

# Role of Incentives in Shaping Consumer Mindset

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**Abstract:** Marketing plays a key role in shaping Consumer attitudes and Consumer attitudes shape buying behavior towards Products and Services. While Sales is concerned more with a 'push' approach in reaching products to Consumers at appropriate places, a lot of incentives are used by companies in influencing consumers shape their views and choice of products and services. At the level of competition witnessed today, incentives take up the centre stage in promoting products and services and companies are finding newer ways of influencing prospects through attractive incentives. Incentives are used to overcome barriers to communication with consumers. How ethical such marketing promotions are, is but one question; but the larger issue is one of identifying the Role of incentives in the scheme of things so that marketers can use them more effectively and appropriately. One possible fall out effect of incentives is that it starts influencing consumer behavior in a way that becomes irreversible and companies find the cost of marketing becomes too much to absorb. This article tries to analyze the role of incentives in the current marketing environment and the extent of their influence on consumer behavior.

**Keywords--** Consumer Attitude, Push Strategy, Sales Oriented Companies, Incentives, Influence On Consumer Mindset, Irreversible Process.

## I. INTRODUCTION

The study of Consumer behavior and what are the influencing factors on buying decisions has been a subject of investigation by almost all marketers and researchers. In the competitive scenario of current business environment almost all companies are offering incentives of varying degrees and proportions.



Figure 1: What influences consumer buying decisions?

Hub spot featured an info-graphic by Big Commerce, highlighting the top 10 factors that influence purchase decisions. It also provided other useful consumer behavior tidbits that helped us broaden our understanding of the customer mindset.

Here are some statistics worth diving deeper into (Ref. Fig.2.):

1. **Free Shipping** is the second-highest factor influencing purchasing decisions, right after product quality
2. **Peer Influence:** 81% say posts from their friends directly influenced their purchasing decision

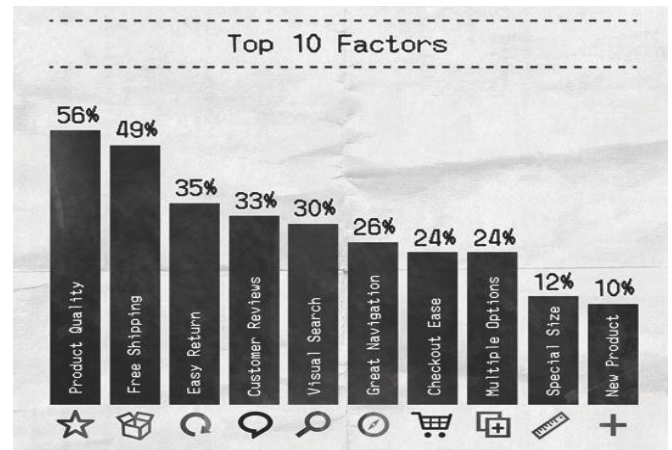


Figure 2: Hub spot featured info graphic by Big commerce.

3. **Peer Influence, again:** 30% are most likely to respond to brand offers when they have been reposted by a friend
4. **Shopper Research:** 62% of shoppers research big-ticket items in-store before buying online
5. **Shopper research, again:** 9 out of 10 say they watch videos about the tech products they may buy
6. **Content marketing works:** People are most likely to engage with branded content that contains pictures (44%), status updates (40%), Video content (40%)

Every day consumers make purchase decisions by choosing from a large array of related products available for sale. What factors systematically affect and how consumers make decisions among an array of products? As most marketers realize, not all shoppers are created equal. In particular, social psychologists have identified two distinct mindsets that are relevant to how consumers make decisions when choosing among large sets of related products: ABSTRACT and CONCRETE. An abstract mindset encourages people to think in a more broad and general way. Consumers in an abstract mindset who face an array of related products will focus more on the shared product attributes associated with an overarching purpose — for example, the general category of hair care or car maintenance. Conversely, a concrete mindset draws attention to lower-level details and attributes associated with execution or usage; consumers in a concrete mindset will thus focus on factors that differentiate between products.

## II. OBJECTIVES AND METHODOLOGY

In the context of how consumer behaves in an environment of various commercials bombarding them with incentives offered by Product companies, the present research has been taken up to find out how the incentives on their behavior and consequent choice of products and services. With this in mind following specific objectives were identified for the present study.

1. Review of factors shaping consumer attitudes towards purchase of products.
2. Identify the role of incentives in shaping consumer behavior
3. Identify the various kinds of incentives appealing to present day consumers.
4. Study how companies make use of consumer liking for incentives

5. To study if the incentives alone shape consumer behavior?
6. To arrive at conclusions and recommendation based on the study.

Consumer behavior being a subject of attention of all researchers and product marketing companies, there is no dearth of information available through published literature, web pages and the internet. Several research papers have been published on related topics of incentives for increasing sales and so the researcher had his work cut out. A comprehensive review of literature available as cited in the bibliography was made and the data so obtained was refined and analyzed to arrive at conclusions.

### III. REVIEW OF LITERATURE

An incentive is something that motivates an individual to perform an action. The study of incentive structures is central to the study of all economic activities (both in terms of individual decision-making and in terms of cooperation and competition within a larger institutional structure).

Perhaps the most notable incentive in economics is price. Price acts as a signal to suppliers to produce and to consumers to buy. For example, a sale is nothing more than a store providing an incentive to potential customers to buy. The lowering of the price makes the purchase a better idea for some customers; the sale seeks to persuade individuals to change their actions (namely, to buy the product). Similarly, the increase in price acts as an incentive to suppliers to produce more of a good. If suppliers think they can sell their products for more, they will be inclined to produce more. The price acts, therefore, as an incentive to customers to buy and suppliers to produce.

Incentives come in many other forms, however. Broadly, most incentives can be grouped into one of four categories:

1. Remunerative incentives: The incentive comes in the form of some sort of material reward – especially money – in exchange for acting in a particular way. Wages, prices, and bribery are all examples of remunerative incentives. This is the type of incentive that is typically associated with economics.
2. Moral incentives: This occurs when a certain choice is widely regarded as the right thing to do, or as particularly admirable, or where the failure to act in a certain way is condemned as indecent. Societies and cultures are two main sources of moral incentives.
3. Coercive incentives: The incentive is a promise of some sort of punishment if the wrong decision is made. For example, the promise of imprisonment is a coercive incentive for people to not steal.
4. Natural Incentives: Things such as curiosity, mental or physical exercise, admiration, fear, anger, pain, joy, the pursuit of truth, and a sense of control of people or oneself can cause individuals to make certain decisions.

Broadly we can summarize all types of incentives into Fiscal and Non fiscal; depending whether monetary incentives are offered or not.

The process of convincing doesn't come easily. It often requires carefully planned monitoring and management of the processes and stages one has to go through to become a full believer. In most media discussions, behavioral targeting is still viewed as a front-end targeting technology that tracks anonymous user activities. Marketers can then deliver relevant messaging to appeal to the audience based on profiled behaviors. But there's another interpretation marketers must bear in mind: behavioral targeting can shape consumer

behavior, so consumers ultimately become the customers brands want to target.

A good marketer doesn't simply provide information for consumers. He provides a calculated path for consumers to discover the information and strengthen their learning. Only in an iterative process can true consumer engagement occur. Online media must be smarter, particularly when various disciplines converge at the same consumer focal point. With all the data and targeting tools at planners' disposal, that little extra bit of curiosity could be the final persuasion for the next six-figure incremental client budget. We have a chance to shape consumer behaviors rather than simply monitor and react to them. Sure, consumer empowerment and control are hot topics and a rising trend. But don't forget, even in a world where choices are expected, decisions are still made based on options provided.

Marketing has always sought those moments, or touch points, when consumers are open to influence. For years, touch points have been understood through the metaphor of a "funnel"—consumers start with a number of potential brands in mind (the wide end of the funnel), marketing is then directed at them as they methodically reduce that number and move through the funnel, and at the end they emerge with the one brand they chose to purchase (Figure 3)). But today, the funnel concept fails to capture all the touch points and key buying factors resulting from the explosion of product choices and digital channels, coupled with the emergence of an increasingly discerning, well-informed consumer. A more sophisticated approach is required to help marketers navigate this environment, which is less linear and more complicated than the funnel suggests. We call this approach the *consumer decision journey*. Our thinking is applicable to any geographic market that has different kinds of media, Internet access, and wide product choice, including big cities in emerging markets such as China and India.

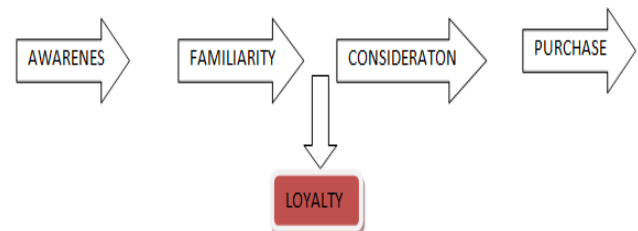


Figure 3

Incentives during this process of Consumer decision journey makes the consumer lean towards such companies and brands offering incentives, when the product differentiation with other competing brands is marginal. Consumer research showed that the proliferation of media and products required marketers to find new ways to get their brands included in the initial-consideration set that consumers develop as they begin their decision journey. It was also found that because of the shift away from one-way communication—from marketers to consumers—toward a two-way conversation, marketers need a more systematic way to satisfy customer demands and manage word-of-mouth. In addition, the research identified two different types of customer loyalty, challenging companies to reinvigorate their loyalty programs and the way they manage the customer experience.

Finally, the research reinforced the belief in the importance not only of aligning all elements of marketing—strategy, spending, channel management, and message—with the journey that consumers undertake when they make purchasing decisions but

also of integrating those elements across the organization. When marketers understand this journey and direct their spending and messaging to the moments of maximum influence, they stand a much greater chance of reaching consumers in the right place at the right time with the right message.

The second profound change is that *outreach of consumers to marketers* has become dramatically more important than marketers' outreach to consumers. Marketing used to be driven by companies; "pushed" on consumers through traditional advertising, direct marketing, sponsorships, and other channels. At each point in the funnel, as consumers whittled down their brand options, marketers would attempt to sway their decisions. This imprecise approach often failed to reach the right consumers at the right time.

In today's decision journey, consumer-driven marketing is increasingly important as customers seize control of the process and actively "pull" information helpful to them. Our research found that two-thirds of the touch points during the active-evaluation phase involve consumer-driven marketing activities, such as Internet reviews and word-of-mouth recommendations from friends and family, as well as in-store interactions and recollections of past experiences. A third of the touch points involve company-driven marketing. Traditional marketing remains important, but the change in the way consumers make decisions means that marketers must move aggressively beyond purely push-style communication and learn to influence consumer-driven touch points, such as word-of-mouth and Internet information sites.

Developing a deep knowledge of how consumers make decisions is the first step. For most marketers, the difficult part is focusing strategies and spending on the most influential touch points. In some cases, the marketing effort's direction must change, perhaps from focusing brand advertising on the initial-consideration phase to developing Internet properties that help consumers gain a better understanding of the brand when they actively evaluate it. Other marketers may need to retool their loyalty programs by focusing on active rather than passive loyalists or to spend money on in-store activities or word-of-mouth programs. The increasing complexity of the consumer decision journey will force virtually all companies to adopt new ways of measuring consumer attitudes, brand performance, and the effectiveness of marketing expenditures across the whole process.

In the past, most marketers consciously chose to focus on either end of the marketing funnel—building awareness or generating loyalty among current customers. Research reveals a need to be much more specific about the touch points used to influence consumers as they move through initial consideration to active evaluation to closure. By looking just at the traditional marketing funnel's front or back end, companies could miss exciting opportunities not only to focus investments on the most important points of the decision journey but also to target the right customers. In the skin care industry, for example, it was found that some brands were much stronger in the initial-consideration phase than in active evaluation or closure. For them, research suggests a need to shift focus from overall brand positioning—already powerful enough to ensure that they get considered—to efforts that make consumers act or to investments in packaging and in-store activities targeted at the moment of purchase.

The epicenter of consumer-driven marketing is the Internet, crucial during the active-evaluation phase as consumers seek information, reviews, and recommendations. Strong

performance at this point in the decision journey requires a mind-set shift from buying media to developing properties that attract consumers: digital assets such as Web sites about products, programs to foster word-of-mouth, and systems that customize advertising by viewing the context and the consumer. Many organizations face the difficult and, at times, risky venture of shifting money to fundamentally new properties, much as P&G invested to gain radio exposure in the 1930s and television exposure in the 1950s. Broadband connectivity, for example, lets marketers provide rich applications to consumers learning about products. Simple, dynamic tools that help consumers decide which products make sense for them are now essential elements of an online arsenal. American Express's card finder and Ford's car configurator, for example, rapidly and visually sort options with each click, making life easier for consumers at every stage of the decision journey. Marketers can influence online word-of-mouth by using tools that spot online conversations about brands, analyze what's being said, and allow marketers to post their own comments.

Content-management systems and online targeting engines let marketers create hundreds of variations on an advertisement, taking into account the context where it appears, the past behavior of viewers, and a real-time inventory of what an organization needs to promote. For instance, many airlines manage and relentlessly optimize thousands of combinations of offers, prices, creative content, and formats to ensure that potential travelers see the most relevant opportunities. Digital marketing has long promised this kind of targeting. Now we finally have the tools to make it more accurate and to manage it cost effectively.

The Internet enables people to be as leisurely or proactive about researching a purchase as they want before actually making the decision, countless websites offer hard-to-turn-down time sensitive discounts to drive sales, price comparisons are at consumer fingertips, and "flash sales" perpetuate an online shopping trend encouraging fickle consumer buying behavior in today's market. According to a study by Rice University 40 percent of businesses would not offer another Group Coupon deal again and many companies have noticed that this new wave of online shopping does nothing to encourage brand loyalty. For companies and brands looking to attract a large number of new customers, Group Coupon and similar flash sales may seem like a tremendous value, but how a company converts those deal-seeking customers into brand loyal customers is critical. The online shopping trend conditions consumers to only make a purchase if there is a deep discount. The result is a value obsessed economy where consumers have no incentive to be loyal to any particular brand.

Consumers are expecting the same value from brick and mortar establishments that they can find online, even though that deal online was exactly as it was advertised -- a short lived, first come first serve, and sometimes offered within a frustrating window of opportunity. Whether companies like it or not, these shopping experiences are setting the bar for how people perceive value. The mindset is becoming "If I found it once, sooner or later, I'll find it again at or below the same price." Depending on the price of your product there is an expectation of a certain level of quality from the marketplace. Stay consistent in the quality of your goods or services. People will go back to what they know they can count on, don't let them down. Keep in touch with your target market on a frequent and consistent basis. Let them know about the new and exciting developments within the company and what to expect next, build momentum through communication and let your fans feel

involved in the happenings of your company. Stay in touch with your consumer, ask their opinion of your business, did they like their most recent experience with your company, were they satisfied with the customer service, did the product or service meet their expectations? Let them know that you care about their experience and that you are listening to their concerns. Make sure that your client's know that you respond to the demands of your consumer.

If you want your customer to come back, give them what they want! Give them a reason to come back. Provide incentives for consumers to return to your company instead of the competition. Create programs that reward loyalty to your brand. Consider giving insider access, special status and other non-monetary driven incentives. Everyone wants something that can not simply be purchased, provide some privileges and create some cache! Stay relevant. Keep a close eye on what your competition is doing and what the current trends are in your industry. If your marketing and communications strategy isn't relevant to the current market then, your message provides little or no value and falls on deaf ears. How much does the first repeat purchase mean to you, how much do you value the third transaction and is it worth losing the fourth potential deal to a competitor? The answer is that customer loyalty is invaluable and no, you don't want to lose them to the competition. Create a plan to give a percentage of loyal customers' cumulative spending back to the consumer in some way. Whether it is through phased in discounts, complimentary shipping, gifts with purchase, or if a bonus service, always find a way to create added value. So often companies forget to say a simple, thank you, for your business, Wish your clients Happy Birthday, Happy Holidays and a great New Year. It may sound unnecessary, but trust my past experience; customers in every industry want to feel that you care about them outside of your business transactions with them.

### FINDINGS AND CONCLUSIONS

It has been seen from the above analysis and review of literature that consumer minds can be shaped and behavioral changes by focused targeting and messages which give them a choice and shape their decision. While Product quality and utility and suitable usage and application are main considerations, there are other factors which prompt the prospects to try new brands and prefer certain products. Promotions, particularly advertisements today, give consumers options to choose from clearly indicating a path for consumer to follow which in most cases ends in the selection of the choice desired by the advertiser and promoter.

Consumers are attracted by factors other than the product attributes alone because these days there is hardly any product differentiation possible on product attributes and quality-because that is the minimum expected and guaranteed. Incentives on the other hand try to make a meaningful differentiation in terms of financial factors or non-fiscal factors.

The impact and effectiveness of using incentives is not well understood. What's widely assumed is that they work; what's unclear is what types of incentives produce the targeted return. Incentives are a link between the present state and what employers hope to achieve. Can incentives become a lever by which the status quo is disrupted and new possibilities emerge? Even though the use of incentives is widespread, the frontiers of incentives remain largely unexplored. Conceived and executed in innovative ways, incentives hold the potential to "move the needle" in shaping consumer behavior.

During the period of Consumer's decision journey companies make use of incentives and promotions to make their offer attractive! Please see (figure 3). Consumer decision making funnel is an illustration of this. Consumer driven marketing strategies as adopted today, customers take charge of this journey and 'pull' the required information and here the announcement regarding incentives properly inserted gets the maximum mileage. Consumer behavior is constantly monitored by marketing and product companies to get leads to shape incentives. Take the automotive industry. Hyundai, the South Korean car manufacturer, tackled precisely this problem by adopting a marketing campaign in USA built around protecting consumers financially by allowing them to return their vehicles if they lose their jobs. This provocative message, tied to something very real for Americans, became a major factor in helping Hyundai break into the initial-consideration set of many new consumers. In a poor automotive market, the company's market share is growing.

### RECOMMENDATION

It has been seen that incentives when properly planned and implemented can increase sales and market share of products. But incentives alone should not be emphasized too much at the cost of product quality and performance factors. Behavior change is complex, and so are consumers. Understanding only one consumer mindset and having a one-size-fits-all behavior change solution will not get you closer to real, lasting behavior change.

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