UNIVERSITY OF PETROLEUM AND ENERGY STUDIES

End Semester Examination – May 2017

Program/course: MBA Core (Marketing) | **Semester – II**
Subject: Consumer Buying Behavior | **Max. Marks: 100**
Code: MBCM 763 | **Duration: 3 Hrs**
No. of page/s: 7

Note: All sections are compulsory.

Section – A
(2x10=20 Marks)

Q.1 Which of the following is not a part of selective perception?
a.) Selective exposure
b.) Perceptual attention
c.) Perceptual defense
d.) Perceptual blocking

Q2. Attribution theory was given by:
a.) Herzberg
b.) Vroom
c.) Fritz Heider
d.) Maslow

Q3. Which of the following happens in classical condition?
a.) Unconditioned response made conditioned response
b.) Perceptual learning changed to perceptual attention
c.) Conditioned response made to unconditioned response
d.) Perceptual attention changes to perceptual learning

Q4. Which of the following is not a part of operant conditioning?
a.) Positive reinforcement
b.) Negative reinforcement
c.) Motivation
d.) Extinction

Q5. Which of the following is not a part of Tri-component model of attitude?
a.) Cognitive

b.) Affective
c.) Supportive
d.) Conative

Q6. ***j.n.d.*** is ____

Q7. Upward mobility means____

Q8. Reference groups, which do not physically meet like in social media, are:
a.) Friendship groups
b.) Brand communities
c.) Virtual groups
d.) Work groups

Q9. Which of the following is typically an eastern cultural value:
a.) Individualism
b.) Collectivism
c.) Modernism
d.) None of the above

Q10. Passive view of consumer decision making assumes
a.) Consumer to make perfect decision
b.) Consumer to make emotional decision
c.) Consumer to be manipulated by marketer
d.) Consumer to make calculated decision

Section – B
(4x5=20 Marks)

Attempt any four questions. Each question carries 5 marks.

Q1. Explain the significance of social class to consumer behavior.
Q2. What is a reference group? Explain different reference group types.
Q3. What are core cultural values? Explain their alignment w.r.t. eastern and western nations.
Q4. What are the different levels of consumer decision making? Explain each briefly.
Q5. What is arousal of motive? Explain each briefly.

Section – C
(2x15=30 Marks)

Attempt any two questions. Each question carries 15 marks.

Q1. Compare and contrast the economic view, passive view, cognitive view and emotional view with each other. Of the four views which is most often seen in consumer behavior? Support your answer with examples.

(15 Marks)

Q2. With close reference to the case *'Paper boat: Branding nostalgia'* discuss the marketing strategy of Hector Beverages in marketing ethnic drinks. With analysis of STP, suggest the best product mix for the company as future strategy.

(15 Marks)

Q3. What is sensory branding? With close reference to the case *'Sensory branding: Oreo in the Indian context'* analyze the effectiveness of sensory perception in branding. Support your answer with examples from the case and other than those discussed in the case.

(15 Marks)

Section – D
(2x15=30 Marks)

Read the text below and answer the questions that follow:

Cultivating the Green Consumer

At long last, the impulse to go green is spreading faster than a morning glory. Organizations of all types are launching green campaigns—from the city of London's Congestion Charge on automobiles, to Wal-Mart Stores Inc.'s push to sell organic foods, to the University of Texas's construction of LEED green buildings. Consumers too are getting behind the idea of being greener. In almost every opinion poll, consumers say that they are very concerned about climate change. They worry about rising seas, declining air quality, shrinking animal habitats, lengthening droughts, and newly brewing diseases. And they connect the dots back to their own purchases, finds a 2007 McKinsey & Company global survey of 7,751 consumers in eight major economies.[1] Our results show that a full 87 percent of these consumers are concerned about the environmental and social impacts of the products they buy.

But when it comes to actually buying green goods, words and deeds often part ways. Only 33 percent of consumers in our survey say they are ready to buy green products or have already done so. And, according to a 2007 *Chain Store Age* survey of 822 U.S. consumers, only 25 percent say they have bought a green product other than organic food or energy efficient lighting. By and large, consumers tend to ignore other Earth-friendly products such as carpets made from recycled fiber and energy-saving computers.

Even the green goods that have caught on have tiny market shares. Organic foods—which consumers buy more for their own health than for the environment's—accounted for less than 3 percent of all food sales in 2006, according to the *Nutrition Business Journal*. In 2006, green laundry detergents and household cleaners made up less than 2 percent of sales in their categories. And despite their trendiness, hybrid cars made up little more than 2 percent of the U.S. auto market in 2007, according to a report by J.D. Power and Associates.

As a result, consumers in the United States and other developed countries have done little to lighten their carbon footprints. Some of this lag between talking and walking could reflect consumers' insincerity, laziness, posturing, or other unsavory traits. But much more of it is because businesses have not educated consumers about the benefits of green products and have failed to create green products that meet consumers' needs.

Consumers want to act green, but they expect businesses to lead the way. According to our global survey, 61 percent of consumers say that corporations should take the lead in tackling the issue of climate change. To do this, businesses need to develop more and better Earth-friendly products. Some already are, but they are not doing a good job of marketing them, finds a Climate Group study, which discovered that two-thirds of American and British consumers cannot name a green brand. Similarly, the 2007 National Technology Readiness Survey of 1,025 U.S. adults found that more than two thirds of participants say they prefer to do business with environmentally responsible companies, but almost half say it is difficult to find green goods and services.

Corporations can reap multiple benefits by going green. They can reduce their energy consumption, lessen their risks, meet competitive threats, enhance their brands, and increase their revenues. Consider the success of compact fluorescent lightbulbs (CFLs), for example. In 2005, sales of CFLs accounted for less than 5 percent of the total lightbulb market. But only two years later, in 2007—the year that the public woke up to the looming threat of climate change—CFLs captured an estimated 20 percent of the lightbulb market, according to the U.S. Environmental Protection Agency (EPA). Companies that sell CFLs, like General Electric Co. (GE), have increased their revenues, enhanced their brands, and strengthened their competitive positions in the market.

To realize the true potential of the green market, businesses must help consumers change their behaviors. And that requires removing the hurdles between would-be green consumers' intentions and actions. Based on McKinsey's work with businesses and other organizations around the world, we have identified five of these hurdles. We also recommend five steps that businesses and other organizations should take to dismantle all of the barriers that prevent consumers from buying green.

WHY ECO'S A NO-GO

Our 2007 study of 7,751 consumers around the world identifies barriers to buying green at every stage of the purchase. First, consumers have to be aware that a product exists before they buy it. Yet many don't even know about the green alternatives in many product categories. Next, consumers must believe that a product will get the job done. But many believe that green products are of lower quality than their more traditional “browner” counterparts. Consumers must then decide whether a product lives up to its green reputation. Yet many are skeptical about environmental claims, partly because they distrust corporations and the media. Finally, consumers must decide whether a product is worth the cost and effort needed to purchase it. But consumers often believe that the prices of green goods are too high, and have a hard time finding them anyway.

To increase the sales of environmentally sensible products, companies must remove these five barriers—namely, lack of awareness, negative perceptions, distrust, high prices, and low availability. In other words, they must increase consumers’ awareness of green products, improve consumers’ perceptions of eco-products’ quality, strengthen consumers’ trust, lower the prices of green products, and increase these products’ availability.

The importance of each barrier varies by product, industry, and geography. For instance, more than 90 percent of consumers who participated in the McKinsey global survey know about CFLs, so lack of awareness is not a barrier to their purchasing them. But many customers think CFLs are too expensive and of dubious quality. In other words, high price and negative perceptions impede these consumers’ progress toward a greener purchase. In contrast, only half of the participants in this study know about carbon credits, which are a way that an individual or business can lower its carbon footprint. Companies that sell these credits invest the money in renewable energy, reforestation, and other activities that reduce carbon emissions, offsetting the emissions of the individual or business that purchased the carbon credit.

Across regions, moreover, consumers have different concerns about price and quality within the same product category. In the retail sector, for example, 14 percent of U.S. consumers say they are willing to pay a premium for green products, compared to 26 percent in Brazil, according to the McKinsey global survey. In the petroleum sector, 7 percent of French consumers are willing to pay a premium, compared to 26 percent in India.

Although the barriers between green thoughts and acts vary by product, industry, and region, the need to remove all barriers does not. In other words, companies have to move customers through the entire purchasing process—from being aware of eco-friendly products, to considering their pros and cons, to paying for the products. Understanding these barriers is the first step to growing green consumers.

THE GREEN IMPERATIVE

Businesses alone cannot lead consumers from intention to action. In many instances, the government and the civil sector need to be heavily involved to achieve long-lasting changes in consumer behavior. Nevertheless, businesses should play a leading role in the green movement in order to shape their market opportunities and manage potential regulation of their industries.

Green products and services are only a niche market today, but they are poised for strong growth. Already, 33 percent of consumers say they are willing to pay a premium for green products, and another 54 percent care about the environment and want to help tackle climate change. Entering the green market can also improve companies’ reputations, thereby increasing the value of their brands. Some 70 percent to 80 percent of public companies' valuation in American and Western European stock markets depends on expectations of the company's cash flow beyond the next three years. Companies' reputations strongly shape those expectations, and corporate citizenship is the top driver of reputation, according to the Reputation Institute's 2007 global survey.

In addition, firms that have a strong position in the green market can stay ahead of regulation and protect their market share from competitors. More than 80 percent of 2,192 executives surveyed by *The McKinsey Quarterly* about climate change expect some form of climate change regulation within the next five years in countries where their companies operate.[5] European countries already have limits on carbon emissions through the Kyoto Protocol, and a number of U.S. states have established similar systems. More than 600 mayors from around the world have committed their cities to comply with the Kyoto Protocol.

The most proactive companies will lead regulation, and may even push for stricter regulations that will put their less environmentally savvy competitors at a disadvantage. Newcomers, in turn, can steal market share from existing companies by appealing to the growing legions of green consumers. Whole Foods Market Inc., with its double-digit sales growth in the essentially flat supermarket industry, is a powerful example of a new entrant that is not only winning market share with a green and ethical offering, but also taking share in the premium segment of the market.

Companies may rightly ask whether cultivating green consumers is worth all the trouble. We believe that it is not only worth the trouble, but also imperative for success. Once businesses remove the obstacles between consumers' desire to buy green and the actual follow-through of those sentiments, green products could experience explosive sales growth. What's more, building a reputation as an Earth-friendly corporation can do much more than generate increased revenues from green products. The better a company's reputation, the more talented the employees it can attract, the more loyalty it can inspire in its customers, and the more it can charge for its products.

Q1. Analyze specifically 'perception' of green products as a barrier to consumer buying keeping perception theories that you have discussed in the background. **(15 Marks)**

Q2. Track the success or failure of green products launched in India. Identify the reasons for their success or failure. What changes do you suggest to the marketing strategy for green products that you think were not so successful in India?

(15 Marks)