**Roll No.** | | | | | | | | | | | | **Total No. of Pages : 04**

**Total No. of Questions : 15**

**MBA (2012 & Onward) (Sem.–3)**

# CONSUMER BEHAVIOUR

**Subject Code : MBA-901**

**Paper ID : [C1171]**

**Time : 3 Hrs.** **Max. Marks : 60**

**INSTRUCTION TO CANDIDATES :**

1. **SECTION-A contains SIX questions carrying FIVE marks each and students has to attempt any FOUR questions.**
2. **SECTIONS-B consists of FOUR Subsections : Units-I, II, III & IV. Each Subsection contains TWO questions each carrying EIGHT marks each and student has to attempt any ONE question from each Subsection.**
3. **SECTION-C is COMPULSORY and consist of ONE Case Study carrying EIGHT marks.**

## SECTION-A

1. What is the difference between customer research and marketing research?
2. Explain how and why market segmentation is used in consumer behavior.
3. Differentiate between selective perception and Halo effect.
4. What is the difference between rational and emotional motives.
5. Describe the tri-components of the tri-component attitude model.
6. Differentiate between absolute threshold and differential threshold.

## SECTION-B

### UNIT-I

7. Define consumer behavior. Describe the interrelationship between the consumer behavior discipline and the marketing concept. Discuss the role of social and behavioral sciences in developing the consumer decision-making model.

OR

8. Describe the interrelationship between consumer research, market segmentation and targeting You are the brand manager of a new line of light weight autofocus, economically priced digital cameras. Describe how an understanding of consumer behaviour will help you in your segmentation strategy and promotion strategy. What are the consumer behaviour variables that are crucial to your understanding of this market?

## UNIT-II

9. What is personality? Contrast the major characteristics of the following personality theories:

   a) Freudian theory,

   b) Neo-Freudian theory, and

   c) Trait theory.

   In your answer, illustrate how each theory is applied to the understanding of consumer behavior.

OR

10. Define learning and outline how the principles of the major theories of learning applied to the development of marketing strategies?

## UNIT-III

11. Discuss the role of reference groups on consumer behavior. Explain the factors that determine reference group influence. Describe different types of reference groups.

OR

12. Explain the role of the family in the consumer socialization of individuals. Describe the relationship between family decision-making and consumption-related roles. Contrast the traditional family life cycle and the nontraditional family life cycle.

## UNIT-IV

13. Write short notes on the following :

    (a) Economic model of buyer behaviour

    (b) Howard Sheth Model

OR

14. Define opinion leadership. Describe how opinion leaders can be created. Why is an opinion leader a more credible source of product information than an advertisement for the same product?

## SECTION-C

15. **Read the case given below carefully and answer the questions at the end of the case.**

    American Express Co launched its charge card in 1958 expecting to free the consumer's wallet from the large number of credit cards contained therein. The first card was purple cardboard model. Today there are over 34 million plastic American Express cards in use around the world, mostly green but also the more recent gold, platinum and Optima additions which offer credit lines and extended payment schedules. The cards have achieved tremendous success, being accepted at almost 3 million establishments in 130 countries. American Express has become one of the best known brand names among consumer businesses.

American Express' strategy has been to focus strictly on upscale spenders in top-line establishments. However, as its cardholders level off, a new tack has been to get current customers to use their cards more frequently, even for mauncane occasions. It is welcome at over 1800 Cineplex movie theaters and has been tested at McDonald's. Not only are above-average salaried cardholders welcome, but also college students, who have potential for greater earnings.

The American Express card has carefully built its image over a period of time by stressing five factors affecting its prestige : higher price, high quality, limited supply, higher qualifications and exclusive reference groups. The card has been prices far higher than alternative bank cards. Even silver or gold so-called 'prestige' or premium bank cards can often by obtained for no fee. Thus, because the American Express card is priced higher than most other cards around the world it connotes much prestige. However, the challenge is to be expensive enough to be profitable and perceived as exclusive, but low enough to be attainable by appropriate segments. While American Express claims its interest rates are lower than other cards, some feel that consumers don't understand percentage rate comparisons, but instead, respond more directly to fees. Another side of the pricing issue is the fee charged business who accepts the card. This 'merchant discount', or the amount American Express keeps from the charges business submit, is believed to run from 1-25 percent to 1-5 percent higher than other bank cards. This difference can be a significant amount for low-margin or struggling businesses.

The quality issue is closely connected to the pricing question, as people reflect on value received for the price paid. AmEx has pursued a high-quality image based on ordering more and better services than other cards. It provides over 1,400 travel service offices throughout the world. Executives do not apologize for the high cost of the card because they feel the quality is superior. According to one executive, AmEx customers want the best product, not the cheapest product. Although it may sound like a cliche, Management truly insists that the company strive to deliver the highest possible level of service.' The service emphasis extends from the chief executive down through the organization. The company has a system for quantifying quality that measures how long it takes operators to answer service center phones (7 seconds) and how long it takes customers reporting lost cards to receive replacements by mail (48 hours). In addition, AmEx spends heavily to research card member's perceptions of the service they receive.

While AmEx seeks widespread ownership of its card, it must be perceived as not suitable for everyone if it is to maintain its prestige. As AmEx broadens its card's appeal it asks alienating those who are attracted by its upscale image. Such a move has the potential of endangering the card's niche. While helping its profitability, the move may damage its image in the failure.

Will the card be able to retain its 'snob appeal' when the person who uses it to charge a purchase at an exclusive store knows that across town it is being used to buy petrol at a grimy self-service station? Executives claim that the card is a badge of distinction and it doesn't matter where or how the card is used. Others feel that the move to broaden its usage can help profits but hurt the American Express image.

Advertising for American Express has reinforced the desire exclusive image of the card but also broadened it somewhat through successive campaigns. Ads also stress service and try to minimize concern about qualifications by encouraging prospectus to apply even offering an 800 number to facilitate the process. Effective advertising has made the brand extremely recognizable. During the 1970's AmEx ran the 'Do you Know Me?' campaign which presented interesting and well-known famous-named people who were not recognizable but were accorded importance when they used the American Express Card. The promise was that the ordinary user would also be accorded prestige when they used the card. In the long-running 'Membership Has Its Privileges' campaign, cardholders are showing enjoying the man, benefits of the card's services. In all of these campaign, consumers are encouraged to think of being members of an exclusive club, not with 34 million participants.

Perhaps the brightest area for credit card growth is the foreign market, although AmEx lags farbeing its compotators in Japan and Europe. The eventual foreign target market consists of 100 million or more people. One problem slowing expansion will be the merchant discount which some merchants say differs by 4 percent from the charged by bank cards. Another element which may restrict the growth of American-Express in foreign markets is the company name. Politically the name could be a negative factor in some markets. In France, Germany and Britain, the card market is mature therefore, competing against well established cards has been challenging for AmEx. In the Japanese market the card has been able to grow rapidly as a niche player, appealing to users designer-abel affinity. However, the AmEx upscale image is being toned down somewhat as evidence by applications forms that are found even in the back seats of Tokyo taxis.

The ultimate competator for AmEx is not another credit card, but cash. It is estimated that today only 15 percent of the items that could conceivable be charged, are.

American Express has been able to gain success by effectively discerning what its present and potential card members want, and by carefully refining and test marketing new ideas. Te company has learned just what card 'enhancements' (such as automatic car insurance) are really important to customers and don't cost too much to make available. The company maintains a profile of 450 attribute and purchasing patterns on all cardholders that is updated weekly. AmEx segments card owners by lifestyle and income, and then aims services appropriately for each group, such as extra travel insurance for senior citizens concerned with security or a special magazine for students. AmEx then piles its customer database with bill stuffers or catalogs to sell other items to receptive buyers. By carefully targeting direct marketing efforts to cardholders only for products and services that are relevant to them, the company tries to avoid harming the client relationship.

**Questions:**

a. Would you consider the purchase of a card like American Express card a low involvement or a high involvement decision? Give reason for your answer.

b. How is the concept of social class relevant to marketing of American Express card?

c. How has American Express used the concept of social class in marketing its credit cards?