

M-381B

PGDM / PGDM (IB), 2017-19

Consumer Behaviour

DM-434 / IB - 411

Trimester – IV, End-Term Examination: September, 2018

Time allowed: 2 Hrs and 30 Min

Max Marks: 50

Roll No: _____

Instruction: Students are required to write Roll No. on every page of the question paper, writing anything except the Roll No will be treated as Unfair Means. In case of rough work please use answer sheet.

Sections	No. of Questions to attempt	Marks	Marks
A	3 out of 5 (Long Questions)	10 Marks each	3*10 = 30
B	Compulsory Case Study	20 Marks	20
		Total Marks	50

Section A (Answer any 3 Questions. Maximum Word Limit to Each Answer Is 500 Words)

Q1. Explain different "levels of cultural norms" with suitable examples. How do consumers learn 'cultural values'?

Q2. What is the tri-component model of attitude? Explain its relevance to marketers with suitable examples.

Q3. Explain the relevance of following concepts to the marketers with appropriate examples

- i. Just noticeable difference (JND)
- ii. Sensory adaptation
- iii. Figure and ground
- iv. Halo effect

Q4. Why is it important to marketers to understand consumers' perceptions? Discuss the dynamics involved in consumer perceptual process.

Q5. Contrast the major characteristics of Freudian and Trait theories of personality. Illustrate how marketers can use these theories in developing and promoting their products and services.

Section B

Read the case "Family owned and operated" and answer the following questions.

Q1. Using multistage consumer making model, describe how consumers typically make furniture purchase decisions? (12)

Q2. Briefly discuss what promotional strategy you recommend to Family Furniture? (4)

Q3. How should Family Furniture respond to competition? (4)

CASE 4 FAMILY FURNITURE

Family Owned and Operated

Family Furniture was established in 1953, shortly after the beginning of the building boom that occurred in response to pent-up housing demand after World War II. Founded by Sy Sokol and Patrick O'Reilly, the firm prospered during the latter half of the twentieth century by providing good customer service, an inviting store appearance, extensive selection, and moderate prices.

By 2005, the firm occupied an 80,000-square-foot store, with a large warehouse and shipping facility. It also operated a 50,000-square-foot satellite store in a fast-growing suburb. Its hometown had grown to an area of 600,000 people, a prosperous community with a major state university and several smaller colleges and universities. Although not located in a large city, three other cities with over 1 million residents are located within 150 miles of Family Furniture.

Ownership has changed over the years with the original partners retiring, and ownership eventually ending up in the hands of the current owner, Cheryl Davidson (who is president and CEO but also oversees all marketing operations). Cheryl's brother Greg owns a smaller number of shares in the company and serves as manager of operations, overseeing inbound logistics, the warehouse, and the company's extensive fleet of delivery vehicles. Although descendants of the founders, Cheryl's and Greg's ownership was purchased from the original owners, financed mostly by loans paid off from profits over the years. Profits were excellent in the 1980s and 1990s, but have declined since 2001 due to flat sales, escalating employee health care benefit costs, and increasing inventory and logistics costs.

Competition

Over the years, Family Furniture's biggest competitors were other furniture stores, as well as the local department store until it stopped selling furniture. Several of the furniture stores have gone out of business or consolidated with the remaining ones. Although some are still effective competitors, none is as large as Family Furniture.

There's no IKEA store in Family Furniture's city, but there's one in a city 125 miles away, and Cheryl is aware that some of her customers drive there to purchase furniture and household accessories. She's also concerned that an increasing number of customers report that they are buying furniture from Pottery Barn and Crate & Barrel, which have stores in the two regional shopping centers serving the city. Cheryl is also concerned that some customers may be buying furniture on the Internet and having it shipped directly to their homes. She knows that mass retailers like Wal*Mart and Target carry numerous furniture items, usually sold *kd* (knocked down, with assembly required), and that warehouse clubs like Sam's and Costco carry a limited selection of top-of-the-line leather sofas and recliners. "Big box" office supply stores also carry desks, chairs, table lamps, and some other items sold by Family Furniture, and specialty carpet stores compete with carpeting lines that Family Furniture has sold well over the years.

A Changing Market

In recent months, Cheryl has spent time observing and talking to customers in the store, noticing that their ages typically are older—forty-five and up for the most part. Yet the city has many young consumers

who graduate from local universities and take jobs in the city or nearby areas. There is also a rapidly increasing number of Latinos living and working in the city and a stable level of about 12 percent African Americans. Because of the university and research orientation of the city, there is also a significant group of well-educated, highly compensated Asian Americans in the community. Unemployment in the city has been low, generally in the 4–5 percent level, even during the recession of the early 2000s, because of the employment base consisting mostly of white-collar, well-educated workers.

Cheryl was particularly interested in what to do about the lack of younger consumers in her store. Family Furniture's market target historically was middle- to higher-income families, who were usually also above age forty-five. Historically, the store targeted females, usually married and making purchasing decisions for the entire family. After reading an article in *Furniture Today*, a trade journal serving the furniture industry, Cheryl began to think of the implications of the U.S. population now consisting of households 50 percent single, and 50 percent married. She also read that those who do marry generally wait until their late twenties. She also wondered if the company was correct to target women rather than men in Family Furniture's marketing plan, especially in a city with many single, young professionals living in the university area and upscale areas of new apartments and condos.

The promotional program of Family Furniture relied on newspaper advertising for much of its early history. More recently, the advertising budget has shifted to television, with commercials placed during or adjacent to local news programs in prime viewing times. A local advertising agency has been responsible for preparing creative content for both print and television, generally showing the location and selection of Family Furniture and emphasizing helpful, friendly service by the store's experienced staff. Although Cheryl emphasizes quality furniture, including well-known national brands, she has been perplexed at how to respond to some competitive furniture stores using "no, no, no" advertising, emphasizing "no down payment, no interest, and no payments until next year." She was recently approached by a small "boutique" advertising agency named Cult Advertising, which suggested the use of nontraditional marketing techniques involving community involvement, a redesigned website, and the purchase of certain key words from Google or other search engines. Cheryl has taken no action on their ideas to incorporate these techniques in the Family Furniture promotional budget.

While talking with a marketing professor at one of the local universities, she asked about the need for research to understand changing markets, how consumers make furniture purchase decisions, and the most effective use of her marketing budget. She also asked the professor's opinion about how to respond to the increasing use of "no, no, no" advertising by competitors. After further discussion, the professor agreed to consider these issues in a research project to be conducted by students in a future class.

Research Study and Results

Students in the marketing class conducted research consisting of three components: secondary research, focus groups, and a survey of one hundred consumers in the core market targets. The sample was constructed to emphasize consumers in the markets in which Family Furniture historically had low penetration: young (average age thirty), male (75 percent), and well educated (college or graduate degree). Responses indicated that 42 percent had household incomes in the range of \$50,000 to \$75,000, 25 percent between \$75,000 to \$100,000, 18 over \$100,000, and 15 percent under \$50,000. The focus groups and questions to the survey were developed using a multistage consumer decision process (CDP) model measuring need recognition, search processes, pre-purchase, alternative evaluation, purchase, consumption, and post-consumption evaluation and divestment.

Some key findings from this research are presented in Tables 4.1, 4.2, and 4.3, along with a summary of the focus group findings in Table 4.4.

TABLE 4.1 *What Prompted Your Most Recent Furniture Purchase?*

	PERCENTAGE OF MOTIVATION RESPONDENTS
Moving	36
Need more furniture	36
Home improvement	15
Other	13

Note: Study used open-ended questions. Need more *furniture* includes answers such as "necessity," "home office," and "build a CD library." *Home improvement* includes answers such as "need comfort," "organization," "remodeling," "replace old furniture," and "wife wants to redecorate." *Other* includes "having more money," "getting a job," "impulse purchase," "starting to live alone," "great deal," "family expansion," and simply "wife's decision."

TABLE 4.2 *Reasons for Choosing a Particular Store*

REASON	PERCENTAGE OF RESPONDENTS
Advertising	3
Previous experience	28
Sale or promotion	36
Recommendation of friend	17
Other	23

Note: Other includes a wide range of answers including "type of furniture," "garage sale," "quality," "location," "had styles that I like," "brand," and so forth.

TABLE 4.3 *Preferred Financing Offers*

TYPE OF OFFER	PERCENTAGE OF RESPONDENTS
Discount for cash payment (e.g., 10 percent, 15 percent)	8
No interest, no payment for first six months	1
Eighteen months no payment, no interest	1
No interest for twelve months	5
No interest for six months	12
No interest for three months	1
No interest for eighteen months	1
No interest for two years	2
No payment for six months	1
No payment for first year	2
On sale, 20 percent off	1

Note: Forty percent said they would have made the purchase without the financing offer, 11 percent said they would buy some but not all of their purchased items without financing, and 18 percent said they would have made no purchase without financing.

TABLE 4.4 *Summary of Focus Groups*

People want to make well-informed, thought-out furniture buying decisions, but often make impulse purchases when they know a furniture purchase is going to be made soon. Respondents frequently reported that their last purchase was made quickly without doing a lot of research because they needed a new piece of furniture, but next time they intend to research; ask family, friends, or coworkers for recommendations; and shop around before making a purchase. When actually faced with a furniture need, consumer intentions are often abandoned if they feel they are getting a good deal on a piece that fits their need.

The most common reasons for new furniture purchases revolved around a life event such as a marriage, birth of a child, a divorce, or moving to a new home. Another common reason was replacing an old or nonfunctional piece. Despite their intentions, buyers make relatively impulsive purchases because the need for the furniture supersedes the need to make a disciplined purchase.

People were most likely to trust information they received from friends or family, and were least likely to trust furniture advertising. One person described furniture ads as "shady." Several people, however, commented that the thing that caused them to enter the store where they eventually made the purchase was a large "SALE" sign. Additionally, people said they would be reluctant to purchase furniture without being able to physically try it out and feel the comfort and workmanship themselves. As a result, many commented that they would search for ideas of styles and brands they like in catalogs and online, but would then look for that brand, or a brand with a similar style, at a store so they could see the furniture in person and try it out themselves.

Regarding the actual purchase, many people said that they had used financing in the past, but would be reluctant to use it again, preferring to save up and pay cash for the item or use a major credit card instead of private label credit. Reasons given for not wanting to use financing included not wanting to lower their credit score, not being sure they understand how financing works, and being worried that charges and interest might end up costing more than the discounts they are receiving. Respondents in this focus group of professional, higher-income consumers were sensitive to the issue of protecting their credit rating. Some indicated that a loyalty or reward program would be preferable to a store credit card. Most people suggested that a store credit card would only be used to get "no, no, no" financing, pay off the balance (even if that meant transferring the balance to another credit card), and then close the account or just cease using the card. The common reason for this statement was perception that store cards may have very high interest and finance charges if items are not paid in full before the end of the promotional period.

Some consumers stated that they will avoid store credit except in cases when they have an "emergency" need for an item and cannot afford to pay cash. On the other hand, several stated that they will use financing for the following reasons: they currently have lower income, but anticipate either a future windfall or increase in income; they desire to feel, or exude the perception, that they can enjoy a lifestyle that is above what they can afford by spreading the payments over a long period of time; or they have a great need because of their current state of life or a life event and lack the resources to afford what they need without financing.