used and/or sometimes it is put aside for later on. Finally, information collection is a weak predictor of actual choice but rather indicates preferences. Of course, the extent of information collection depends on the holidaymaker's levels of involvement and risk aversion.

Informants found it difficult to say when they started thinking about their current holiday project(s). 'Ever since our last holiday ended' was a typical answer. This is another indication that holiday decision-making is an ongoing circular process: as one holiday ends, then planning starts for the next one. The time during and just after a holiday is particularly fruitful for nurturing other projects. In fact, it appears that most holidaymakers are involved in a number of holiday plans all at the same time. These involve different time horizons, different types of decision-making units, different formulas, and different types of decision-making processes.

In general, holiday decision-making seems to be adaptable and opportunistic. Incidental learning seems to play a bigger role than intentional learning. This is different from most existing models which assume the existence of a (bounded) rational, problem-solving holidaymaker. Holiday decision-making often takes account of contextual contingencies, and is triggered off incidentally through information collection or opportunities:

Diksha (F, 44, family): 'Sometimes, we still want to go somewhere, and then the opportunity arises. Our parents tell us "oh, we are going to ABC place, would you like to join us?" and we say "why not?" and off we go.'

Adaptability and opportunism are even more obvious when looking at holidaymakers' decision strategies. Overall, these strategies are adapted according to the situation and, more particularly, to

the type of decision-making unit in which they are involved. Heuristics tend to be constructed on the spot rather than being planned a priori. Moreover, a substantial number of informants did not use any well-defined strategies in making their holiday decisions. Needs and desires were connected with choice solutions just because they were evoked at the same time. Finally, holidaymakers preferred simple decision rules although these might not necessarily be accurate. General properties of choice heuristics, it seems that holidaymakers' decision strategies are characterized by a limited amount of processing, selective processing (the amount of processing is not consistent across alternatives or attributes), qualitative rather than quantitative reasoning, attribute-based and non-compensatory rules (as contrasted with alternative-based and compensatory), and the lack of an overall evaluation for each alternative.

Findings further indicate that emotional factors are particularly powerful in shaping holiday choices. Sometimes, people make their holiday decisions according to momentary moods or emotions. The sudden and unforeseen nature of choices is highlighted: a person chooses according to a sudden impulse, sudden pleasure, or falling in love. This suggests that the affective choice mode is more relevant than the traditional information-processing mode as far as a highly experiential product such as holidays is concerned. In the same way, C-E-V (consciousness, emotion, value) model may be more appropriate to account for holiday decision-making rather than the classical C-A-B model. This hedonic and experiential view of consumer behavior focuses on product usage, and on the hedonic and symbolic dimensions of the product. It is especially relevant for particular categories of products such as novels, plays, sporting events or travel.

In conclusion, holiday decision-making is not necessarily as rational and cognitive as it has often been assumed to be. It entails emotions, adaptability and opportunism to a large extent. There is not one process but a plurality of holiday decision-making processes.

Questions

- (i) Compare the information search process, as it was described here for holidays, with the search process that consumers might follow for another product category (e.g. a household appliance or a perfume).
- (ii) What managerial implications (for tour operators or travel agents) would you draw from the findings that were presented in this case?

SECTION – B

02×03 = 06 Marks

Q.2. Discuss the emerging trends in Indian market with special reference to changing consumer behavior. Explain the application of understanding consumer behavior in marketing decisions.

Q. 3: You are the manager of a highly sought brand of apparel that offers a complete range of highly priced but good quality trendy wears for both boys and girls. Describe how an understanding of consumer behavior would be useful you in deciding on your

- i. Segmentation strategy
- ii. New product introduction
- iii. Promotion strategy

What aspects of consumer behavior would be most relevant for you to study and why?

Q. 4: You are the marketing manager of a newly established company. Design the segmenting and positioning strategy for following products:-

- a) Laptop, and
- b) Wrist watch

Q.5: Read the case study ‘The Palace- Using Perceptual Maps to Evaluate Positioning Strategies’ and answer how does the management of The Palace, a successful four-star hotel in a large city of Belleville use perceptual maps to develop a better understanding of potential threats to their established market position?

The Palace- Using Perceptual Maps to Evaluate Positioning Strategies

The Palace is an elegant old hotel located on the edge of Belleville's booming financial district. Its competitors include 8 four-star establishments and the Grand Hotel, which has a five-star rating. The Palace has been very profitable for its owners in recent years and boasts an above-average occupancy rate. It is sold out on weekdays most of the year, reflecting its strong appeal to business travelers (who are very attractive customers because of their willingness to pay higher room rates than vacationers or convention participants). But the general manager and his staff see problems on the horizon. Permission has recently been granted for four large new hotels in the city, and the Grand Hotel has just started a major renovation and expansion project. To better understand these competitive threats, the hotel's management team is working with a consultant to prepare perceptual maps that display the Palace's position in the business traveler market both before and after the arrival of new competition. Four attributes are selected: room price; level of physical luxury; level of personal service; and location. Information on competing hotels is not difficult to obtain. The Palace's management team has created scales for each attribute. Two positioning maps are created to portray the existing competitive situation. The first (Figure 1) shows the hotels on the dimensions of price and service level; the second (Figure 2) displays them on location and degree of physical luxury.

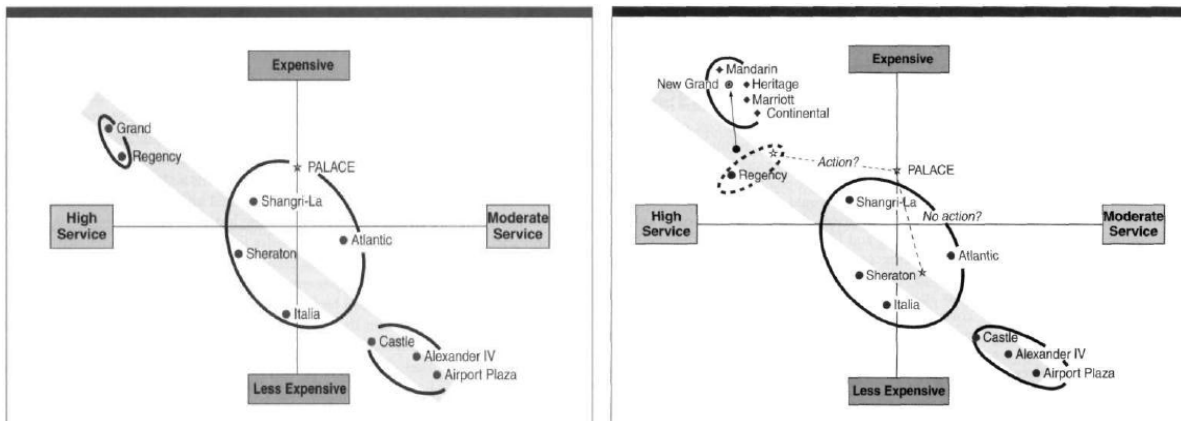
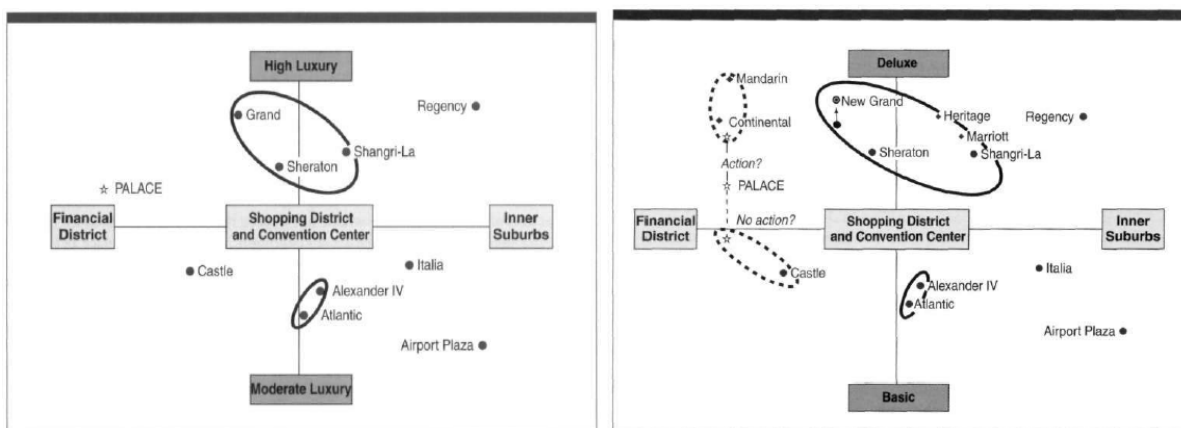


Figure 1



Q.6. Where more than one person is involved in the purchase decision we call the individuals involved in the Decision Making Unit (DMU). Highlight the various roles played by members of the DMU.