SREE SIDDAGANGA FIRST GRADE COLLEGE OF ARTS AND COMMERCE

Sondekoppa Road, Near Ganesha Temple, Nelamangala - 562123

---------------------------------------PRINCIPLES OF MARKETING

I Sem B.COM	**CHAPTER 2** **CONSUMER BEHAVIOUR AND MARKET SEGMENATATION**	

CONSUMER BEHAVIOUR

Buyer behaviour is the attempt to understand and predict human actions in the buying role.

Consumer or buyer behaviour is that subset of human behaviour that is concerned with decisions and acts of individuals in purchasing and using products.

Definition

According to **Philip Kotler** "consumer buying behaviour refers to the buying behaviour of final consumers- individuals and households who buy goods and services for personal consumption".

FACTORS INFLUENCING CONSUMER BEHAVIOUR

Consumer behaviour is influenced by various factors that determine the product and brand preferences of consumers. It is essential for the companies to understand the impact of these factors on consumer buying behaviour because it helps in designing better marketing strategies to appeal consumer preferences.

I. Psychological factors

These are factors that directly affects the psychic of a person, and every person has his own psychological framework as a result every individual reacts differently to same subject.

Following are the psychological factors that affect the consumer behaviour:

a) **Motives-** these are driving force within an individual that impels him to a particular action. A motive is a drive or an urge for which an individual seeks satisfaction. So motive is an inner urge that moves a person to initiate the purchase action to satisfy his need or want.
b) **Perception-** it is a process through which a consumer's mind receives, selects, organises and interprets sensory and physical stimulation into a meaningful and coherent picture. It helps to explain the phenomenon of why different individuals respond differently to the same stimuli under the same conditions.
c) **Learning-** it may be defined as any relatively permanent change in behaviour that occurs as a result of experience. Consumer learning is a process where consumers acquire knowledge and experience from purchase and consumption of product.

d) **Beliefs**- consumers through actions and learning, develop beliefs which in turn, influence their buying behaviour. These beliefs are based on certain real facts or sometimes it may be notion or opinion that a person has Ex- a consumer believes that ABC pulses has better protein content and is best for health.

e) **Attitudes-** it is a learned predisposition influenced by the perception and personality. It is very difficult to change the attitude because it is a result of continued learning.

f) **Personality-** it is very essence of individual differences. Personality is usually described in terms of traits like self-confidence, dominance, adaptability etc.

II. Personal factors

a) **Age-** it is one of the important personal factors influencing buying behaviour people buy different products at their different stages of lifestyle.

b) **Family life cycle-** people buy different goods and services over their lifetime. Consumption is also shaped by the stage of the family cycle.

c) **Education**- it widens the person's horizon. Consumer behaviour of an educated man would be very different from that of an uneducated man Ex- use of educational facilities, purchase of newspapers, magazines etc.

d) **Occupation**- the lifestyles and buying considerations and decisions differ widely according to the nature of the occupation.

e) **Income**- it is another factor which influence in shaping the consuming pattern. Buying pattern of people differs with different levels of income.

III. Social factors

a) **Family**- the taste, likes, dislikes, lifestyles etc of the members are rooted in the family buying behaviour.

b) **Reference groups**- a reference group is any person or group of people that serves as a point of comparison for an individual in the formation of his general or specific values, attitudes or behaviour.

c) **Roles and status**- a consists of the activities that a person expected to perform. Each role carries a status. People choose products that communicate their role and status in society. Companies must be aware of status of potential consumers to design their marketing strategy.

d) **Opinion leaders-** a consumer is also influenced by the advice he receives from his friends, neighbours, peers and colleagues about what products and services he should buy.

IV. Cultural factors

a) **Culture**- it influences considerably the pattern of consumption and the pattern of decision making. Consumers operate within cultural framework of their family and society and purchase those products that fit only their cultural framework.

b) **Sub-culture**- it refers to a set of beliefs shared by a sub-group of the main culture, which include nationalities, religious, racial groups and geographic regions.

c) **Social class**- consumer behaviour is determined by the social class to which they belong. They are upper class, middle class and lower class. These influence the buying behaviour.

V. Economic factors

a) **Personal income**- it is a determinant of his/her buying behaviour. An increase in the disposable income leads to an increase in the expenditure of various items.
b) **Family income**- it refers to the aggregate income of all the members of a family. The surplus family income, remaining after the expenditure on the basic needs of the family, is made available for buying shopping goods, durables and luxuries.
c) **Income expectation**- it is an important determinant of buying behaviour. If a person expects an increase in his income, he is tempted to spend more on his buying and vice versa.
d) **Savings**- a change in the amount of savings leads to a change in the expenditure of an individual. If a person decides to save more out of his present income, he will spend less on comforts and luxuries.
e) **Liquid assets**- it includes cash in hand, cash at bank, marketable securities etc. if an individual has more liquid assets, he goes in for buying comforts and luxuries and vice versa.
f) **Consumer credit**- it influences consumer behaviour. If a consumer credit is available on liberal terms, expenditure on comforts increases as it induces consumers to purchase these goods and raise their living standards.

BUYING BEHAVIOUR PROCESS

1. **Perceived want or desire**- buying process begins when a person begins to feel that a certain need or desire is arisen, and it has to be satisfied. The intensity of want will indicate the speed with which a person will move to fulfil the unsatisfied want. Needs may be ignited by internal or external stimulation. Marketing management should offer appropriate cues in the communications which can promote the sale of products.
2. **Information search**- the stimulated needs can be satisfied promptly when the desired product is not only known but also easily available. The marketers must provide relevant information through various promotional strategies. Marketers must provide reliable, up-to-date and adequate information and guidance. This is the pressing demand of consumerism.
3. **Evaluation of alternatives**-with the available information the consumers will now evaluate the alternatives (products or brands). This is the critical stage in the buying process. The product is first viewed based on its utilities and information of the product is collected. Brand image helps in evaluation of alternative, these alternatives are again selected based on their attributes.
4. **Purchase decision**- while the consumer is evaluating the alternatives, she/he will develop some likes and dislikes about the alternative brands. This attitude towards brands influences her/his intention to buy. Factors such as social factors, situational factors and perceived risk influences the buying decision.
5. **Post purchase experience and behaviour**- the brand purchased, and the product used provide feedback of information regarding attitudes. If the level of satisfaction derived as per the expectations. It will create brand preference influencing future purchase. But if the purchased brand does not yield desired satisfaction, it creates negative feelings will create anxiety and doubts about the product.

MARKETING RESEARCH

The **American Marketing Association** defines "Marketing Research" as "the systematic and objective identification, collection, analysis and dissemination of information for the purpose of improving decision making related to the identification and solution of problems and opportunities in marketing."

ESOMAR (European Society for Opinion and Market Research) defines "Market Research" as "the systematic gathering and interpretation of information about individuals or organisations using the statistical and analytical methods and techniques of the applied social sciences to gain insight or support decision making."

MARKETING RESEARCH PROCESS

The Marketing Research Process is comprised of the following steps:
Step 1: Problem Definition
Step 2: Development of an Approach to the Problem
Step 3: Research Design Formulation
Step 4: Field Work or Data Collection
Step 5: Data Preparation and Analysis
Step 6: Report Preparation and Presentation

1. Identification and Defining the Problem:
The market research process begins with the identification "of a problem faced by the company. The clear-cut statement of problem may not be possible in research process because often only the symptoms of the problems can be defined. Then, after some explanatory research, clear definition of the problem is of crucial importance in marketing research because such research is a costly process involving time, energy and money.

2. Statement of Research Objectives:
After identifying and defining the problem, the researcher must take a formal statement of research objectives. Such objectives may be stated as research questions, statement or hypothesis. For example, the research objective, "To find out the extent to which sales promotion schemes affected the sales volume" is a research objective expressed as a statement.

3. Planning the Research Design or Designing the Research Study:
After defining the research problem and deciding the objectives, the research design must be developed. A research design is a master plan specifying the procedure for collecting and analysing the needed information. It represents a framework for the research plan of action.

4. Planning the Sample:
Sampling involves procedures that use a small number of items or parts of the 'population' (total items) to make conclusion regarding the 'population'. Important questions in this regard are— who is to be sampled as a rightly representative lot? Which is the target 'population'? What should be the sample size—how large or how small? How to select the various units to make up the sample?

5. Data Collection:
The collection of data relates to the gathering of facts to be used in solving the problem. Hence, methods of market research are essentially methods of data collection. Data can be secondary, i.e., collected from concerned reports, magazines and other periodicals, especially written articles, government publications, company publications, books, etc.
Data can be primary, i.e., collected from the original base through empirical research by means of various tools.
There can be broadly two types of sources

- Internal sources—existing within the firm itself, such as accounting data, salesmen's reports, etc.
- External sources—outside the firm.

6. Data Processing and Analysis:
Once data have been collected, these have to be converted into a format that will suggest answers to the identified and defined problem. Data processing begins with the editing of data and its coding. Editing involves inspecting the data-collection forms for omission, legibility, and consistency in classification. Before tabulation, responses need to be classified into meaningful categories.

7. Formulating Conclusion, Preparing and Presenting the Report:
The final stage in the marketing research process is that of interpreting the information and drawing conclusion for use in managerial decision. The research report should clearly and effectively communicate the research findings and need not include complicated statement about the technical aspect of the study and research methods.

Importance of Marketing Research in decision making

1. **Easily Spot Business Opportunities**

After you've done your market research, it'll be clear to you who you want to reach out to (your target customers), where you can reach them (your marketing channels), and what they're interested in. Once you've defined these, you'll be able to easily spot business opportunities.

2. Lower Business Risks

Market research helps to reduce risk, identify options, increase confidence, and provide an objective perspective necessary to direct a growing enterprise. And paradoxically, reducing risk helps you take on the risks your enterprise needs to grow.

3. Create Relevant Promotional Materials

In an era of micro- rather than mass-marketing, communication plays a vital role. Marketing research uses promotional research to study media mix, advertising effectiveness and integrated communication tools. Research on such aspects will help in promoting effectively a company's product in the market.

4. Know Where to Advertise

One of the problems that small business owners face is a limited budget. Because of this, your marketing budget should be optimized to give you the best returns possible. Your market research can help ensure that you're reaching your intended audience in the channels where they're most likely to see your message.

5. Outsell Competitors

The business that knows their customers more tends to win more. If you can beat your competitors at finding out your customers' needs and you aim to fulfil those needs, you've got a better chance of standing out from the competition. Here are some ways you can use market research to outsell competitors:

6. Set Better Goals for Your Business

When business owners set goals for their business, it's typically related to growth in sales or customers. But without market research, you won't be able to know if your goal is achievable and how to achieve it in the first place.

With market research, you'll be able to determine the specific directions you want to grow your customer base. For example, do you want to grow your customers via a new untapped market segment? Or do you still have room for growth among your current target audience?

7. Decision-Making Becomes Simple

Marketing research plays a vital role in the decision-making processes by supplying relevant, up-to-date and accurate data to the decision-makers. Managers need up-to-date information to access customer needs and wants, market situation, technological change and extent of competition.

MARKET SEGMENTATION

Meaning

Market Segmentation is a process of disaggregating the total market for a given product into a number of submarkets. The heterogenous market is broken up into a number of relatively homogenous units.

Definition

"Market Segmentation is the sub-dividing of market into homogeneous sub-sections of customers, where any sub-section may conceivably be selected as a market target to be reached with a distinct marketing mix." **PHILIP KOTLER**

"Market Segmentation consists of taking the total heterogeneous market for a product and dividing it into several sub-markets or segments, each of which tends to be homogeneous in all significant aspects." **W.J STANTON**

BENEFITS OF MARKET SEGMENTATION

1. Market Segmentation help in determining the market opportunities, analysing the need of each segment and finding current satisfaction of customers.
2. Market Segmentation help in developing marketing programmes by collecting the response characteristics of specific segment.
3. Market Segmentation help in selection of media more intelligently.
4. Markets can make finer adjustments in their products and marketing communications.
5. Market Segmentation helps in analysing the competitive strength and weakness effectively and can avoid cutthroat competition.
6. By tailoring the market programme to individual market segments, they can optimally utilise the resources.

REQUISITIES OF MARKET SEGMENTATION

1. **Identifiable:** the marketer should be able to identify which consumers are members of a particular market segment. The consumers must respond in the same way to a particular marketing mix.
2. **Measurability:** the characteristics that are common to the groups of consumers should be measured in terms of size, purchasing power and other characteristics.
3. **Accessibility:** the segments must be reachable through communication and distribution channels.
4. **Substantiality:** the segment should be large enough to generate sales volume that ensures profitability, it should have sufficient buyers to justify its study, segmentation and expenditure.
5. **Distinction/Representability:** the segments must be distinguishable so that separate products and market strategies can be designed for different market segments.
6. **Durable:** the segments should be relatively stable to minimise the cost of frequent changes.

7. **Responsive (nature and extent of demand, response rate):** market segments must be defined and articulated. The willingness to purchase a product in response to variations in the marketing mix.
8. **Compatible with corporate image:** the market must be compatible with firm's objective or goals.

BASES OF MARKET SEGMENTATION

The market is segmented broadly into

A. PEOPLE ORIENTED
B. PRODUCT ORIENTED

PEOPLE ORIENTED (Non-behavioural segmentation)

Geographic segmentation

This calls for dividing the market into different geographical units such as nations, states, regions- west, north, east, south etc.

- Countries, cities or neighbourhoods
- Attention should be paid to variations in geographical needs and preferences.
- Geographical segmentation assists the seller to position retail outlets in most appropriate location as well as simply identifying the needs on the basis of the consumers own location.

Demographic segmentation

This consists of dividing the market into groups on the basis of demographic variables such as age, gender, family size, family life cycle, income, education, occupation, religion and nationality.

These variables are the most popular for distinguishing customer groups because, consumers' wants and preferences are closely related to them. They are easier to measure than most other types of variables.

- Age: consumer needs and wants change with age. Hence the market should be segmented as young, old etc.
- Gender: this can be employed to segment such markets for clothes deodorants, lotions, magazines, etc.
- Family life cycle (FLC): the product needs for a household vary according to marital status and the present ages of children. Thus, family life cycle can be divided into:
    a) Single.
    b) Young, married with young children.
    c) Older married with children etc.
- Income: Marketers can segment the market according to the distribution of income.
- Occupation: variables include bankers, teachers, farmers, clerks, students, housewives, secretaries etc.
- Education
- Religion
- Social class

Psychographic Segmentation

Consumers are sub-divided into different groups on the of personality, life style and values. People exhibit different life style and they express them through the products they use. Some social segments are very orthodox and tradition bound at home. But the same people look very modern in outside world. Marketers of cosmetics, textiles, soft-drinks, fast-food providers etc must understand the lifestyle of the target market.

Socio-Economic Segmentation

Income, occupation, education, religion and social classes are the important socio-economic data required for market segmentation. These are all components of socio-economic characteristics of a target population. Income and occupation characteristics are generally used in market segmentation for durable products such as automobiles, household appliances, electronic items, personal computer etc.

PEOPLE ORIENTATION (behavioural segmentation)

Benefits

On a purchase of a same product, different customers look for different benefit. Customers buy different products from different companies which satisfy their specific needs.

a) Quality- there are people for whom the quality is important Ex: Skoda.
b) Services- people buy things to avail some specific service.
c) Economy- the price may be important deciding factor in case of any purchase.
d) Speciality- people can be adventurous and sporty in purchase decisions.

User status

The users of the product can be classified as non-users, ex-users, potential users first time users and regular users. Each market segment requires a different marketing strategy. The company will study the user status. Big firms focus on attracting potential users while smaller firms will try to attract current users.

Usage rate

Markets can be segmented into various classes depending on the usage rate such as

a) Light- these are infrequent users.
b) Medium- they are frequent users.
c) Heavy- they are most important users.

Loyal status

A market can be segmented by the customer loyalty patterns. According to the loyalty status, the buyers can be divided into:

a) Hardcore loyal- consumers who buy one brand all the time.
b) Soft core loyal- consumers who are loyal to two or three brands.
c) Shifting loyal- consumers who shift from favouring one brand to another.
d) Switchers- consumers who show no loyalty to any brand.

Attitude

A -market may be segmented by classifying people in it according to their enthusiasm for a product. Five attitude groups can be found in a market.

a) Enthusiastic
b) Positive
c) Indifferent
d) Negative
e) Hostile

LEVELS OF MARKET SEGMENTATION

1. **Mass marketing**
   Mass marketing is a marketing strategy in which a firm decides to ignore market segment differences and appeal the whole market with one offer or one strategy, which supports the idea of broadcasting a message that will reach the largest number of people possible.
2. **Local marketing**
   Local store marketing (LSM), also known as "neighborhood marketing," or simply "local marketing, " is a marketing strategy that targets consumers/customers within a radius around a physical location with marketing messages tailored to the local populace.
   Ex: Hallimane
3. **Niche marketing**
   Niche marketing is an advertising strategy that focuses on a unique target market. Instead of marketing to everyone who could benefit from a product or service, this strategy focuses exclusively on one group a niche market or demographic of potential customers who would most benefit from the offerings. Ex: Pillow for neck pain, Cushion for tail bone, Milton thermostat bottles.
4. **One-to-one marketing**
   one-to-one marketing (also called relationship marketing or customer-relationship management) means being willing and able to change your behavior toward an individual customer based on what the customer tells you and what else you know about that customer.
5. **Mass customization.**
   Mass customization is the process of delivering market goods and services that are modified to satisfy a specific customer's needs. Mass customization is a marketing and manufacturing technique that combines the flexibility and personalization of custom-made products with the low unit costs associated with mass production. Other names for mass customization include made-to-order or built-to-order.
6. **Permission marketing**

Permission marketing is a concept introduced in a book of the same name in 1999 by marketing expert Seth Godin. Permission marketing is a non-traditional marketing technique that advertises goods and services when advance consent is given

Subscription option.