GL BAJAJ
Institute of Management & Research, PGDM Institute
Greater Noida

FIND YOUR SPARK

Plot No. 2, Knowledge Park-III, Greater Noida (U.P.) –201306
POST GRADUATE DIPLOMA IN MANAGEMENT (2024-26)
MID TERM EXAMINATION (TERM -III)

Subject Name: **Consumer Behaviour**	Time: **01.00 hrs**
Sub. Code: **PGM34**	Max Marks: **20**

Note: All questions are compulsory.

Read the following case and answer the following questions: 10×2 = 20 **Marks**

Case Study 1: The Impact of Online Reviews on Consumer Decision-Making   CO1

Online reviews play a crucial role in shaping consumer decisions, especially in the e-commerce industry, where trust and credibility significantly impact sales. SmartBuy, a leading online platform specializing in electronics, has built its reputation on offering a seamless shopping experience backed by customer feedback. Studies indicate that **85% of consumers read online reviews before making a purchase decision**, underscoring their influence on buying behavior. Furthermore, **products with ratings below four stars witness a 40% lower conversion rate**, demonstrating how critical positive ratings are for driving sales. Verified user reviews, in particular, have been a key factor in strengthening consumer trust and boosting revenue. However, SmartBuy recently faced a major controversy when a viral social media post accused the company of deliberately removing negative reviews to manipulate product ratings. Despite SmartBuy's official denial of these allegations, consumer trust rapidly declined. Within just two months, the platform experienced a **20% drop in sales**, signaling a severe reputational crisis. This situation highlights the power of online narratives and the fragile nature of consumer confidence in digital marketplaces.

SmartBuy's current predicament presents several challenges that must be addressed promptly to prevent long-term damage to its brand reputation and financial performance. The key issues include:

1. **Loss of Consumer Trust:** The accusations have made customers skeptical about the authenticity of SmartBuy's product reviews. Many now question whether they can rely on the platform's rating system when making purchasing decisions.
2. **Increased Skepticism Toward In-House Ratings:** Due to growing doubts, a significant number of consumers are turning to third-party review websites, such as Trustpilot and Reddit forums, for more unbiased feedback. This shift diminishes the influence of SmartBuy's internal review system.
3. **Brand Reputation Damage:** Competitors have seized this opportunity to position themselves as more transparent and consumer-friendly. Some rival e-commerce platforms have publicly reaffirmed their commitment to genuine, unfiltered customer feedback, further intensifying the competitive pressure on SmartBuy.
4. **Social Media Backlash:** Discussions surrounding SmartBuy's alleged review manipulation continue to circulate on social media, amplifying negative sentiment. The company struggles to contain the fallout, as online conversations make it challenging to control the narrative and restore credibility.

SmartBuy must take immediate action to rebuild consumer trust and repair its damaged reputation. The company is considering several strategic approaches to address the crisis effectively. These include:

- **Implementing Stricter Transparency Policies:** Enhancing review verification processes and making the platform's review moderation policies more transparent could reassure consumers of the platform's integrity.
- **Introducing Third-Party Authentication:** Partnering with an independent review verification service could help restore credibility by ensuring that all posted reviews are genuine and unbiased.
- **Leveraging Influencer Marketing:** Engaging reputable influencers to advocate for SmartBuy's transparency initiatives and product reliability may help shift consumer perception and rebuild positive sentiment.

Questions:
1. How do **online reviews influence** consumer decision-making, and why did negative publicity impact SmartBuy's sales so significantly?
2. What strategies should SmartBuy use to **regain consumer trust** and improve its brand image?

Case Study 2: The Rise and Fall of a Viral Social Media Trend   CO2

Background: FitSnack, a startup specializing in healthy snacks, became an overnight sensation after a TikTok influencer posted a review of its high-protein, low-calorie bars. The video garnered 10 million views in a week, leading to a 500% sales increase.

Unable to keep up with demand, FitSnack's products went out of stock for weeks, frustrating consumers. When supply finally resumed, sales had already begun declining. The brand soon realized that its success was tied to short-lived social media hype rather than genuine consumer loyalty.

Challenges Faced:
1. Trend-Driven Consumers: FitSnack's customers were influenced by viral marketing, not brand loyalty. Many switched to the next trending snack within months.
2. Supply Chain Struggles: The company struggled to restock inventory during peak demand, leading to lost sales opportunities.
3. Competitor Response: Bigger brands quickly launched similar products, capturing FitSnack's market share.
4. Low Repeat Purchases: Once the initial excitement faded, consumers did not repurchase FitSnack's products, leading to declining customer retention rates.

The Dilemma:
FitSnack must decide whether to continue chasing viral marketing strategies or shift towards building a sustainable, long-term brand presence with strong customer relationships.

Questions:
1. Why did FitSnack experience a sudden decline in sales despite its initial success? Apply consumer behaviour theories to explain the shift.
2. What strategies should FitSnack adopt to convert trend-driven buyers into loyal, repeat customers?