CHAPTER 2

Consumer Behavior: External Factors

External factors such as market economy, culture, social values, vogue, and corporate policies for consumers broadly influence the consumer perceptions, attitude, and consumer behavior. Consumer spending patterns, propensity to consume, pricing and affordability, brand affinity, and product attraction among consumers are determined by the market economic conditions. Prices, interest rates, and credit availability are some of the components of consumer economy with respect to income and wealth, that significantly affect the consumer consumption behavior (Barnes and Olivei 2017). Generally, consumer's behavior and preferences toward products and services do not change as a function of economic conditions. Therefore, any adjustments in expenditure patterns during economic contractions or expansions affect the consumption budget. The choice of consumers tends to shift according to the income and expenditure ratio among the consumers (Kamakura and Du 2012). Credit availability and credit interest rates also affect the consumption patterns in the destination countries. It has been observed that an incremental pattern of disposable income and innovation of products in the market is associated with conspicuous consumption. Lower credit interest rate not only increases the consumption level, but also induces greater irresponsibility in credit card use among consumers (Rajagopal 2016).

Economic indicators affecting consumers' buying behavior are the variables used to measure the financial status of families or individuals. The consumption economics is networked along the factors of income,

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expenditure, products, price, perceived value, satisfaction, and social psychodynamics. The analysis of socio-cultural dimensions is an important consideration in determining the impact of consumer economy and spending behavior. Consumers optimize their buying behavior by analyzing comparative advantages over brands. Convenience of spending using mobile money services has a significant influence on building consumer behavior. The mobile money sources such as ATMs, consumer-to-business instant money transfers, and use of credit and debit cards have not only driven the consumer economy dynamic, but also offered extended limits to consumers on spending (Cobla and Assibey 2018). The growth of e-commerce has provided consumers more shopping convenience and price advantage, which has motivated consumers spending potential as well. Online shopping attracts and persuades the consumers' purchase decision-making process, and ensures satisfaction and loyalty. Online shopping offers liberal access over time and territory to browse shop and transact, and inculcate buying continuum behavior. With the revolution of information technology, the preference for the physical stores among consumers has been reduced and the retail industry has now begun to understand the indispensability of the Internet as a medium of transaction (Sahney et al. 2013).

Price indicators are extrinsic factors that affect the consumer preferences, value for money perceptions, purchase intentions, consumer experience, and consumer behavior. Most companies attract consumers by offering price discounts. Price promotions not only influence mass consumers but also drive post-purchase hedonic consumption experience. Getting a good deal can elevate moods and reduce the 'pain of payment', enhancing consumption enjoyment among consumers. New experiments of consumer products companies involving real spending and consumption demonstrate that when consumption occurs immediately after payment, emotions in reference to price generate consumption experiences. However, this pattern reverses when price–value relationship is disrupted and consumption is delayed (Lee and Tsai 2014). Consumers perceptually track the costs and benefits of price offers of the companies for reconciling those costs and benefits on completion of the transaction. However, prices might significantly precede benefits, as consumers experience the brand over time with the influence of social media and peer networks. Therefore, consumers often set budgets for consumption expenses and track them against their financial estimates. Although, budgets cannot perfectly anticipate consumption opportunities, people may earmark money for a particular consumption. This leads them to either overconsume or underconsume goods within the financial limits and perceived satisfaction (Heath and Soll 1996; Gourville and Soman 1998). Most companies employ technology and capital to accelerate growth in new consumer segments. Samsung and Panasonic Corporations went on aggressively in the Chinese market among vicious price competition in flat-screen and thin film transistor-liquid crystal display television screens which quickly collapsed the demand for conventional televisions in China. Bharti Airtel, a mobile communications company, could enhance its market share and brand presence in India, one of the largest Asian markets, by building its market operation, and by specializing the value chain toward customer care and the regulatory interface, while outsourcing the rest of the services in India. This strategy has helped the company to reduce cost on various variables, and allowed to radically undercut advanced market prices (Ghemawat and Hout 2008; Rajagopal 2016).

Financial and consumer products companies have created a massive credit-linked consumption pattern among consumers. Corporate strategies determining image consciousness, materialism, and consumer spending through credit card usage have extensively influenced consumer attitude, and have driven compulsive buying behavior in the global marketplace (Nga et al. 2011). Lifestyle determinants have proved to be successful in explaining a great deal of the influence on the consumption pattern. Ethnicity, knowledge, social customs, peer culture, and self-esteem also motivate consumers to inculcate new perceptions on quality of life and lifestyle, or alter those existing. For example, knowledge about wine, drinking wine to relax, and sociability were the strongest determinants for spending on wine and developing consumption behavior. External factors prompt behavioral adaptations to social influence, and consequently, consumers are attracted to wine promotions, visiting wine events, and considering wine as a healthy beverage (Brunner and Seigrist 2011).

Most consumer-centric companies engaged in multi-brand marketing operations across the consumer segments offer varied choice to consumers. The array of preferences on brands generates high substitution effect on one hand, drives the cognitive inconsistency in decision-making, and increases the bargaining power of consumers toward brands in reference to pricing and promotional strategies. Favorable price and promotion strategies for brands develop high-perceived value among consumers, which generates positive psychodynamics to create high demand in the market. The customer value-based approach sets the price of a brand based on the value assigned by the customer rather than based on costs or on competition. In evolving value-based pricing strategies, companies use consumer-generated information on the perceived value and relative advantages, which ensures delivering desired consumer value for money (Codini et al. 2012). Companies can take advantage of consumer-generated demand in the market and enjoy near monopoly for a short period. Accordingly, companies can engage consumers in co-creating brands and set desired price levels across the geo-demographic market segments, and deliver adequate customer value to generate brand loyalty.

Companies engaged in manufacturing and marketing of high technology and high-value products often need to create demand by educating the consumers on the prescribed and perceived use values of their products and services. Such demand situation is explained as incipient demand. In the incipient demand, though companies enjoy near monopoly situation for a short period, the market share grows slowly as most consumers respond slowly to the experimental products. However, in both latent and incipient demand situations, there is threat of emergence of disruptive technology and products that target to attack the market share of these companies (Rajagopal 2016).

Consumer culture existing in the society, and the language appeal of communications also affect the consumer perceptions, attitudes, and consumption behavior. Material culture affects the level of demand, the quality and types of products demanded, and their functional features, as well as the means of production of these goods and their distribution. Material culture includes the tools and artifacts, the material or physical things in a society, excluding the physical things found in nature unless they undergo some technological procedure. Language determines the brand etymology. It is an important cultural tool for developing consumer behavior. Brand names in reference to linguistic assets such as phonetics (sounds), etymology (roots of words) and rhetoric (persuasive discourse) enhance the consumer awareness and knowledge, and develop the consumer perceptions. The quality of translation of brand communication from the original source also affects the consumer perception and psychodynamics of consumers. Social institutions play significant role in nurturing the cultural heritage, which is reflected in the individual behavior. Such institutions include family, education, and political structures. The media affects the ways in which people relate to one another, organize their activities to live in harmony with one another, teach acceptable behavior to succeeding generations, and govern themselves. The status of gender in society, the family, social classes, group behavior, age groups, and how societies define decency and civility, are interpreted differently within every culture. Social institutions are a system of regulatory norms and rules of governing actions in pursuit of immediate ends in terms of their conformity with the ultimate common value system of a community.

A word-of-mouth recommendation from a trusted source is perceived to be more influential than corporate communication. Consumers attracted by the product campaigns may feel the taste of traditional marketing, however, a word-of-mouth cuts through the traditional advertisements quickly and makes a place in the consumers' mind effectively. The grapevine effect triggered by the word-of-mouth is the primary factor among a large segment of consumers in making their purchasing decisions. Its influence plays pivotal role when consumers tend to buy a product or service for the first time or when products are relatively expensive. The information factors driven by social media tend to make people conduct more search, seek more opinions, and deliberate longer among the peers than they would otherwise do. The influence of word-of-mouth will probably grow along the digital revolution, and help consumers in making buying decisions. Thus, one-on-one communication designs the consumer opinion analyzing personality of products or services, interventions in decision-making, responsiveness of brand or a company, and trust.

Business Environment

Industry attractiveness has always been central to the business environment in a region or within the corporate conglomerates. Business environment of a company is also affected by the extent of competition that has grown around it. The active and passive market players, innovation and technology, financial markets, and socio-political philosophies in a marketplace also contribute to the business environment of a company within the industry. The industry attractiveness model comprising new entrants, growth of substitutes, bargaining power of consumers and suppliers, and competition within the industry dominate the concerns of companies on marketing strategy and developing consumer value. In an industry with fast-growing competition, consumers face complexities in developing sustainable perceptions and attitude to inculcate behavior. Rapidly emerging new brands from unfamiliar companies attract consumers with low prices. Although most consumers tend to experiment with low priced products and substitute the products that deliver satisfactory experience, they fail to develop sustainable perceptions and build attitude toward repeat buying. However, industry attractiveness describes competition among traditional pipeline brands, which succeeds by optimizing the activities in their value chains. In addition, as a globalization effect, the platform brands that are co-created together with the consumers and producers, such as Uber (transport service), Alibaba (e-commerce), and Airbnb (urban housing) are growing in the market by improving the consumer chain and delivering satisfaction (Van Alstyne et al. 2016). Consumer perceptions remain positive with the above companies as they derive higher satisfaction and value for money.

Emerging consumer products and technology companies invest heavy resources in the efforts required in generating consumer awareness, positive perceptions, rich experience, and value for money among consumers. Such business orientation of companies not only helps in acquiring new consumers but also in building their market share short-term profits. The most profitable businesses are growing in idea-intensive industries by co-creating products and values along with consumers. Therefore, intellectual capital such as design and communications is largely managed in association with consumers. Consumer-centric companies like IKEA (home furnishings and fixtures), Lego (educational toys and movies), and General Mills (food products, packaging, and process improvement) have increased their market competitiveness through consumer co-creation approaches (Dobbs et al. 2015). Consumer engagement in companies builds not only high-perceived values among consumers but also helps in developing social consumption behavior. The positive psychodynamics among consumers through social media and interpersonal relations help in developing pro-brand perceptions, attitude, and behavior. Popular brands try to develop positive perceptions among consumers along the path to purchase, while utility brands influence consumer experience at every touch point. Apple Stores is an example of perceived value-based retailing, which tends to generate consumer experience and develop consumer attitude toward the brand. Consumers in the market with the support of growing information technology view that purchase brands are conventional while the digital brands are utility brands (Bonchek and Bapat 2018).

The buying power of customers determines the extent to which they retain most of the value created for themselves. The threat of substitutes determines the extent to which some other product can meet the same buyer needs, and thus places a ceiling on the amount a buyer is willing to pay for an industry's product. Consumers gain power when they have choices—when their needs can be met by a substitute product or by the same product offered by another company. In addition, high buyer concentration, the threat of backward integration, and low switching costs also add to buyer power. The customer satisfaction is largely value-driven, and it has been observed that the values generate customer loyalty over the period. However not all loyal customers are profitable, and not all profitable customers are loyal (Rajagopal 2012). Consumer behavior is also significantly driven by trust. Trust means an honest day's work for an honest day's pay, a tough but fair dealing, and transparency without hidden agendas. Above all, trust means truth that is an outgrowth of religious sentiments in the society or an individual. The ecosystem of business environment comprising various organizational, behavioral, and marketing factors, which influence consumer perceptions and behavior, is exhibited in Fig. 2.1.

Business environment of a company in a marketplace is broadly affected by the market competition, growth of innovation and technology, and product differentiation as illustrated in Fig. 2.1. These attributes generate product attractiveness in the consumer products companies, which develops consumer preference toward new value

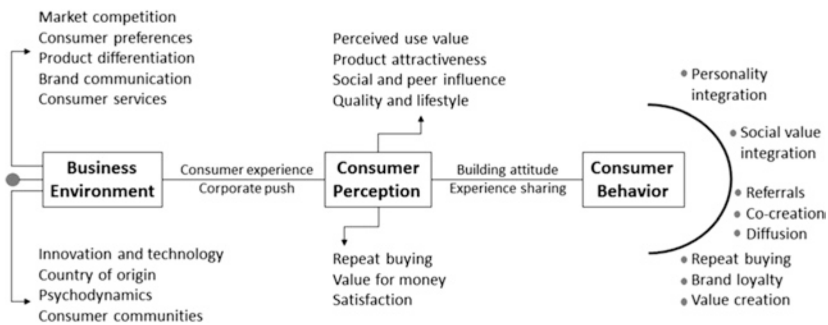

Fig. 2.1 Determinants of business environment affecting consumer behavior

experience. Most companies drive brand values among consumer communities through effective brand communication and psychodynamics (word-of-mouth, digital networks, social media, and interpersonal referrals), which motivate consumers toward gaining new experiences. The consumer experiences on new brands measure the extent of brand attractiveness, perceived use value, its contribution in the value and lifestyle, value for money, and potential of repeat buying. The higher measures of the above indicators deliver higher satisfaction to the consumers. The social and peer influence motivates consumers to experience new products, develop perceptions, and share consumption experience. The consumer behavior is built upon sustained perceptions and attitude by integrating perceptions and attitude into the consumer personality and social values. Consumers exhibiting sustained behavior on products, services, and brands stay as referrals to attract new consumers, co-create products and co-design brands, and help in diffusing brand communication. The repeat buying behavior of consumers generates brand loyalty and helps companies in value creation among fellow consumers at a macro scale.

The digitalized business environment today is affecting consumerism by developing inconsistency in the consumer behavior due to rapid shifts in innovation and technology. The dynamic media landscape has architected fragile business environment today in which marketing and branding strategies of companies motivate consumers toward experiencing new value propositions. Some brands offer a strong, consistent, and focused brand identity covering all consumer touch points from advertising to event promotion and retail environments. The emerging consumer brands attempt to retain their effectiveness in this new media realities and increased consumer experience sharing options. At the same time, brand diffusion effects would also prompt subconscious perception, cognition, and behavior. New research shows that even incidental exposure to a brand can alter consumer behavior in reference to brand identity and consumption desire (Brasel 2012). Designing and development of both hardware and software consumer products in association with consumers has been the contemporary trend in the consumer products companies. The design process of consumer-centric business models encourages consumer engagements in value delivering organizations. The need for innovation and vogue learning models are aimed at nurturing consumer emotions and developing positive perceptions toward the products and services (Beckman and Barry 2007).

Geo-Demographic Factors

Most companies are attracted by the size of the population of a particular consumer segment, and focus on exploiting the consumer emotions to market products and services. It is generally assumed that larger population provides better opportunities for doing business by engaging consumers in diffusing positive psychodynamics through sharing consumption experience. Mass consumer markets are developed for business-to-consumer products and services through effective networking of consumers with the digital space to share their experience and interact with fellow consumers. The digital spaces affect the likelihood of generating emotional reactions on brands with fellow customers and employees of the company. The emotion-causing practices in the boundary-less digital marketing helps consumers in revalidating and strengthening their perception through vividness of opinion of consumers spread across the geo-demographic segments, interactivity, challenge in consumption and gaining experience, and inculcating new social vogue in consumption (Jones et al. 2008).

Most companies of western hemisphere feel that there are a large number of consumers in the mass segment in China and India. However, geo-demographic segmentation is not an accurate indicator to for creating vogue, values, and consumerism. Though high population destination appears to be attractive, but it might consist of several social and cultural barriers. Therefore, consumer companies should learn social and cultural values that affect consumer perceptions and consumerism, by learning through ethnographic research. Ethnography has emerged as a 'fly on the wall' technique, with business anthropologists observing in people's homes to learn consumers' socio-cultural and ethnic influences on their perceptions. Ethnography plays an increasingly important role in formulating consumer-centric business strategies. New research across a variety of companies suggests that ethnography is an artful investigation into exploring what customers do and feel, and how they share their consumption experience. Consumer surveys in this perspective provide flattened snapshots, while the ethnography contributes an empathic understanding of how consumers live, work and play through gritty and detailed descriptions. Whether conveyed in video format, presentations or reports, these stories describe how people confront and surmount the hurdles they encounter in meeting their responsibilities and fulfilling their hopes in our globalized consumer culture (Cayla et al. 2014).

Spending potential of consumers in different geo-demographic segments affect the consumption patterns. Low disposable income among consumers leads to subsistence consumption pattern, which is observed in the bottom-of-the-pyramid geo-demographic segment. Consumer perceptions are affected by various personal and market attributes comprising income levels, occupation, education and learning skills, finances, digital activities, self-congruity and desires, social relationships, and expectations and fears, that determine their consumption behaviors and spending patterns (Silverstein and Sayre 2009). Credit availability across product categories also affect the consumption patterns in different geo-demographic segments. Individual decisions to cut back on consumption, or perhaps increase the dependability on the credit cards to maximize the credit utilization, build compulsive buying and consumption behavior among consumers. Such credit-linked consumption behavior aggregates into tremendous volatility and risk for the companies toward recovering the debts. Companies, like the auto dealers attract consumers by offering various financial promotions. As consumers develop purchase orientation, and lean toward buying credit-linked products frequently, companies tend to create more dependency on credit among consumers (Jarvis and MacMillan 2009).

An incremental pattern of disposable income and innovation of products in the market is associated with conspicuous consumption. Lower credit interest rate not only increases the consumption level, but also induces greater irresponsibility of credit card use among consumers. Greater levels of disposable income are associated with greater levels of compulsive buying and money anxiety (Fogel and Schneider 2011). The rapid economic development, and technological advancement have prompted consumers to part with higher disposable income for buying products selectively. The disparity in consumption and shopping patterns between higher and lower disposable income consumers, along with other macroeconomic factors, bring major challenges to existing companies to choose the overseas destination for doing business. The business infrastructure like shopping centers, transportation, digital communication, and the development of the retail sector also affect the selection of destination for most multinational companies (Wong and Yu 2002; Rajagopal 2016).

It is commonly observed that the disposable incomes of consumers in such shared culture markets are limited, and they stay price sensitive. Contrary to the shared culture destinations, the interrelated culture provides a wide opportunity to the business houses to expand their manufacturing and marketing operations regionally as there are cultural similarities. Latin American countries comprising Mexico, Argentina, Venezuela, Columbia, Peru, and Chile possess similar culture with respect to language, consumption, social, and personal preferences. The business-induced culture prompts consumers to go global for experiencing innovation, technology, value additions, and competitive differentiation in products and services. The emerging consumer philosophy in the global markets is woven around touch, feel, and pick of brands driven by strong word-of-mouth. Some consumer products companies, which market high brand value products tend to position them in the premier consumer segment, create value, and want to expand their brands to the mass and bottom-of-the-pyramid consumer segments over time. In this process, companies tend to exploit less crowded territory of consumers who have higher purchasing power for selective brands like perfumes, wristwatches for men, and fashion accessories. Companies have long used perceptual mapping to understand how consumers feel about their brands relative to competitors' to find gaps in the marketplace for developing brand positions. However, the consumer value of these brands is higher as they not only carry the experience of premier consumers, but also enhance the social value of the brands for the mass and bottom-of-the-pyramid consumer segments (Dawar and Bagga 2015).

The global geo-demographic segments can be broadly classified into the urban, semi-urban, and rural consumer segments. Urban consumers in the global demographics generate nearly three-fourths of the total consumption potential over the other segments. The elderly consumers in the developing economies spend more per capita than younger people, largely because of their needs in healthcare products and services. This consumer segment also contributes nearly half of their spending in housing, transport, and entertainment consumption sectors. Chinese consumers, who constitute the largest demographic segment in the world, tend to spend more on innovative household products, which might be nearly twice the share of their counterparts in North America and Western Europe. Most consumer products companies make efforts to co-create products of consumer preferences on one hand, and tend to customize products and services to acquire new customers and retain the existing ones, on the other. Companies with skills to develop customized products and services are operating on a complex consumer landscape in a competitive marketplace. Strong per capita consumption growth critically depends on per capita income growth across geo-demographic segments. However, the distribution of incomes, and the evolution of prices of consumer goods and services also affect the consumption patterns among various consumer segments. In emerging markets, the mass consumers tend to spend a lower share and save a higher share of their income, as compared to the higher-income households (Dobbs et al. 2016).

Consumer Culture and Behavior

Fashion, social differentiators, and personal criterion often drive consumers to adapt culture from external sources, or get attracted toward the 'country-of-origin' brands. Such culture may be defined as acquired culture, which is largely confined among the high-end consumers in the society. The flow of cognitive perceptions on consumer culture is observed in a waterfall paradigm that flows from affecting consumption behavior from the premium segments (luxury brands) to the bottom-of-the-pyramid consumer segments. The consumer culture is gradually transformed as 'desire' toward the high-end brands across the geo-demographic segments. Emerging markets are continuously transforming with the vogue, innovation and technology, and changing socio-cultural values. Luxury products continue to penetrate in the mass markets, as they tend to drift downstream markets from global markets. The prestige of brands like Louis Vuitton, Christion Dior, and Mont Blanc has penetrated into the mass market alongside their stakes in the premium consumer segment. High-end consumers perceive that luxury is a 'state-of-mind', which has been tied more to rarity and exclusivity than the 'utilitarian' concept of low-end consumers. In order to capture the mounting demands, not only from premium consumer segment, but also from the mass market consumers, luxury brands exhibit virtual rarity tactics, are positioned as a piece of aesthetics, and drive a fashion business model. Brands in the luxury sector are actually selling symbolic and magic power to the masses, and altering consumption culture rapidly (Kapferer 2012).

Consumer exhibit asymmetric buying behavior within multiple cultures and subcultures, which leads to differences in consumption practices. For example, whenever consumers adapt to another culture, they may experience cultural shock. Sometimes consumers feel that their consumption culture is superior to the acquired culture. The ethnocentrism endorses such consumer behavior wherein consumers judge the consumption culture of other societies negatively because they have different cultural beliefs. Ethnocentric consumers judge other social groups relative to their own ethnic group or culture, especially with concern for language, behavior, customs, and religion. These ethnic distinctions and subdivisions serve to define each ethnicity's unique cultural identity. Consumer ethnocentrism is a psychologically driven consumption pattern that refers to consumers who believe that products manufactured in their region are superior to those of others. Multinational companies are pursuing emerging markets by introducing new consumption practices and modifying the conventional consumer values. Consumers in the continuously changing market culture and lifestyles often feel chaotic in streamlining their perceptions toward the brands, companies, and decision leverages. Such cultural dynamics in the global markets also pose recurrent marketing challenges to companies toward developing sustained preferences of consumers across proliferation of product categories and brands. The cultural values spread across geo-demographic segments provide the differentiation platform for various consumer brands (Kumar et al. 2011). This concept of acquired cultural stimuli describes that consumers may develop purchase intentions for a brand in one destination market, but lean toward other destination markets. It is a common belief that signs of consumer ethnocentrism by adapting to the acquired culture and consumption pattern does not guarantee permanent change in the social, cultural and consumption values among consumers across geo-demographic segments.

Contrary to ethnocentrism, consumer following xenocentrism,[1] easily adapt to external consumption culture, as they believe that the external consumption culture is better than the existing one. The increasing market competition, experience marketing, sharing information on social media, and consumer research have turned the consumers xenocentric. Such consumption philosophy has developed cross-cultural consumption behavior among the consumers in the developed and emerging markets. The metropolitan and urban consumer culture is largely xenocentric, and is more powerful in driving the marketing strategies of most companies.

[1] Xenocentrism in social psychology is defined as the preference of people for the products, styles, or ideas of external culture, which may be of a country, region, society, or an individual over their own.

Culture influences many aspects of marketing-mix in the host country. An international firm makes its market-oriented decisions in reference to the various customer perspectives that are determined by customer lifestyles and behavior patterns. The cultural aspects largely affect the products that people buy, the attributes that value, and the referrals that govern the buying decisions of the consumers. Culture creates the system of communication among consumer about acceptance and rejection of the products and services, for example, food. Influence of Italian culture in global markets plays an important role for the creation or expansion of markets for Italian products (Rajagopal and Castaño 2015). Consumers experience brands emotionally, not through individual communications, i.e. advertising, packaging, online presence or promotions, but in their totality. There exists in every country a *culture screen*, which generates cognitive and affective influences, and shapes the interpersonal and personal determinants to form the consumer behavior.

Customer-centric companies need to critically analyze cultural attributes, and understand socio-cultural dynamics in the geo-demographic segments within the society for developing appropriate self-congruence, emotions, social values, perceptions, attitude, and behavior toward the brands. For example, in India, the Barbie doll (Mattle Inc.) had encountered socio-cultural, ethnic, perceptional issues. In a conservative society like India, the concept of a boyfriend was unacceptable in the Indian families. The introduction of new character Ken as the boyfriend of Barbie in mid-2000 had raised several social and political controversies in the country. However, over time the company withdrew ken and introduced another character Mark as the brother of Barbie. Since brothers and sisters in India are much closer than in Western societies, Mark as Barbie's brother helped in reforming the consumers' perceptions in tune to the social values in the Indian market (Rajagopal 2016). However, most young consumers observe dynamic consumer behavior, who travel to out-of-town markets to purchase goods. Out-shoppers literally go extra miles to shop for better quality and assortment of merchandise, higher quality of personal service, pleasant shopping atmospherics, and competitive prices (Guo and Wang 2009).

It is necessary for a marketer to remember that self-referencing can be misleading while interpreting various cultural manifestations in different countries. Self-Referencing Criterion (SRC) is described as a process by which judgments on others are formed. It involves judging others' behavior against antecedents and experiences that are weighed on a preconceived platform of thinking. Before framing perceptions and conclusions, it would be wise to check with the people who are familiar with the culture of the host country, and perhaps debate the issues of concern on a knowledgeable base. However, the bottom line is that an international marketer should learn about the culture by creating trust on the first impressions or preconceptions, and play down self-referencing in favor of information that is more objective. Cultural adaptation refers to the making of business decisions appropriate to the cultural traits of the society. In other words, decision-makers must ensure that native customs and conditions, and taboos offer no constraint to implementation of the marketing plan.

The general culture defines a set of acceptable and unacceptable behaviors within the social norms. Individuals should learn to act according to these behavioral norms, while managers need to learn how to do business. These are the processes of enculturation and socialization. They determine how individuals will behave as consumers in the marketplace, how demanding they are, how they voice complaints, how managers will approach subordinates and peers, and so forth. In due course of time, individuals become skilled in exhibiting acceptable behaviors and identifying the unacceptable behaviors in order to be less risk averse. An American marketer will be good at briefly presenting his or her point of view, while the Japanese counterpart will be good at listening. However, going beyond one's accustomed norms is hard to do. It is difficult to map consumer perceptions and measure value propositions accurately as it is psychologically complicated. However, general conventions about understanding the consumer value do exist by way of creating innovative experience, value for money, and satisfaction in tune to the self-congruence. These measures toward consumer value will pay off in stronger customer loyalty, greater consumer willingness to try a particular brand, and sustained revenue growth. The deeper analysis of 'elements of value' has its conceptual roots to Maslow's 'hierarchy of needs' and extends focusing on consumers toward understanding their behavior around products and services. The core elements of value can be arrayed in a pyramid with reference to 'functional values' at the bottom, followed by emotional, quality of life, and social values at the peak. Most consumer products companies have invested resources in improving these elements to grow revenue, refine product design to better meet customers' needs, identify customers' core perceived strengths and weaknesses, and cross-sell brands (Almquist et al. 2016).

Acceptable behavior in a business firm is usually a reflection of acceptable behavior in society, especially if the company is large. In multinational companies, employees cannot learn about consumers closely, and thus have to rely on more arm's-length relationships with consumers, converging the consumer and the corporate culture. The regional business houses, which are relatively smaller than the multinational companies may be less orthodox, with an organizational culture that is cultivated, is unique and different, form the larger societies. Relationship building is a prerequisite for an international firm to achieve success in business. The manager of an international firm should ask the sales representative of his company how many new relationships were built, and if the employee participated in the local culture, before evaluating his performance at the end of the day of business.

The urban and ethnic marketing strategy requires an understanding of in-culture nuances and lifestyle of the marketing segment that a business is trying to reach. While urban marketing is employed to reach different ethnic geo-demographic segments within the market areas, it is also used to reach certain niche markets best found in urban environments. Urban and ethnic marketing strategies integrate consumer-marketing solutions including Internet and technology aspects. For example, Paper Boat, an ethnic soft drink brand of India, was positioned on nostalgia and ethnic taste in a niche market. The company adapted an uncommon and the other a different manner of looking at brand positioning. The marketing strategy of Paper Boat moves around nostalgia and simplicity in its storytelling campaign to develop consumer perceptions on not only on brand, but also on ethnicity of the product. The campaign was focused on the urban population, mainly people of the age group of 20–40 years. The campaign was launched on digital space using platforms like Facebook, Twitter, Instagram, and YouTube to create consumer awareness, trust, and conviction among consumers toward buying. The content story in brand campaigns moves all around its brand philosophy—'Life Still Is Beautiful'. This brand has been co-created by consumers by sharing their childhood stories and moments on social media (Kumar and Sivagurunathan 2017).

An international marketer should evaluate the psychographic and demographic profiles that indicate the target market of urban and ethnic groups. The General Motors (GM) Company made significant contributions to the cultural event on 'America on the Move' to exhibit at the Smithsonian's National Museum of American History. GM appeared to be the largest single donor that ever contributed to a cultural group.

This promotional strategy won the car company naming rights and a prominent place in all promotions. However, museum curators insisted that the car company had no influence on content; there had been accusations that the exhibit was a commercial for GM.

Seasonality and Consumer Perceptions

The key factors fostering growth in packaged food markets are convenience, functionality, and indulgence, with packaging becoming an integral constituent of processed food products, which contributes to consumer value and market demand. Recent trends in the marketing of functional foods suggest that multiple benefit products are becoming more common, and frequent introduction of new processed food products in the market is being encouraged. Companies stimulate consumer preferences for new product introductions based on some specific nutritional attributes, e.g. tomato juice with soy positioned on its organic and nutritional attributes. While naturally occurring nutrients are preferred over fortification, health benefits and the use of natural ingredients are positively valued. However, such preferences and valuations are influenced by an individual's education, income, and food purchase behavior (Teratanavat and Hooker 2006).

Some research studies indicate that the influential impact of adopting a market orientation; developing competencies in advantage-generating consumer food products, channel and relationship management areas; leveraging strategically relevant managerial, production and brand resources; and deploying appropriate competitive marketing strategies significantly affect the process of new products introductions and variability in their cyclicality (Ibeh et al. 2006). Consumer-oriented innovation is an increasingly important source of new product development and competitive advantage in reference to the speed with which product innovations are introduced to the market (Davenport et al. 2003). In many cases, aesthetic properties are as important as technical functions. When one considers the subjective part of the requirements, the feelings, impressions, sensations, or preferences of the consumers must be quantified and modeled in advance. This is a major challenge in new consumer products design (Petiot and Grognet 2006). There are many marketing concepts including market orientation, marketing competencies and resources, and competitive marketing strategies that explain success among small agro-food companies in international markets.

There are many externalities in a market that influence companies' decisions on the most appropriate time to launch new consumer products including issues of seasonality. Clearly, it should be beneficial to launch a new product as seasonal demand grows, and predicting this high season for a product is vital (Radas and Shugan 1998). The timing of new product introduction has drawn significant research interest, and many studies have traditionally analyzed the introduction of new products within the context of product line expansions in a given time. It has been observed that optimal timing of introducing two new products depends on the degree of substitutability between an extension of an existing product line, and the introduction of an improved product (Wilson and Norton 1989). A sequential introduction of two new products—one of high quality, and the other of lower quality—in the market alleviates cannibalization by forcing consumers of the lower end product to wait before they make a purchase. With this strategy, the company balances the benefits of weaker cannibalization against the deferring of profits from the low-end product (Moorthy and Png 1992). Hence, producers may delay introducing new products until the need for growth is felt to be greater than the fear of cannibalizing their existing products. In the retail food sector, it has been observed that entry-based advantages for new products are due to the relationship between market demand and consumer perceptions. The perceptual measures of overall preferences and attribute-level beliefs contribute to the success of new products. However, early entrants are perceived by the customers to be significantly superior to later entrants (Denstadli et al. 2005).

A deeper understanding of how beliefs work can help companies not only to understand consumer behavior, but also to overcome marketing challenges caused by the uncertainty of consumer perceptions and attitudes. About the food and beverage market, consumer beliefs that healthy food is expensive, and has unpleasant taste, are significant barriers toward purchasing it. If these beliefs are top-of-mind during consumption, they develop negative cognition, and can also diminish the perceived satisfaction of that food and the chances of a repeat purchase. The product origin, manufacturing processes, and specific ingredients can also alter consumer perceptions on quality and taste. Consumers make choice differently amidst the available options, which may be considered as a product of so-called decision fatigue. Consumers also make very different decisions considering the balance of cost, time, and risk in consumption behavior (Cummings et al. 2015).

Introduction of new products in the marketplace seems critical for many companies to check the decline in the overall sales volume of their products, and prevent consumers from switching to other brands. However, timing of launching new products is crucial for their success in the market, and companies need to carefully analyze the market conditions before introducing the new products (Axarloglou 2003). Introduction of new consumer products often faces operational problems in managing proper supplies. Manufacturers of consumer goods need to see the market situation and the end consumer demand, in order to efficiently allocate production capacity and procure materials. However, the difficulty of obtaining timely and accurate demand data from the point-of-sales (POS) calls for alternative solutions. A research study offers a solution, which is based on readily available sell-through data from channel partners, such as distributors, to monitor what happens in the market in product introduction situations. The difficulty with using demand information from distributors rather than the POS is the bullwhip effect that distorts demand move upstream in the supply chain (Salmi and Holmström 2004). Physical factors such as time and place involved in buying new products also affect consumer decisions toward new products.

The multinational self-service and convenience stores in emerging markets have redefined their strategies for retailing processed food products to consumers by taking into account local buying preferences. It has been observed that the attributes determining the overall acceptance of new food products among consumers in emerging markets are significantly influenced by product attractiveness and price sensitivity. Appearance, taste, and overall liking influenced purchase intent. However, sensory attributes play a vital role in making decisions for acceptance and purchase intent of new food products among consumers (Herrera-Corredor et al. 2007). Consumers are largely influenced by product attractiveness and show higher store loyalty, irrespective of higher prices. When choosing food products and store, consumers evaluate both the fixed and variable utilities of shopping; the fixed utility does not vary from trip to trip whereas the variable utility depends on the size and composition of the shopping list (Rajagopal 2006; Tang et al. 2001). Preferences and perceptions of consumers on new food products also depend on the social and cultural values. New products introduced in the emerging market are generally expensive, and price is considered as a major factor influencing consumption. Most consumers put more emphasis on the country-of-origin of food products than on brand

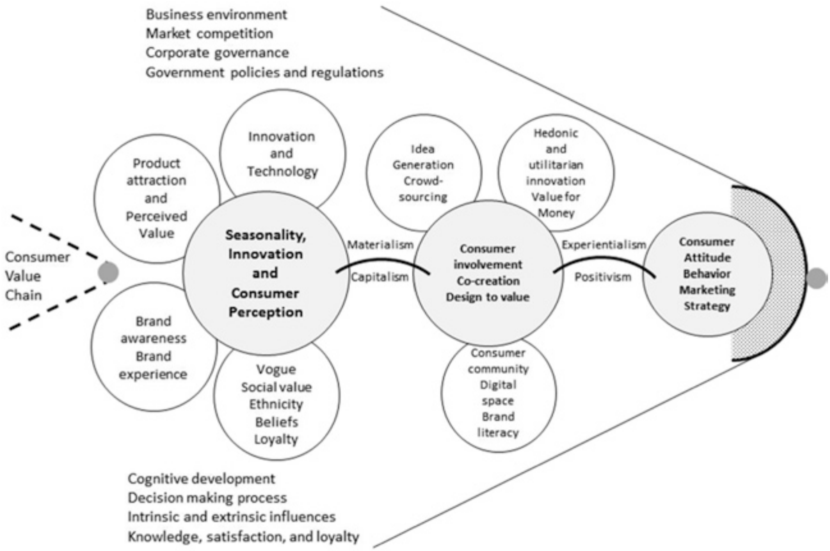

Fig. 2.2 Seasonality factors affecting consumer perception and behavior

names. The various factors affecting seasonality and consumer perceptions are illustrated in Fig. 2.2.

Seasonality in consumer products market is driven by the speed of innovation and technology alongside the trendy products and changing social values as exhibited in Fig. 2.2. Companies launch new products in the competitive marketplace with hedonic or utilitarian values to attract consumers. Consumers develop sustainable perceived use values if the product attractiveness is endorsed by the brand awareness and brand experience. In addition to the newness of products, vogue, social value, ethnic perceptions, and consumer beliefs inculcate the experiential attitude among consumers. Most consumer-centric companies develop new products as 'design-to-value' by involving consumers in co-creation process. Such consumer engagements in new product development help companies manage seasonality of products effectively in the marketplace, and develop sustainable consumer attitude and consumption behavior. Therefore, it observed that like product seasonality, consumer behavior also turns seasonal over time. The consumer value chain often supports seasonality of consumer behavior.

Seasonality and continuous innovations are interrelated, and their convergence affects the consumer perceptions, behavior, and consumption decisions. Traditionally, positioning innovation of products and services makes a company competitive is a myth in the present state of global marketing. Thus firms continually reinvent in large and small ways in reference to shift in market demand and changes in the economy and develop competitive marketing strategy in reference to shifts in the product and market behavior, knowledge of innovative products, and innovation positions. Though the company may develop efficiency with regards to the above strategic positions of product/market, knowledge and innovation independently, the firms are still risk averse with the innovation (McDonough et al. 2008).

Strategies that can provide innovative combinations of products and services as 'high-value integrated solutions' tailored to each consumer's needs, instead of simply 'moving downstream' into services, are being developed by large and reputable firms in order to sustain in increasingly competitive markets. Innovative combinations of service capabilities such as operations, business consultancy, and finance are required to provide complete solutions to every consumer's needs in order to augment the consumer value perceived in innovative or new products. The time gap between the changes in customer preferences and product-mix affects the introduction of new product and its lifecycle in a given market environment. The consumer product manufacturing and marketing firms observe seasonality within markets, and expose their business to demand volatility elements of the complex product-mix. Market-responsive manufacturing strategy entails adaptive and flexible production and supply capability in conjunction with real-time market interaction through profit optimization. Successful innovation leads to customer involvement and profits, which can be achieved through the co-creation, by aligning consumers and market players in the innovation process. Some multinational companies have invested resources taking advantage of social media to diffuse new ideas and stimulating co-creation of innovative products and services. For many companies, developing new products does not occur as a chance or coincidence. Innovative products emerge through careful attention to many important criteria. Firms should analyze their innovation practices and capabilities to become more effective in driving innovation as breakthrough and gain the competitive advantage. The contribution of employees towards innovation in products, services or strategy signifies the value and quality of innovation portfolio of an organization, and projects the innovation effectiveness curve of the company (Rajagopal 2014; Kandybin 2009).

It has been observed that the effects of consumers' decision on their probability to try new product are systematically moderated by elements of the marketing strategy associated with the new product (Steenkamp and Gielens 2003). As new products are introduced, a firm may routinely pass operational costs on to consumers resulting into high prices. However, some marketplace- and experimental studies show that consumers are more sensitive to changes in price than to innovation and new products introduced by the firm (Gourville and Koehler 2004). Accordingly, a more effective strategy in a competitive situation may be to maintain price, with greater emphasis on quality, brand name, post-sales services, and consumer relations management as non-price factors in order to drive the new product in the market. In addition, variations in seasonality and market demand also affect new products.

Co-creation, Consumer Value, and Behavioral Dimensions

Most companies play a proactive role to launch innovative products and prepare marketing strategies in reference to the existing market competition and business goals of the firms. Often, new products do not get desired success due to the lack of organizational policies and teamwork. Thus, it is required to inculcate the team behavior in developing the new products and popularizing them in the test market segments. The results of the test markets may be further carried out in the larger segments. It is essential to drive adequate brainstorming to map the basic (consumers' perceptions) and secondary markets (operational market players such as distributors, retailers, inventory managers and the like) requirements for the product, listing the product attributes, and identifying the forced relationship of other goods and services with the new product (Rajagopal 2014).

Innovation value chain comprises idea generation, conversion, and diffusion as the critical activities. Innovation is a process of collecting new ideas from inside and outside the firm, screening and selecting ideas, funding them, and promoting and diffusing them companywide. Using this framework, managers get an end-to-end view of their innovation efforts. Accordingly, the weakest links can be identified, and innovation best practices can be tailored appropriately to strengthen those links.

It is important for the emerging firms to note that most innovations typically succumb to the above weak scenarios of an economically nonviable and technologically non-feasible idea, poor conversions between ideation stage to the finished product stage in the innovation process, and feeble diffusion of innovations to the end users (Hansen and Birkinshaw 2007; Rajagopal 2014). Companies often begin their search for new ideas by encouraging brainstorming, thinking outside the box, or by conducting quantitative analysis of existing market and financial data and customer opinions. These approaches may produce acceptable ideas at best. The problem with the first method is that few people are very good at unstructured and abstract brainstorming, while the second approach may cause fabricated databases usually compiled to offer biased information, and customers can rarely reveal if they need or want a product they have never seen.

The innovation drivers in reference to its backward and forward linkages, unique propositions, innovation value, and high investment to carry out product innovation occur during the introduction stage of the innovation lifecycle. Firms foster the strategies of 4-As including awareness, acceptance, availability, and affordability, to strengthen the product in order to reduce the market risk and gain competitive advantage of the new product in the marketplace. As the innovative products move to the growth stage, firms put more impetus on sales by refining the marketing-mix strategies in reference to the following elements consisting of 11 Ps comprising product, price, place, promotion, packaging, pace, people, performance, psychodynamics, posture, and proliferation (Rajagopal 2012). The young consumers have shown greater influence of marketing-mix element on developing buying perception and behavior. They exhibit an association with cognitive philosophies of both materialism and experientialism by considering economic value of products and vogue. Consumers exhibit well-scrutinized buying behaviors such as comparing prices, using coupons or loyalty cards more often, seeking out sales and promotions, shopping at several stores to find better deals, and buying more products in bulk. In emerging markets, consumers identify their preferred brands and keep evaluating their spending capabilities closely in reference to the price and promotion dynamics of these brands. Most consumers in mass-geo-demographic segment tend to buy with discount coupons, or when these brands are on sale. Consumers shop around the markets to find retailers who sell the brands at lower prices, or they lean toward purchasing smaller quantities of the brand. Consumers in the USA have reduced as much as one-fifth of their spending toward online retailers, hard discounters, and wholesale stores. Hence, successful consumer products companies develop a nuanced and detailed understanding of the specific needs and preferences of the various subsegments of consumers (Magni et al. 2016).

Consumers in this group are strong followers of lead users, and stand as effective opinion leaders for influencing the early majority of consumers. Most companies deploy enormous resources in advertising, communication, and social media involvement during the late growth and maturity stage to drive customers who are less affluent, less educated, but ready to experiment the innovative products. The early majority consumer segment constitutes relatively larger segment than the previous consumer segments but is confined to niche. However, the following stage is of late majority, which is a very large segment and often represents about half of the total number of consumers in a given market area. This consumer segment exhibits high adaptability with the innovative products and derives satisfactory value for money that makes the late majority consumers as frequent buyers. Consumers in this segment are price sensitive, and post the threat of defection when more attractive substitute products penetrate in the market. However, a small number of (about 20%) of consumers in each market segment are hard to drive for buying any innovative product as they are indecisive and difficult to convince. Such segment of consumers is found in all stages of growth of innovative products but is apparently huge in number during the decline stage of the product lifecycle (Rajagopal 2014).

The fast-moving consumer goods (FMCG) have a quick shelf turnover, relatively low cost, and quick buying decisions of consumers. The rate of change within the FMCG market sectors continues apace, particularly in the area of innovation and value additions. A firm may combine innovation and technologies in the new products to create customer value and competitive gains. New and modern players have moved rapidly into the growing FMCG retail market. The FMCG sector in the retail market segments is largely attracted by innovations in product attributes and packaging, besides the price sensitivity. It has been observed that the effects of the consumers' decision on their probability to try new product are systematically moderated by elements of the marketing strategy associated with the new product, and by FMCG characteristics. Most of the new products in the FMCG category like processed food products, cosmetics, etc. face competition in the market, and the firms penetrate into the oligopolistic market conditions (Steenkamp and Gielens 2003). Under such market conditions, the customer value is also driven by the satisfaction offered by the substitutes. Often, the firms face competition within their product line due to implementation of product overlap strategy, which generates conflicting customer values. When a firm introduces a high-value product derived out of the research and development efforts, it prescribes the use value for it. However, the perceived use value for the product may not match with the prescribed use value tagged to the product by the firm. Such uncertainty may cause low performance of product in terms of buying preferences (Rajagopal 2014).

In the Internet age, firms are recognizing the power of the Internet as a platform for co-creating value with customers. Internet has affected the process of collaborative innovation as a key process in value co-creation. Distinctive capabilities of the Internet as a platform for customer engagement including interactivity, enhanced reach, persistence, speed, and flexibility suggest that firms can use these capabilities to engage customers in collaborative product innovation through a variety of Internet-based mechanisms. The network mechanisms can facilitate collaborative innovation at different stages of the new product development process, and for differing levels of customer involvement. Ducati, a manufacturer of motorbikes, and Eli Lilly, a multinational pharmaceutical company, are found actively engaged in encouraging customer involvement in developing new products (Sawhney et al. 2005). In pursuing growth through product innovation, companies should look at their customers as partners in creating and building value. Consumers today have near-instant access to all the information they need on virtually any product. Moreover, they are using this information to influence product development as individuals and, more importantly, through user communities and review groups (Johnson 2006). Customer value in terms of satisfaction, use value, retailing practices, price, quality, and media appreciation is one of the indicators for building brand value for the nonconventional products and unfamiliar brands of a firm. The firms evaluate the product performance of an innovative product in the given market, and determine the approach for gaining competitive advantage over the traditional products may apply customer value concepts. In order to gain the returns in the long-term on the aggregate customer value, firms need to estimate the profitability associated thereof in terms of product attractiveness, volume of buying, and market share while introducing the new products in a competitive market environment.

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