



PART I



Consumer Behaviour

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Consumer Behaviour

Customer is profit, all else is overload.....

This chapter provides an introduction to consumer behaviour. "Consumer is the most important person. The business revolves around the consumer."

After finishing this chapter, one should be able to understand:

- *What is meant by consumer behaviour*
- *Reasons for studying consumer behaviour*
- *Understanding consumer behaviour*
- *Marketing strategy and consumer behaviour*

Consumer Behaviour

■ 1.1 Introduction to Consumer Behaviour—Definition

All of us are consumers. We consume things of daily use, we also consume and buy these products according to our needs, preferences and buying power. These can be consumable goods, durable goods, speciality goods or, industrial goods.

What we buy, how we buy, where and when we buy, in how much quantity we buy depends on our perception, self concept, social and cultural background and our age and family cycle, our attitudes, beliefs, values, motivation, personality, social class and many other factors that are both internal and external to us. While buying, we also consider whether to buy or not to buy and, from which source or seller to buy. In some societies, there is a lot of affluence and, these societies can afford to buy in greater quantities and at shorter intervals. In poor societies, the consumer can barely meet his barest needs.

Consumer behaviour can be defined as the decision-making process and physical activity involved in acquiring, evaluating, using and disposing of goods and services.

This definition clearly brings out that it is not just the buying of goods/services that receives attention in consumer behaviour but, the process starts much before the goods have been acquired or bought. A process of buying starts in the minds of the consumer, which leads to the finding of alternatives between products that can be acquired with their relative advantages and disadvantages. This leads to internal and external research. Then follows a process of decision-making for purchase and using the goods, and then the post-purchase behaviour which is also very important, because it gives a clue to the marketeers whether his product has been a success or not.

The marketeers therefore tries to understand the needs of different consumers and having understood his different behaviours which require an in-depth study of their internal and external environment, they formulate their plans for marketing.

Consumer generally refers to any one engaging in any one or all of the activities stated in our definition. The traditional viewpoint was to define consumers strictly in terms of economic goods and services and purchasers of products offered for sale. The view now has been broadened. It now also holds that monetary change is not essential for the definition of consumers. Few potential adopters of free services, or even philosophic ideas can be encompassed by this definition.

Sometimes, the goods are bought by the father and the children use it. The children ultimately become the consumer. A packet of coloured crayons bought by the father and used by his children in school.

The father buys a refrigerator and the user is the entire household. Therefore, we study certain consumer behaviour roles.

Table 1.1 Some consumer behaviour roles

<i>Roles</i>	<i>Descriptions</i>
<i>Initiator</i>	The individual who determines that certain need or want is not being fulfilled and purchases a product to fulfill the need.
<i>Influencer</i>	A person who by some intentional or unintentional word or action influences the purchase decision.
<i>Buyer</i>	The individual who actually makes the purchase transaction mostly is the head of the family.
<i>User</i>	The person or persons who consume or use the purchase product.

To understand the consumer, researches are made. Sometimes, motivational research is handy to bring out hidden attitude, uncover emotions and feelings. Many firms send questionnaire to customers to ask about their satisfaction, future needs and ideas for a new product. On the basis of the answers received a change in the marketing mix is made and advertising is also streamlined.

■ 1.2 Reasons for Studying Consumer Behaviour

The most important reason for studying consumer behaviour *is the role that it plays in our lives*. We spend a lot of time in shops and market places. We talk and discuss with friends about products and services and get lot of information from T.V. This influences our daily lives.

Consumer decisions are affected by their behaviour. Therefore, consumer behaviour is said to be an applied discipline. This leads to the microperspective and societal perspective.

Micro Perspective. It involves understanding consumer for the purpose of helping a firm or organization to achieve its objectives. All the Managers in different departments are keen to understand the consumer.

They may be Advertising Managers, Product Designers, Marketing and Sales Managers and so on.

Societal Perspective is on the macro level. Consumers collectively influenced economic and social conditions within a society. Consumers strongly influence what will be product, what resources will be used and it affects our standard of living.

Management is the youngest of sciences and oldest of arts and *consumer behaviour in management is a very young discipline*. Various scholars and academicians concentrated on it at a much later stage. It was during the 1950s, that marketing concept developed, and thus the need to study the behaviour of consumers was recognised. Marketing starts with the needs of the customer and ends with his satisfaction. When everything revolves round *the customer*

then the study of consumer behaviour becomes a necessity. It starts with buying of goods. Goods can be bought individually, or in groups. Goods can be bought under stress (to satisfy an immediate need), for comfort and luxury in small quantities or in bulk. For all this, exchange is required. This exchange is usually between the seller and the buyer. It can also be between consumers.

To understand the likes and dislikes of the consumer, extensive consumer research studies are being conducted. These researches try to find out:

- What the consumer thinks of the company's products and those of its competitors?
- How can the product be improved in their opinion?
- How the customers use the product?
- What is the customer's attitude towards the product and its advertising?
- What is the role of the customer in his family?

The following key questions should be answered for consumer research. A market comes into existence because it fulfils the needs of the consumer. In this connection, a marketer has to know the 70s framework for consumer research. Taking from an example of soap.

Table 1.2

Who constitutes the market?	Parent, child, male, female	Occupants
What does the market buy?	Soap, regular, medicated, with glycerine, Herbal what brand, what size	Objects
Who participates in buying?	Parent, child, male, female	Organisations
How does the market buy?	Cash, credit, mail-order etc.	Operations
When does the market buy?	Monthly, weekly etc. prescribed by doctor (medicinal)	Occasions
Where does the market buy?	Supermarket, retail store etc.	Outlet
Why does the market buy?	For cleansing, bathing, fresh feeling etc.	Objectives

(taken from multi-marketeer)

Consumer behaviour is a complex, dynamic, multi-dimensional process, and all marketing decisions are based on assumptions about consumer behaviour.

Marketing strategy is the game plan which the firms must adhere to, in order to outdo the competitor or the plans to achieve the desired objective. In formulating the marketing strategy, to sell the product effectively, cost-benefit analysis must be undertaken.

■ 1.3 Applying Consumer Behaviour Knowledge

- (1) Consumer behaviour knowledge is applied in Marketing Management. A sound understanding of the consumer behaviour is essential to the long-term success of any marketing programme. It is the corner stone of marketing concept which stress on consumer wants and needs, target market selection, integrated marketing and profits through the satisfaction of the consumers.
- (2) Consumer behaviour is also important in non-profit and social organizations. Such organizations are govt. agencies, religious organizations, universities and charitable organizations.

- (3) Consumer behaviour is applied to improve the performance of government agencies as well. For instance, the performance of government transportation is poor. It can be improved by knowing the needs and wants of the consumers. Getting checks from them for their likes or dislikes. Same can be applied to other organizations like universities and charitable organizations.
- (4) Consumer behaviour also helps in marketing of various goods which are in scarcity. People are made aware that gas, fuel, water and natural resources are in scarcity. Consumers are encouraged to reduce their consumption of these commodities.
- (5) Consumer benefit from the investigation of their own behaviour. When the consumer learns the many variables that affect his behaviour. He gets educated and understands better how to effect his own behaviour. What is learnt about consumer behaviour also benefit consumer in a formal sense.

There can be many benefits of a product, for example, for owning a motor bike, one can be looking for ease of transportation, status, pleasure, comfort and feeling of ownership. The cost is the amount of money paid for the bike, the cost of maintenance, gasoline, parking, risk of injury in case of an accident, pollution and frustration such as traffic jams. The difference between this total benefit and total cost constitutes the *customer value*. The idea is to provide superior customer value and this requires the formulation of a marketing strategy. The entire process consists of market analysis, which leads to target market selection, and then to the formulation of strategy by juggling the product, price, promotion and distribution, so that a *total product* (a set of entire characteristics) is offered. The total product creates an image in the mind of the consumer, who undergoes a decision process which leads to the outcome in terms of satisfaction or dissatisfaction, which reflects on the sales and image of the product or brand.

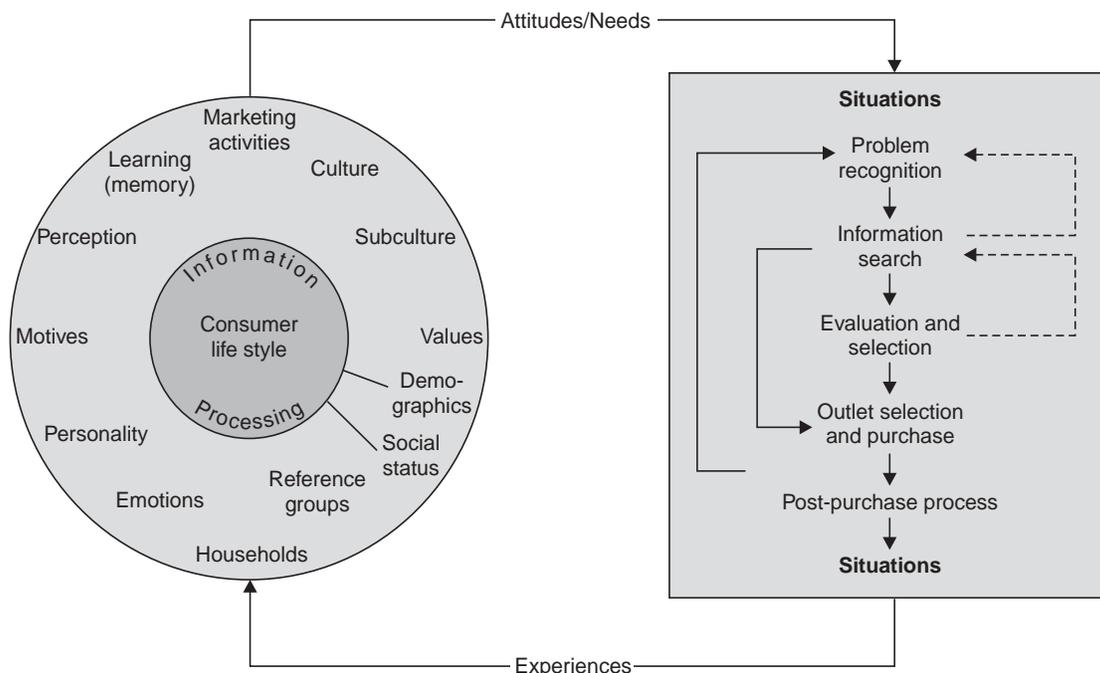


Fig. 1.1 A simplified framework for studying consumer behaviour

Figure 1.1 gives in detail the shaping of consumer behaviour, which leads a consumer to react in certain ways and he makes a decision, keeping the situations in mind. The process of decision-making varies with the value of the product, the involvement of the buyer and the risk that is involved in deciding the product/service.

The figures shows the consumer life style in the centre of the circle. The consumer and his life style is influenced by a number of factors shown all around the consumer. These are culture, subculture, values, demographic factors, social status, reference groups, household and also the internal make up of the consumer, which are a consumers' emotions, personality motives of buying, perception and learning. Consumer is also influenced by the marketing activities and efforts of the marketeer.

All these factors lead to the formation of attitudes and *needs* of the consumer.

■ 1.4 Marketing Strategy and Consumer Behaviour

- (i) **Marketing Analysis**
 - (a) Consumer
 - (b) Company
 - (c) Competition
 - (d) Condition
- (ii) **Marketing Segmentation**
 - (e) Identify product-related needs
 - (f) Group customers with similar need sets
 - (g) Describe each group
 - (h) Select target market
- (iii) **Marketing Strategy**
 - (i) Product
 - (j) Price
 - (k) Distribution
 - (l) Communication
 - (m) Service
- (iv) **Consumer Decision Process**
 - (n) Problem recognition
 - (o) Information search—internal, external
 - (p) Alternative evaluation
 - (q) Purchase
 - (r) Use
 - (s) Evaluation
- (v) **Outcomes**
 - (t) Customer satisfaction
 - (u) Sales
 - (v) Product/Brand image

Fig. 1.2 Marketing strategy and consumer behaviour

Then follows the process of decision-making, as shown in the rectangle which consists of the problem recognition, information search (which is both internal and external) then the evaluation and selection procedure, and finally the purchase. After the purchase and use of the product, the customer may be satisfied or dissatisfied with the product. This is known as *post-purchase behaviour*. The existing situations also play an important role in the decision-making process. The dotted line show the feedback.

■ 1.5 Market Analysis

Market analysis requires an understanding of the 4 Cs which are consumer, conditions, competitor and the company. A study is undertaken to provide superior customer value, which is the main objective of the company. For providing better customer value, we should learn the needs of the consumer, the offering of the company, vis-a-vis its competitors and the environment which is economic, physical, technological, etc.

A consumer is anyone who engages himself in physical activities of evaluating, acquiring, using or disposing of goods and services.

A customer is one who actually purchases a product or service from a particular organization or a shop. A customer is always defined in terms of a specific product or company.

However, the term consumer is a broader term which emphasises not only the actual buyer or customer, but also its users, *i.e.*, consumers. Sometimes, a product is purchased by the head of the family and used by the whole family, *i.e.*, a refrigerator or a car. There are some consumer *behaviour roles* which are played by different members of the family.

Table 1.3

Role	Description
Initiator	The person who determines that some need or want is to be met (<i>e.g.</i> , a daughter indicating the need for a colour T.V.).
Influencer	The person or persons who intentionally or unintentionally influence the decision to buy or endorse the view of the initiator.
Buyer	The person who actually makes a purchase.
User	The person or persons who actually use or consume the product.

All the consumer behaviour roles are to be kept in mind but, the emphasis is on the buyer whose role is overt and visible.

(a) **The consumer.** To understand the consumer; researches are made. Sometimes motivational research becomes handy to bring our hidden attitudes, uncover emotions and feelings. Many firms send questionnaires to customers to ask about their satisfaction, future needs and ideas for a new product. On the basis of the answers received, changes in the marketing mix is made and advertising is also streamlined.

(b) **The external analysis (company).** The external analysis may be done by the feedbacks from the industry analyst and by marketing researches. The internal analysis is made by the firm's financial conditions, the quantum of the sales force and other factors within the company.

The study of these factors leads to a better understanding of the consumer and his needs.

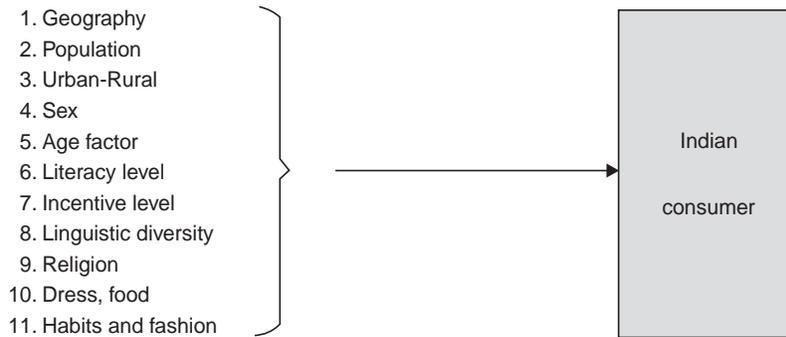


Fig. 1.3 Characteristic features of Indian consumer

(c) **The competition.** In the analysis of the market, a study of the strengths and weaknesses of the competitors, their strategies, their anticipated moves and their reaction to the companies' moves and plans is to be made. The company after getting this information, reacts accordingly and changes its marketing mix and the offering is made in a manner which can outdo the competitor. This is a very difficult process and it is easier said than done. To have correct information about the competitors and to anticipate their further moves is the job of the researcher.

(d) **The conditions.** The conditions under which the firms are operating has also to be seriously considered. The factors to be studied are the economy, the physical environment, the government regulations, the technological developments, etc. These effect the consumer needs, *i.e.*, the deterioration of the environment and its pollution may lead to the use and innovation of safer products. People are health conscious and are concerned with their safety. Hence, in this case, safer products have a better chance with the consumer. In case of recession, the flow of money is restricted greatly. This leads to the formulation of different marketing strategies.

(e) **Market segmentation.** The market is divided into segments which are a portion of a larger market whose needs are similar and, they are homogeneous in themselves. Such segments are identified with similar needs.

(f) **Need set.** By need set, it is meant that there are products which satisfy more than one need. An automobile can fill the transportation needs, status needs, fun needs or time-saving needs. So, the company tries to identify the need sets, which its product can fulfil. Then we try to identify the groups who have similar needs, *i.e.*, some people need economical cars, others may go for luxury cars.

(g) **Demographic and psychographic characteristics.** These groups are identified and they are described in terms of their demographic and psychographic characteristics. The company finds out how and when the product is purchased and consumed.

(h) **Target segment.** After all, the above preliminary work is done, the target customer group known as the target segment, is chosen, keeping in mind how the company can provide superior customer value at a profit. The segment which can best be served with the company's capabilities at a profit is chosen. It has to be kept in mind that different target segments

require different marketing strategies and, with the change in the environmental conditions the market mix has to be adjusted accordingly.

Attractiveness of the segment can be calculated by marking the various criteria on a 1 to 10 scale as given below:

Table 1.4

<i>Criterion</i>	<i>Score on 1 to 10 scale with company being most favourable</i>
Segment size	—
Segment growth rate	—
Competitor strength	—
Customer satisfaction with existing product	—
Fit with company image	—
Fit with company objectives	—
Fit with company resources	—
Fit with other segments	—
Investment required	—
Stability/Periodicability	—
Zest to serve	—
Sustainable advantage available	—
Leverage to other segments/markets	—
Risk	—
Other factors	—

Marketing Strategy

Strategies are formulated to provide superior customer value. In formulating market strategies, the 4 Ps are directed at the target market.

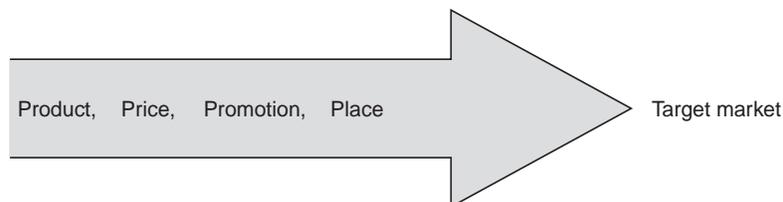


Fig. 1.4 Decision-making process generally followed by consumers

(i) **Product.** Product is anything that is offered to the consumer which is tangible and can satisfy a need and has some value.

(j) **Price.** Price is the amount of money one must pay to obtain the right to use the product.

(k) **Distribution (Place).** The goods can be distributed by many channels. These could be retailers, wholesalers, agents or by direct selling. Distribution outlets play an important

role in reaching the goods to the consumer. They provide, time, place and possession utilities. Some goods need to be marketed through the channels or the middleman. Others can be marketed directly by the company to the actual consumer.

(l) **Promotion.** Promotion is the means of changing the attitudes of the consumer, so that it becomes favourable towards the company's products. Various means of promotion are advertising, personal selling, sales promotion and publicity.

(m) **Service.** Service refers to auxiliary service that enhances the value of the product or the service. For instance, while buying a car, free services are provided over a certain period of time. Check-ups are free and maintenance is also covered on the charge of an adequate amount along with the product purchased. These auxiliary services are provided at a cost with money. These provide value to the product or the customer. These services give an advantage to the customer and he is free from the botheration of occasional check-ups or risk. The risk is considerably reduced and, the customer derives satisfaction with his decision to purchase.

Questions

1. What do you understand by consumer behaviour? What information is sought in consumer researches?
2. What are the reasons for studying consumer behaviour?
3. How would you formulate the strategy for consumer behaviour?

Case Study

The marketer has to learn about the needs and changing of the consumer behaviour and practice the Marketing Concept. Levi Strauss & Co. were selling jeans to mass market and did not bother about segmenting the market till their sales went down. The study into consumer behaviour showed their greatest market of the baby boomers had outgrown and their needs had changed. They therefore came out with Khaki or dockers to different segments and comfortable action stocks for the consumers in the 50 age group. Thus, by separating the market and targetting various groups and fulfilling their needs, they not only made up for the lost sales but far exceeded the previous sales. They also targeted the women consumers for jeans and both men and women started wearing jeans in greater numbers. The offering given by the company must be enlarged to suit various segments.

For example Maruti Udyog Ltd. has come out with many models. Maruti 800, Maruti Van, Zen, Alto, WagonR, Versa, Gypsy, Esteem, Baleno and other models. For successful marketing, one should:

1. Find consumer needs of various segments.
2. Position products (new and existing) to these segments.
3. Develop strategies for these segments. Practice greater selectivity in advertising and personal selling and creating more selective media and distribution outlets.

■ 1.6 Consumer Behaviour and Market Segment

By market segmentation we imply that the entire market is broken down into smaller groups having similar wants. They are homogeneous in themselves and heterogeneous with other groups. The market can be broken down on various bases. These are Demographic, Psychographic, Benefit Segmentation etc.

The concept of divide and rule applies to the market segmentation. You divide the market, choose your target market and then master it. Segmentation and choosing the target market is like shooting with a rifle and not by 12-bore. If the marketing effort is spread over a wide area it does not have that effect but if it is concentrated on a point like a rifle it can go much further and can be more effective.

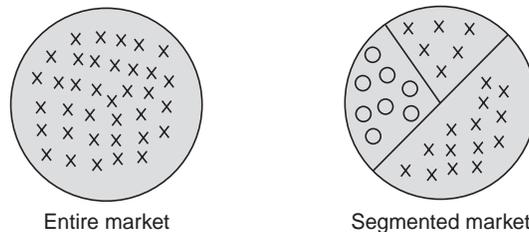


Fig. 1.5

The segmented market shows 3 groups which are homogeneous in themselves and heterogeneous amongst themselves.

Market segmentation is a process of dividing a potential market into distinct sub-sets of consumers with common needs and characteristics and selecting one or more segments to target with a distinct marketing mix.

Consumers are better satisfied when a wide range of products are available to them. Thus, market segmentation has proved to be a positive force for both consumers and markets alike. If the market was not segmented the same product will be sold to every prospect with a single marketing mix it satisfies a generic or a common need, and it becomes ineffective and ends up appealing to none.

Since the consumers are different in their needs, wants, desire and are from different backgrounds, education experience therefore segmenting the market is very necessary for effective marketing of goods/services.

Segmentation helps in expanding the market by better satisfying the specific needs or desires of particular customers.

Today, nearly every product category in the consumer market is highly segmented. For instance, billion dollar vitamin market is segmented by age for children, young adults, the elderly etc. The vitamin market provides benefits like increased energy, illness, tension and stress reduction, enhanced sexuality, improved skin.

Hotels also segment their market, for example Marriott/operates *fairfield for short stay*. Residential thus Inn for extended stay which are for budget-oriented traveller and are cheap.

- Courtyard* for the price-conscious businessmen.
- Marriott Hotel* for full business travellers.

<i>Marriott resorts</i>	for leisure vacation guests.
<i>Marriott time sharing</i>	for those seeking affordable resort ownership.
<i>Marriott senior living</i>	environment for elderly people.

Maruti, for instance, have positioned the 800cc basic model and Omini Van for the lower income groups, the Zen, Swift, Alto and Gypsy for the middle income groups, and the Baleno, Esteem etc. for the higher income groups.

■ 1.7 Bases for Segmentation

There are various bases for segmentation. These are as under:

Geographic Segmentation

Region	North, South, East, West
City Size	Major metropolitan areas, small cities, towns
Density of Area	Urban, suburban, exurban, rural
Climate	Temperate, hot, humid

Demographic Segmentation

Age	Under 11, 12–17, 18–34, 35–49, 50–64, 65–74, 75+
Sex	Male, Female
Marital Status	Single, married, divorced, living together, widowed
Income	Under \$ 15,000, \$15,000-\$24,999, \$25,000-\$39,999, \$40,000-\$64,4999, \$65,000 and over
Education	Some high school, high school graduate, some college graduate, postgraduate
Occupation	Professional, blue-collar, white-collar, agricultural

Psychological/Psychographic Segmentation

Needs-Motivation	Shelter, safety, security, affection, sense of self worth
Personality	Extroverts, introverts, aggressives, compliants
Perception	Low risk, moderate risk, high risk
Learning-Involvement	Low involvement, high involvement
Attitudes	Positive attitude, negative attitude
Psychographic (Lifestyle)	Swingers, straights, conservatives, status seekers

Sociocultural Segmentation

Culture	American, Italian, Chinese, Mexican
Subculture	
Religion	Jewish, Catholic, Protestant, Other
Race/Ethnicity	African-American, Caucasian, Oriental, Hispanic

Social Class	Lower, middle, upper
Family Lifestyle	Bachelors, young marrieds, empty nesters

Use-Related Segmentation

Usage Rate	Heavy users, medium users, light users, nonusers
Awareness Status	Unaware, aware, interested, enthusiastic
Brand Loyalty	None, some, strong

Use-Situational Segmentation

Time	Leisure, work, rush, morning, night
Objective	Personal use, gift, snack, fun, achievement
Location	Home, work, friend's home, in-store
Person	Self, friends, boss, peer

Benefit Segmentation

Convenience prestige, economy, value-for-the money

Hybrid Segmentation

Demographic/Psychographic Profile	Combination of demographic and psychographic characteristics
Geodemographics	Young Suburbia Blue-Estates
VALS 2	Actualizer, fulfilled, believer, achiever, striver.

The above shows a list of bases for segmentation. Demography helps to locate target market where as psychographic segmentation and socio-cultural characteristics to describe its members *i.e.*, how they think and feel. We shall now discuss the psychographic or life style segmentation.