External factors in consumer decisions business essay

Business

1. 0 Executive Summary

Through this assignment we could see that it is very possible to relate a close relationship between consumer behavior and culture. From the relationships explained here, how a buyer react could be influence in ones behaviors through a reference group, opinion , information sharing, as well as ethnocentrism, and individual's self -concept and also from a family orientation . Culture influence is a very powerful tool in influencing human behavior. Although there were many researchers that tried to understand the whole influence of how a culture could affect a consumer's behavior, most of their research ends up in vain as opposed to their research style and limited understanding towards a culture. This could also be due to the empirical reason of how a culture could affect and influence ones behavior towards buying/consuming a product and the study would be very costly and time consuming to conduct if ever it is done. The main reason of this study is to understand how a culture would have an effect on how consumer behavior would be, as well as how it is to establish a close relationship between the two. This study would show that there might be essential differences in the way how culturally different subgroups would behave in regard with consumption and purchasing of a product/service. Due to globalization, the area of marketing research is rapidly growing because of how businesses work today; it has become an essential tool for researchers to examine how marketing to different people in different cultures would bring a major difference. This research had also showed that consumer behaviors are

closely related to each of these aspects, of cultural differences. Due to this, this paper would the potential stepping stone for future researchers if given a chance.

INTRODUCTION

The greatest challenges in a business world are to predict and understand consumer buying behavior. For each successful product or services, there will be many failures or errors. And on the other hand if you were to launch a new service, or even re-brand your business or simply just to improve your profit, you definitely will need at least a basic understanding of what things that could control consumer behavior. Most consumers can sometimes be very unpredictable. Therefore it is important to study consumer behavior. Knowing the right tool on how to market your product to costumers will be a significant success in a business. The business environment has two parts, external and internal. Here, we are going to talk about the external business environment which includes customers, competitors, and other industry and competitive forces, as well as legal, regulatory, technological, and economic environment or commonly known as the PESTEL analysis in marketing term. The Consumers MindAn individual's attitude toward consuming, desire for an object, willingness to spend any amount of money, and self-expectations for the consumer's past experience are all influenced by the social upbringing and previous experiences of the customer, this will all affect what the individual chooses to buy or not. In addition more time-specific aspects, such as feelings of relaxation or being rushed, mood and personal financial security will also have the effect on consumption choices. Level of CompetitionThe availability of a product has an effect on consumer choices.

When a consumer requires an object, but there is only one available, chances are there will be a very high probability that that consumer will purchase the object. The more level of competition, the more uncertain any particular purchase is. This fact is further complicated by the different factors such as style, quality, price and trendiness of an object. All these factors co relate to create vast choices from which consumers must select the most appropriate. DemographicsThis is the factor that advertisers and marketers put a lot of time into studying. A person's age, socioeconomic status, race, location, political views and cultural choice and taste will all be recorded. By understanding all this factors, it will help marketers and advertiser to understand what products appeal to which demographics, and marketers can more specifically pinpoint advertising efforts and increase their profit margins. The fact that most demographic qualities are beyond an individual's control, yet this are the tastes and consumption choices that are affected by these qualities, often without the consumer's conscious awareness. Consumers HabitOften known as Brand loyalty of a person who will usually consume product based on their past positive experience on a specific product. Consumption habits can even last for generations, individuals may prefer a certain brand because it's what their parents used. How to Identify External Factors in Consumer Decisions? Social norms are a prominent external factor influencing consumer behavior. The brand name or new trends, for example, affects what individual consumer will choose for themselves. Cultural values are the biggest factor in influencing consumers. Some companies have begun to include such ideals not only in their advertising but also as an aspect of the products themselves. In those cases,

consumers are not only purchasing a product but also engaging in social activism. Culture is a great force in regulating human behavior. Its effect is so natural and programmed that its impact on behavior is regularly taken for granted. It is simply when we are visible to persons with unlike cultural values or duties that we become alert of how culture has formed our own behavior. Exactly because it figures behavior, the understanding of culture is essential when it comes to consumer marketing. The acknowledgment of its position has led to an increasing volume of study through cultures. Many studies were successful in creating connections between culture and consumer behavior. In this study, theoretical associations relating to cultural influence on consumer behavior are discovered based on Hofstede's (1980) four dimensions of cultural variances. Many facets of consumer behaviors are acknowledged and connected to each of the four cultural dimensions. Then, propositions which link the cultural dimensions to the consumer behaviors are established based on the analyses of their relations. This assignment concludes with the argument of consequences and future study guidelines.

2. 0 Collectivism & Individualism

This talks about the relationship between the individual and the collectivity that prevails in a particular society. It is reflected in the way people live together, and is well linked to societal standards. Individualism relates to societies where connections between people are loose, and they expected only to look after themselves and their immediate family. However Collectivist refers to societies in which people are united into strong and solid in groups, which during people's lifetime continue to protect them in

exchange for unquestioning loyalty. There is value effects involved. For example, in some cultures, individualism is usually accepted and, though in other cultures, individualism is regarded as character flaw and as estranging. The main issue here is the element of self-concept, and this varies across Asian and Western cultures (Hofstede 1980). For example, the Chinese have a word ren for man to define a human constant which refers to the individual and his society and cultural environments which make a meaning to his existing. In society, this affects people's mental programming, structure and functioning of institutions such as the religious, political aspects and family. The consumer behaviors related with the cultural dimension of individualism-collectivism are all refer to the people relationships with others, their behavior in groups and their opinions of themselves in relation to other people. These consumer behaviors are information sharing, reference group influence, self-concept, opinion leadership, family orientation and ethnocentrism.

2. 1 Info sharing

Information sharing is defined as the extent with which individuals transfer information to others about consumption domains. It looks at the point to which individuals share information or involve in their search the people around them for information on buying behavior and consumption. It is reliant upon social connections and social influence. People in a close group are more sharing of information among the people around them, while those individualistic are not. Hirschman (1981) directed a study on Jewish ethnicity and information seeking and processing. It says that a person of Jewish origin would use a stronger effect on another Jew's behavior compared to the other

ethnicities. Because a Jew thought is to be born into a culture and religion, and so expected to follow the ethnic dimensions. This common identity makes them become more collectivistic than the other ethnic. Thus, culture is one of the determinant factors in information sharing. Webster (1992) concluded that ethnic identification had a substantial effect on information search patterns as the consumers take the advice of family members and other members of the in-group before they make any purchases. Information sharing is a consumer behavior that changes across cultures depending on the tendency to share such information. Where more collective group which values connections within the in-group will cause in individuals who are more tending to use people from the group as their information sources compared to individualistic persons, who do not look for information from the people around them that often.

2. 2 Self Concept

Self-concept can be described as an intellectual evaluation of the features about oneself and it both mediates and manages actions. In an individualistic culture, the focus is on self-orientation and identification is depending on the person. In a collectivist culture, the orientation is on collectivity and identification is resulting from the public system. There are two construes of the self that can be determined in people. In European cultures, the separate self-idea is prevalent and implications of identification are usually based on personal features such as age, profession and actions. This is classified by a focus on personal objectives and accomplishment. Therefore, people with the independent self-idea usually see themselves as unique people. In the other hand is the interdependent self-concept. This is generally discovered in

non-Western societies. This idea of self-idea includes implications that are based on group features such as close relatives background, and nationwide historical success. The idea of interdependent self is formed mainly by the fact that people are element of a natural whole, close relatives, group or region (Belk 1984a). It was discovered that the interdependent self-idea is classified by greater focus on group objectives, suitable in with others, and understanding others. Such people are generally obedient, sociocentric, and relation focused. For example, the Japanese people conceptualizations of the self were more incorporated and less unique compared to the People in America.

2. 3 Family - Orientation

As a feeling of that belong and maintenance of good connections with others directions an important part in a collectivist society, it can be seen that close relatives orientation is a crucial aspect of collectivism. In an individual culture, individuals have a self-identification rather than identification that is developed from the social program. Congruently, they will rank lower when it comes to close relative's orientation. Tai and Tam (1997) discovered that females in Taiwan and China were substantially more close relatives oriented than females from Hong Kong. This was attributed to the fact that Taiwanese and Chinese females were more influenced by Confucianism than females in Hong Kong. As a result, their philosophy of living emphasized close relatives members program, and they had a strong feeling of close relative's responsibility. On the other hand, Hong Kong females were fully exposed to the Western lifestyle and this resulted in them being more individual and less close relatives oriented.

2. 4 Opinion - Leadership

This represents the propensity of people to impact the behavior and buying options of others. The durability of the connections between people is the key inspiration in an opinion leadership procedure as the opinion leaser has nothing to obtain from discussing the details. It thus indicates that people in a tightly-knit group will be more willing to discuss their views with others in the same group. Ownbey and Horridge (1997) discovered that there was a major difference in buying opinion leadership between great and low acculturated Chinese and Filipino-Americans in The United States. This was linked to the point that the natives generally value members of the family, team and group connections. Consequently, they usually discuss customer guidance with people in their in-group. As they become acculturated in a nation like the United States, they follow some of the individual principles, and connections within the in-group become less essential. Thus, they are less prepared to give buying guidance and recommendations to others.

2. 5 Ethnocentric

The idea of ethnocentrism symbolizes the worldwide propensity for persons to see their own group as the middle of the world, to explain other public units from the viewpoint of their own team, and to decline men and women who are culturally different while thoughtlessly recognizing those who are culturally like themselves. In other terms, ethnocentrism is a program whereby people recognize between public in groups with which they recognize and out-groups which they respect as very different. Therefore, ethnocentrism gives a personal a feeling of identification and emotions of belongingness. So it can be recommended that a collectivist lifestyle, which

spots a higher focus on group identification and we awareness will present a higher propensity of ethnocentrism. Hence, the following undertaking is formulated:

3. 0 Ambiguity Avoidance & impact on Consumer Behaviors

An inescapable fact of people life is the doubt regarding the future and the means and methods through which humans try to deal with this doubt using technological innovation, law and religious beliefs. But we will always face an unclear upcoming and we are conscious of it. Furthermore, as excessive doubt causes tension and anxiety, community has to develop methods to deal with living on the verge of an unclear upcoming. Technology, law and religious beliefs thus become the means through which we protect ourselves against this existing doubt. Ambiguity prevention can be described as the level to which the members of a culture sense danger by unclear or unidentified situations. It also details the methods in which community discusses unidentified factors of the future. Different nations and culture deal with doubt differently, and these are moved and strengthened through organizations such as the state, the school and the family. And they are shown in the collectively held principles of the people in each particular community. For instance, technological innovation, rules and traditions are some of the methods of dealing with doubt in organizations. One of the main ideas behind doubt prevention is the ability to accept danger. Therefore, when determining the customer actions related to doubt prevention, it is necessary to determine those with an element of danger or doubt involved as these will be the actions most affected. Hence, the customer actions

mentioned below are perceived danger, brand loyalty, creativeness and information search.

3. 1 Perceived- Risk

The idea of perceived risk has been defined as consumers' views of the doubt and the adverse repercussions of purchasing products or services. In making buy choices, danger is involved because all customers have purchasing objectives associated with the purchase. When customers feel that these objectives may or may not be accomplished in a buy, risk comes in. Therefore, the greater the sense of doubt the consumer thinks in a buy and the greater the repercussions of purchasing the wrong item, the greater the perceived risk experienced by customers. Perceived risk thus matches to the social idea of doubt prevention. Individual's great in doubt prevention have a lower patience for indecisiveness, and encounter greater stress and anxiety in their lives. They are also less ready to take risks in life. Therefore, when these people understand a risk associated with products or services, they will not buy it. They will look for less risky choices. Hence, the level of perceived risk differs from lifestyle to lifestyle, and this is dependent on the social values of patience for risk and doubt. Those who are less able to handle risk are more likely to view perceived risk to be greater for any particular product than those who take risk in their pace.

3. 2 Brand Loyal

Brand loyalty represents the consistent favorite and buy of the same brand in a particular product and services classification. It was discovered that different consumer groups linked brand loyalty with risk and this link is a

positive relation. When customers understand that the risk related with a specific product and services classification is great, they will tend to stay devoted to one brand so as to reduce the risk and any distressing repercussions that may occur as a result of the changing of brands. Kanwar and Pagiavlas (1992) discovered that U. S. and Native Indian customers use brand loyalty as a strategy of decreasing risk. Hui et al. (1993) analyzed 14 culture factors including French, English, Canadians and Italian and discovered substantial variations in 13 of the factors, including brand loyalty. Thus, brand loyalty arises from the level of doubt and indecisiveness an individual is ready to accept in life. This is applicable to the culture sizing of doubt prevention and has been shown to vary across societies.

3. 3 Innovative

Innovativeness can be described as the desire of customers to look at new products in various consumption areas. This is relevant to the ability to take risk and doubt. Naturally, individuals who cannot take risk and indecisiveness will not be prepared to search for new products and will not be creative. These are the individuals great in ambiguity avoidance they cannot take indecisiveness in their life. The desire to take change and the level of hardness of individuals were considerably relevant to their usage of new products. Hui et al. (1993) discovered important variations between different social group and their product and brand innovativeness. One adding aspect could be variations in destiny orientation. Those who were more fatalistic were more likely to avoid unclear circumstances. In addition, the level of religious dedication was also discovered to have a poor impact on the level of innovativeness. Therefore, innovativeness is reliant on the

tendency of an individual to take the risk and doubt associated with a new or completely different product.

3. 4 Information - search

An individual who has less patience for indecisiveness and fewer tendencies for great risk will need to practice thorough details look for information before he buys any new product. This also is applicable for any product which might cause distressing effects if he made wrong decision. In other terms, information search will look for occurs when there is an advanced level of risk involved with a buy. The ability to accept risk and doubt has been proven to impact consumers behaviors searching for information. Hirschman (1983) said there were important variations between societies in information exchange which can be connected to the level of ambiguity avoidance in each lifestyle. In other terms, a person who rates more highly in ambiguity avoidance will usually search out for more information resources to reduce any doubt in the buy.

4. 0 Masculinity & impact on Consumer Behaviors

Another essential fact that unalike societies deal with in different methods is the duality of the genders. The core issue in this idea is whether biological variances between males and females must have any consequences on their social roles. The agents of socialization relatives, faculties, peer groups and the media are vital in sex role distribution and transfer of thoughts in culture. The largest pattern of socialization however, is for men to be self-confident and women to be nurturing. This pattern makes men leading in economics, politics, and within the home. Girls are commonly entertained to

responsibility and nurturance where boys are entertained towards success and independence. Males have a tendency to to be more confident and females more sensitive to community interdependence. Therefore, male behavior is connected with independence, violence, exhibition and power, female behavior with relationship, usefulness, and humbleness. Those manly cultures will place more stress on responsibilities, money, attainments, and performance, and female cultures value the quality of existence, helping others, protecting the environment and not drawing care to them. The essential idea behind maleness is the variation of gender roles within culture. This idea is shown when it comes to decision making in the clan.

4. 1 Family Decision

In a study found that in the traditionally male dominated society where the father is the head of the family and has full power like the Irish Americans, the Italian Americans and the Latin Americans, the men were the main influencer in making buying decisions. This was in difference to the Cubans and Puerto Rican Americans where more shared decision making. This was credited to the fact that the last two cultures were progressively exposed to Anglo-American people and as a result, their family and gender role linked values were becoming more womanly. The stage in the decision making procedure is a determinant of the amount of shared decision making by wife and husband. It was decided that the nature and kind of the decisions affected the role act of wife and husband. It can be decided that decision making in families changes through cultures and is reliant on upon the level to which the couple's standards belong to the traditional masculine system where the man controls, or the current view of shared decision making.

5. 0 Power - Distance

The idea of human disparity is the simple matter involved in power distance. Such disparity can happen in areas like power, prosperity and prestige and these are given different weight in different cultures. However, a pecking order will be at all times in every culture. The only difference across nations is how authority is worked out in people social life. Some have elaborate, proper structures of authority, and some go to great distances to de-emphasize authority. The terms estate, caste and class are the three kinds of rank disparities used to distinguish people into different practical areas. Consumer behaviors and power distance that are connected would be influenced by racial differences related with the amount of respect given to powerful and commanding statistics in cultures. In view of this, opinion seeking is proposed as the one aspect that can be different according to variances in power distance.

5. 1 Opinion - Seeking

Opinion seekers look to some groups of people for references and thoughts on products. These involved commercial specialists, like expert who got their power in a specific area on the basis of exercise and work, and superstars whose power is attributed to show business. The Chinese have a solid respect for authority, and they believe persons in authority to teach and direct them. It was advised that since the Chinese follow the instructions of authority, commercials targeted at the Chinese will be effective when they use group leaders to suggest services or product to the customers. As a result, the difference between opinion seekers and opinion leaders can become more noticeable in nations that are great in power distance. For

example, in Indonesia, a nation great in power distance, there is proof to propose that opinion leaders are richer than opinion seekers. This does not happen in several Western nations that are low in power distance.