

Unit 5: Consumer Buying Behavior

Structure:

- 5.1 Concept of Consumer Behaviour
- 5.2 Characteristics of Buying Decision Behaviour
- 5.3 Types of Buying Decision Behaviour
- 5.4 Henry Assael Model
- 5.5 Consumer Buying Decision Process
- 5.6 Buying Decision Process for New Products
- 5.7 Buying Motives
- 5.8 Buyer Behaviour Models
- 5.9 Cognitive Dissonance Strategies
- 5.10 Summary
- 5.11 Check Your Progress
- 5.12 Questions and Exercises
- 5.13 Key Terms
- 5.14 Check Your Progress: Answers
- 5.15 Case Study
- 5.16 Further Readings
- 5.17 Bibliography

Objectives

After studying this unit, you should be able to understand:

- Characteristics of Buying Decision Behaviour
- Types of Buying Decision Behaviour
- Henry Assael Model
- Consumer Buying Decision Process
- Buyer Decision Process for New Products
- Buying Motives
- Buyer Behaviour Models
- Cognitive dissonance strategies

Notes

5.1 Concept of Consumer Behaviour

Consumer behaviour is the study of individuals, groups, or organizations and the processes they use to select, secure, and dispose of products, services, experiences, or ideas to satisfy needs of the consumer and society. It blends elements from psychology, sociology, social anthropology and economics. It attempts to understand the buyer decision making process, both individually and in groups. It studies characteristics of individual consumers such as demographics and behavioural variables in an attempt to understand people's wants. It also tries to assess influences on the consumer from groups such as family, friends, reference groups, and society in general.

Consumer behaviour is the study of when, why, how, and where people do or do not buy a product. Relationship marketing is an influential asset for customer behaviour analysis as it has a keen interest in the re-discovery of the true meaning of marketing through the re-affirmation of the importance of the customer or Consumer. A greater importance is also placed on consumer retention, customer relationship management, personalization, customization and one-to-one marketing. Social functions can be categorized into social choice and welfare functions.

Consumer behaviour is a comparatively new field of study. It is the attempt to understand and predict human actions in the buying role. It has assumed growing importance under market-oriented or customer-oriented marketing planning and management. Consumers' market for many products and the growth of consumerism and consumer legislation since 1960 have created special interest in Consumer behaviour and the formulation of marketing mixes to respond favourably Consumer behaviour in the market place.

Consumer behaviour includes the acts of individuals directly involved in obtaining and using economic goods and services including sequence of decision processes that precede and determine these acts. Actual purchase is only a part of the decision process. In Consumer behaviour we consider not only why, how and what people buy but other factors such as where, how often and under what conditions the purchase is made. An understanding of Consumer behaviour is essential in marketing planning and programmes.

Who is a Consumer?

The consumer is the one who pays to consume the goods and services produced. Consumers play a vital role in the economic system of a nation. In the absence of their effective demand, the producers would lack a key motivation to produce, which is to sell to consumers.

Meaning of Consumer

Consumer is an individual who buys products or services for personal use and not for manufacture or resale. A consumer is someone who can make the decision whether or not to purchase an item at the store and someone who can be influenced by marketing and advertisements.

Definition of Consumer

According to **Consumer Protection Act, 1986**, "Consumer means any person who buys any goods for a consideration which has been paid or promised or partly paid and partly promised, or under any system of deferred payment and includes any user of such goods other than the person who buys such goods for consideration paid or

promised or partly paid or partly promised, or under any system of deferred payment when such use is made with the approval of such person, but does not include a person who obtains such goods for resale or for any commercial purpose”.

According to **Oxford Dictionary**, “Consumer is a person who purchases goods and services for personal use”.

Meaning of Consumer Behaviour

Consumer behaviour refers to the psychological, social and physical behaviour of potential consumers as they become aware of, evaluate, purchase, consume and tell others about the products or services.

Definitions of Consumer Behaviour

According to **Professor Walter C.G and Professor Paul G.W.**, “Consumer behaviour is the process whereby individuals decide whether, what, when, where, how and from whom to purchase goods and services. It is all the psychological, social and physical behaviour of potential customers as they become aware of, evaluate, purchase, consume and tell others about the products or services.”

According to **Professors Leon G Schiffman and Leslie L Kanuk**, “Consumer behaviour is study of how individuals make decisions to spend their available resource-time, money, effort- on consumption-related items. It includes the study of WHAT they buy, WHY they buy it, WHEN they buy it, HOW often they buy it, and how often they USE it.”

Nature of Consumer Behaviour

The individual, the product category and the present scenario is involved in consumer behaviour. The field of consumer behaviour is the study of individuals, groups, or organizations & the processes they use to select, secure, use& dispose of products, services, experience or ideas to satisfy the needs of the consumer and society. The nature of consumer behaviour consists of the following concepts:

1. **Personal Concept:** Before buying any product, the individual usually takes time to evaluate the product. The choice may be different from person to person. So, the process of market segmentation came into existence. This is done mainly to give some benefits to those customers of particular segment.
2. **Product Concept:** The choice for a particular product also differs from person to person. There could be shift in the change of product category from the existing product category. The time needs to be spent in order to make a purchase of a product category.
3. **Consumption Situation:** The purchasing and the consumption depend on the situation for a particular product. The consumption of a product may also reflect to the status of individual.
4. **Marketing Concept:** The marketing of a product also depends on individual psychology, social psychology, sociology, cultural or social anthropology, economic, geographical, linguistics, politics and philosophy.

Need to study Consumer Behaviour

The study of Consumer Behavior plays an importance role to the marketers which need to study in how individuals, groups and organizations select, buy, use and dispose

Notes

of goods, services, idea or experiences to satisfy their needs and wants. To survive in the market, a firm has to be constantly innovating and understand the latest consumer needs and tastes. The need to study consumer behaviour can be summarized as follows:

- i) The study of consumer behaviour for any product is of vital importance to marketers in shaping the fortunes of their organizations.
- ii) It is significant for regulating consumption of goods and thereby maintaining economic stability.
- iii) It is useful in developing ways for the more efficient utilization of resources of marketing. It also helps in solving marketing management problems in more effective manner.
- iv) Today consumers give more importance on environment friendly products. They are concerned about health, hygiene and fitness. They prefer natural products. Hence detailed study on upcoming groups of consumers is essential for any firm.
- v) The growth of consumer protection movement has created an urgent need to understand how consumers make their consumption and buying decision.
- vi) Consumers' tastes and preferences are ever changing. Study of consumer behaviour gives information regarding colour, design, size etc. which consumers want. In short, consumer behaviour helps in formulating of production policy.
- vii) For effective market segmentation and target marketing, it is essential to have an understanding of consumers and their behaviour.

Determinants or Influencing Factors of Consumer Behaviour

Consumer behavior is the selection, purchase and consumption of goods and services for the satisfaction of their wants. There are various factors that influence a consumer to buy and consume a product.

Consumer behaviour is influenced by the following factors:

1. Cultural Factor
2. Social Factor
3. Personal Factor
4. Psychological Factor

1. Cultural Factor

Consumer behavior is deeply influenced by cultural factors such as: buyer culture, subculture and social class.

i) Culture

Culture refers to the cumulative deposit of knowledge, experience, beliefs, values, attitudes, meanings, hierarchies, religion, notions of time, roles, spatial relations, concepts of the universe, and material objects and possessions acquired by a group of people in the course of generations through individual and group striving. Culture is the part of every society and is the important cause of person wants and behavior. The influence of culture on buying behavior varies from country to country therefore marketers have to be very careful in analyzing the culture of different groups, regions or even countries.

The set of basic values perceptions, wants and behaviours are learned by a member of society from family and other important institutions. Culture is the most basic cause

of a person's wants and behaviour. Every group or society has a culture, and cultural influences on buying behaviour may vary greatly from country to country.

ii) Sub Culture

A group of people with shared value systems based on common life experiences and situations. Each culture contains smaller sub cultures a group of people with shared value system based on common life experiences and situations. Sub culture includes nationalities, religions, racial group and geographic regions. Many sub culture make up important market segments and marketers often design products.

iii) Social Class

Every society possesses some form of social class which is important to the marketers because the buying behavior of people in a given social class is similar. In this way marketing activities could be tailored according to different social classes.

Almost every society has some form of social structure; social classes are society's relatively permanent and ordered divisions whose members share similar values, interests and behaviour.

2. Social Factors

Social factors also impact the buying behavior of consumers. The important social factors are: reference groups, family, role and status.

i) Reference Groups

Reference groups have potential in forming a person attitude or behavior. The impact of reference groups varies across products and brands. For example if the product is visible such as dress, shoes, car etc then the influence of reference groups will be high. Reference groups also include opinion leader a person who influences other because of his special skill, knowledge or other characteristics.

ii) Family

Family members can strongly influence buyer behaviour. The family is the most important consumer buying organization society and it has been researched extensively. Marketers are interested in the roles, and influence of the husband, wife and children on the purchase of different products and services.

iii) Roles and Status

A person belongs to many groups, family, clubs, and organizations. The person's position in each group can be defined in terms of both role and status. For example: M & "X" plays the role of father, in his family he plays the role of husband, in his company, he plays the role of manager, etc. A Role consists of the activities people are expected to perform according to the persons around them.

3. Personal Factors

Personal factors can also affect the consumer behavior. Some of the important personal factors that influence the buying behavior are: lifestyle, economic situation, occupation, age, personality and self-concept.

i) Age and life-cycle

Age and life-cycle have potential impact on the consumer buying behavior. It is obvious that the consumers change the purchase of goods and services with the passage of time. Family life-cycle consists of different stages such young singles, married couples,

Notes

unmarried couples etc which help marketers to develop appropriate products for each stage.

ii) Occupation

A person's occupation affects the goods and services bought. Blue collar workers tend to buy more rugged work clothes, whereas white-collar workers buy more business suits. A Co. can even specialize in making products needed by a given occupational group. Thus, computer software companies will design different products for brand managers, accountants, engineers, lawyers, and doctors.

iii) Economic situation

Consumer economic situation has great influence on his buying behavior. If the income and savings of a customer is high then he will purchase more expensive products. On the other hand, a person with low income and savings will purchase inexpensive products.

iv) Life Style

Lifestyle of customers is another import factor affecting the consumer buying behavior. Lifestyle refers to the way a person lives in a society and is expressed by the things in his/her surroundings. It is determined by customer interests, opinions, activities etc and shapes his whole pattern of acting and interacting in the world.

v) Personality and Self concept

Personality changes from person to person, time to time and place to place. Therefore it can greatly influence the buying behavior of customers. Actually, Personality is not what one wears; rather it is the totality of behavior of a man in different circumstances. It has different characteristics such as dominance, aggressiveness, self-confidence etc which can be useful to determine the consumer behavior for particular product or service.

4. Psychological Factors

Psychology is the study of the intrinsic qualities of individuals such as motivation, perception, personality and learning patterns and attitudes. A person's buying choices are influenced by five major psychological factors- Motivation, Perception, Learning, Beliefs and Attitudes.

i) Motivation

Motivation is the driving force within an individual generated by a state of tension caused by unfulfilled needs and wants. Motivation is a process of willingness to expend energy to achieve a goal or a reward. It is an urge inside a human being to achieve something.

ii) Perception

Perception is defined as the process by which an individual selects, organizes and interprets stimuli into a meaningful and coherent picture of the world. Perception differs from individual to individual. It is the way a person sees the world around him. It is a personal phenomenon. Perception is that process, which involves seeing, receiving, selecting, organizing, interpreting and gives meaning to the things around him. It is basically a mental process, and fundamentally a cognitive on thinking process.

iii) Learning

Consumer learning is defined as a change in behaviour occurring on account of part or previous experience. Learning evolves continuously and changes as a result of newly

acquired knowledge. Consumers learn from their past experience and the future behaviour results by such learning. The learning does not result deliberately. Most the learning arrives either by intentionally or by incidental. The learning process can also be derived accidentally.

iv) Beliefs

A belief is a descriptive thought that a person holds about something. Beliefs are centered on Knowledge, opinion or faith. This might or might not carry an emotional change. The manufactures are very interested in them. Beliefs carried by the customers about their products and services.

v) Attitudes

An attitude is a person's enduring favourable or unfavourable evaluations, emotional feelings, and action tendencies toward some object everything, starting from religion, politics, clothes, music etc. Attitudes results either in the liking or disliking of a product which ends up either moving toward or away from the product.

5.2 Characteristics of Buying Decision Behavior

Consumer Buying Behavior

Consumer buying behavior is the sum total of a consumer's attitudes, preferences, intentions, and decisions regarding the consumer's behavior in the marketplace when purchasing a product or service. The study of consumer behavior draws upon social science disciplines of anthropology, psychology, sociology, and economics.

Consumer behaviour is a field of psychology that studies the way individuals spend money. Consumer behaviour is an important consideration in fields such as economics and marketing, since understanding how consumers make their decisions can help predict how consumers will react to different situations. Buying decision behavior often exhibits several common characteristics:

1. Information Search

The search for information is a common characteristic of consumer behaviour. Consumers cannot purchase goods and services if they are unaware that a good or service exists. When a consumer decides to buy a certain item, his decision must be based on the information he has gathered about what products or services are available to fulfill his needs. There might be a product available that would be better suited to the consumer's needs, but if he is unaware of the product, he will not buy it. Consumers gather information in many ways. Advertisements and word-of-mouth are common ways consumers find information. A consumer with Internet access can search for reviews of products and product alternatives, which may make him more informed and better able to make decisions.

2. Brand Loyalty

Brand loyalty is another characteristic of consumer behavior. Brand loyalty is the tendency of a consumer to buy products or services from a certain company that she likes or equates with having high quality goods and services. For instance, if her first car was a Honda as a teenager and the car lasted 2,00,000 miles, she might have a tendency to buy Hondas in the future due to her previously positive experience. This brand loyalty may be so strong that she forgoes the information search all together when considering her next vehicle. An information search takes time and effort; brand loyalty is a way consumers avoid the time and effort involved in an information search.

Notes**3. Price Elasticity of Demand**

Price elasticity of demand is an economic concept and an important characteristic of consumer behaviour. The price elasticity of demand is the change in consumption that an individual makes due to a change in the price of a certain product. The consumption of products with high elasticity of demand will fall sharply with an increase in price. For instance, if the price of a luxury, such as baseball tickets, rose 30 percent, consumers might stop buying baseball tickets and buy more movie or basketball tickets as a substitute. If consumer demand shifted in this way, baseball tickets could be said to have high elasticity of demand, since consumers will shift their preferences greatly as price changes. Items with low elasticity of demand, or inelastic goods, are those that consumers tend to buy regardless of price. Goods such as gasoline, milk and other essentials tend to be inelastic. Gas might go up in price by 30 percent, but consumers may still buy it in the same quantity since many people rely on gas for commuting and other essential transportation.

5.3 Types of Buying Decision Behavior

Consumers make purchase decisions when they buy small items, such as a cup of coffee, and when they buy larger items, such as a house. After recognizing a need or a want, consumers begin searching for products or services that fit their needs. They evaluate their options, taking note of everything from pricing to a brand's reputation, before making a purchase. Four types of consumer buying behavior outline product purchase decisions.

1. Extensive Decision Making

Purchases for high priced electronics, such as a television, computer or camera, or major purchases such as a home or car require consumers to use extensive decision making. Consumers spend substantial amounts of time researching a high number of potential options before they buy. They speak with trusted friends, family, colleagues and sales professionals, and read reviews and ratings online and in consumer magazines. The decision making process lasts longer, as the consumer is investing a substantial amount of money.

2. Routine Purchases

There are items consumers are used to purchasing every day, once a week or monthly. These can range from a morning cup of coffee from a nearby convenience store, to milk, eggs and cheese from the supermarket. Customers spend very little time deciding whether or not to purchase these items and don't typically need to read reviews or consult with friends for their opinions before they make routine purchases.

3. Limited Decision Making

When customers engage in purchases that require limited decision making, they may seek advice or a suggestion from a friend. For example, if a young professional is preparing for an interview and wants to get her hair colored the week before, she might solicit advice from friends to find out which salon does good hair coloring work. As she shops for a suit for the interview, she might also ask for suggestions on which store to go to and which brand of suit is the best. The consumer may research a few options, but the search is not as thorough, or as time consuming, as with a higher priced item.

4. Impulse Purchases

When a consumer stands at the checkout and notices lip moisturizer, magazines and gum, and adds one of the items to his cart of groceries, it's often referred to as an

impulse purchase. The consumer makes a purchase with little to no thought or planning involved. In most instances this happens with low-priced items.

5.4 Henry Assael Model

Henry Assael studied the buying habits of consumers and decided there are four categories that shoppers fit into:

1. Complex Buying Behaviour

Customers who display complex buying behaviour patterns will get very involved in the purchase of the item or service and the difference between brands is a high priority.

So the company marketing the product should establish belief in the brand, provide plenty of information and ensure that their product is different from others.

2. Dissonance reducing buying behaviour

This relates to customers when they are happy to purchase a product but there are other brands which are very similar.

The problem with this behaviour pattern is that customer will become dissatisfied after purchasing a problem and this is very difficult to change.

3. Variety seeking buying behaviour

This is found in consumers when there is a lot of major difference between brands but they don't get very involved in purchasing

When this happens, the company marketing the product should take following steps:

They should try to get customers to continue to buy their product.

Make sure that the product is always available for the customer.

Smaller companies should use sales promotion techniques to gain more customers.

4. Habitual buying behaviour

This relates to consumers who have little involvement in buying the product and also find that there are only very small differences between brands.

In this situation the following methods should be tried:

Lower price and offer sales promotions to try to make people want to buy.

In advertisements, make sure that more visuals are used than text.

Television is a great way of promoting this kind of product.

5.5 Consumer Buying Decision Process

The stages involved in the decision-making process are problem recognition, information search, and evaluation of alternatives, purchase decision and post purchase evaluation. This can be illustrated by a figure given below:

Stage-1: Problem Recognition

This is the first stage in the consumer's decision-making process. In this stage the consumer recognizes a problem and he tries to find a solution to resolve the problem. This problem recognition can be due to either an actual state of a consumer or desired state of the consumer. The marketer needs to understand the circumstances on

Notes

environmental access which acts as a trigger to arise the needs and desires of consumers and then develop alternative product displays and communication programmes.

Stage-2: Information Search

Passive consumers may or may not involve in information search, but if the consumer is active or consumer's drive is strong, he will definitely go for information search. If a product is easily available and if the consumer is information search oriented or always is looking for the knowledge of a product, he will definitely be happy in knowing more about the product. Although the consumer have all information about the product but he is totally confused about which product to choose from the alternatives available.

The information search activity will increase when the consumer shifts from a limited problem situation to one involving extensive problem solving. There are four sources of consumer information search. The information search from these sources will vary according to the product category and buyers characteristics. After the information search stage consumers will be able to increase his or her awareness of the available brands and their relevant features in the particular product category. So, the marketer can carry on a research programme and recognize those source preferred by the consumers in order to help the marketer coming out with a marketing mix.

Stage-3: Evaluation of Alternatives

This is the third stage in the decision-making process. Here consumers tend to use two type of information. They are as follows:

- i) The list of brands from which the consumer prefers or plans to make the selection or purchase.
- ii) The criteria to be used for evaluating each brand.

The consumer in order to make the selection from the list of brands preferred by him should meet his criteria of evaluating the brands. The consumer should be aware about the product category of different brands. The product category should involve from his preferred brand the marketers should stress in doing the promotional activities in order to make a favorable and a brand image about the product. While selecting the product, the attributes of the products are taken into consideration by the consumer. This will be the basis for selecting the particular product of a brand. The promotional choice should be such so that it touches.

Stage-4: Purchase Decision

The purchase decision will be influenced by evaluation of alternatives and also by the attitude of others or by the unanticipated situational factors. Through attitudes of a consumer, the marketer can know the consumer purchasing decision. The purchase decision might postpone or avoid an immediate person decision which is influenced by the perceived risk factor. This perceived risk factor can be associated with the transaction money involved and self-confidence to handle the risk factor. The consumer would like to reduce the risk factor by information search and the sources from which reliable information can be found out. They will be in a better position to choose the products available in the market. The consumer always looks for a product which gives excellent service and also long term warranty period. The marketer also should give proper information about the product available through sources which can reduce consumer perceived risk.

Stage-5: Post Purchase Evaluation

This is the last stage where consumers tend to judge their experience against their expectations which is involved in a post purchase evaluative process. The marketers usually try to know the consumer's post purchase behaviour. This is done by calling up the customer whether he is satisfied on ROI with the product he has purchase from that company. The satisfaction level of the consumer can be found out by the type of relationship the marketer holds. The product purchased by a consumer will depend on the expectation of the consumer. If the expectation of the consumer is met the consumer is satisfied.

From the marketer's point of view, the post purchase behaviour is very important because, the feedback given by the consumer will give an indication whether the consumer is satisfied or not satisfied about a product or service provided. The outcomes of the post purchase behaviour are as follows:

- i) If the consumer's expectation is met by the product, purchased, the consumer will be satisfied.
- ii) The features and performance of the product will delight the customer when the product surpasses expectations.
- iii) If the performance of the product falls sort of its expectation, the consumer will be totally dissatisfied.

If the consumer is satisfied by the service and performance of the product, he will purchase product of the same brand in the future.

5.6 Buying Decision Process for New Products

Problem/need-recognition

Problem/Need-recognition is the first and most important step in the buying decision. Without the recognition of the need, a purchase cannot take place. The need can be triggered by internal stimuli (e.g. hunger, thirst) or external stimuli (e.g. advertising). Maslow held that needs are arranged in a hierarchy. According to Maslow's hierarchy, only when a person has fulfilled the needs at a certain stage, can he or she move to the next stage. The problem must be the products or services available. It's how the problem must be recognized.

Information search

The information search stage is the next step that the customers may take after they have recognized the problem or need in order to find out what they feel is the best solution. This is the buyer's effort at searching the internal and external business environments to identify and observe sources of information related to the focal buying decision. The field of information has come a long way in the last forty years, and has enabled easier and faster information discovery. Consumers can rely on print, visual, and/or voice media for getting information.

Evaluation of alternatives

At this stage, consumers evaluate different products/brands on the basis of varying product attributes, and whether these can deliver the benefits that the customers are seeking. This stage is heavily influenced by one's attitude, as "attitude puts one in a frame of mind: liking or disliking an object, moving towards or away from it". Another factor that influences the evaluation process is the degree of involvement. For example, if the

Notes

customer involvement is high, then he/she will evaluate a number of brands; whereas if it is low, only one brand will be evaluated.

Purchase decision

This is the fourth stage, where the purchase takes place. According to Kotler, Keller, Koshy and Jha (2009), the final purchase decision can be disrupted by two factors: negative feedback from other customers and the level of motivation to comply or accept the feedback. For example, after going through the above three stages, a customer chooses to buy a Nikon D80 DSLR camera. However, because his good friend, who is also a photographer, gives him negative feedback, he will then be bound to change his preference. Secondly, the decision may be disrupted due to unanticipated situations such as a sudden job loss or the closing of a retail store.

Post-purchase behavior

These stages are critical to retain customers. In short, customers compare products with their expectations and are either satisfied or dissatisfied. This can then greatly affect the decision process for a similar purchase from the same company in the future, mainly at the information search stage and evaluation of alternatives stage. If customers are satisfied, this results in brand loyalty, and the information search and evaluation of alternative stages are often fast-tracked or skipped completely. As a result, brand loyalty is the ultimate aim of many companies. On the basis of either being satisfied or dissatisfied, a customer will spread either positive or negative feedback about the product. At this stage, companies should carefully create positive post-purchase communication to engage the customers.

5.7 Buying Motives

Buying motive is the motive to persuade the desires of people so that they buy a particular good or service. Buying motive relates to the feelings and emotions of people which generates a desire to purchase. Any person does not buy a product or service just because of excellent salesman pitch but he does also due to the desire generated within him towards the product or service.

Importance of Buying Motive

Understanding the buying motive of a customer is essential for a company as it helps the company to target the customer better. Buying motive means that the customer requires a particular product to fulfill a certain need. No matter how good a product is or how good the marketing is, unless the customer has a need it would not matter. This makes buying motive extremely important in business.

Motive and instincts are completely different keywords. Motives are voluntary made such that a particular stimulus will take place where as instincts is involuntary and generally inborn quality of a person. Ex: Thirst is an instinct but aspire to buy a bottle of mineral water to quench thirst is a motive.

Types of Buying Motives

Buying motives can be categorized as follows:

1. Product Buying Motives
2. Patronage Buying Motives

1. Product Buying Motives

Product buying motives are the factors or characteristics of a product that persuade a person to purchase only that product instead of other products available in the market. The factors can be physical appearance like design, size, color, price, shape etc. or can be psychological features like status, desire to reduce danger etc. Product buying motives is divided into two categories: Emotional and Rational.

- a) **Emotional Product Buying Motives:** If a person purchases a product without thinking much rationally (i.e. with less reasoning) then he or she is said to have persuaded by emotional product buying motives. There are around ten kinds of emotional product buying motives: prestige, imitation, affection, comfort, sexual attraction, ambition, distinctiveness, pleasure, hunger and thirst, habit.
- b) **Rational Product Buying Motives:** If a person purchases a product after thinking rationally (i.e. logically deciding) then he or she is said to have persuaded by rational product buying motives. There are around eight kinds of rational product buying motives: security, economy, low price, suitability, utility, durability, convenience.

2. Patronage Buying Motives

Patronage buying motives are the factors or characteristics that influence a person to purchase a product from particular shop instead of purchasing from other shops selling the same product. It can be divided into two categories: Emotional and Rational

- a) **Emotional Patronage Buying Motives:** If a person purchases a product from a particular shop without thinking much about other shops, then he or she is said to have persuaded by emotional patronage buying motives. There are around six kinds of emotional patronage buying motives: ambience of shop, showcase of products, recommendations by others, prestige, habit, imitation.
- b) **Rational Patronage Buying Motives:** If a person purchases a product from a shop after complete analysis and reasoning then he or she is said to have persuaded by rational patronage buying motives. There are around eight rational patronage buying motives: convenience, low price, credit availability, more services, efficiency of the seller, wide variety, treatment, reputation. Hence, this concludes the definition of Buying Motive along with its overview.

5.8 Buyer Behaviour Models

The models of buying behaviour are as follows:

1. Economic model
2. Psychoanalytic model
3. Learning model
4. Sociological model
5. Howard-Sheth model
6. Nicosia model
7. Webster and Wind model
8. Engel-Kollat Blackwell model

Notes

1. Economic Model

In economics, the people evaluate all the alternatives in terms of cost and value received. This product and service gives full satisfaction. Consumers follow the principle of maximum utility based on the law of diminishing marginal utility. Consumers will allocate his needs, tastes and experience according to the purchasing of the consumers, also the consumer utilizes his expenditure for different products in order to maximize utility.

Usually economic model is un-dimensional. Here the buying decisions of a person are concerned with utilization of the resources. The consumers make the purpose in the hope of utilizing his resources at most.

The economic model will be emphasized by buying behaviour. They are:

- (i) **Price effect:** If the price of the product is reasonable, the quantity of the product purchased is more.
- (ii) **Product effect:** Lesser the price of the substitute product the original product purchased will be less.
- (iii) **Income effect:** If the purchasing power of the consumer is more and sound, the purchase of the product will be more.

This model emphasizes the behaviour of the consumer about a certain product. According to some of the scientists, economic model is incomplete. The market is homogeneous according to the economics and the consumers behave according to the income level. Here the perception, motivation, learning, attitude and personality are considered much important. But on the contrary, it is very important to possess a multi-disciplinary approve to understand consumer behaviour. Apart from all those factors, the consumer is also influenced by product, place, promotion etc. These all factors helps is the consumers in taking a decision.

2. Psychoanalytic model

This theory is developed by Sigmund Frued. He thought that human need and sub-conscious levels. According to Sigmund Frued, personality is the outcome of (a) Id (b) Super ego (c) Ego.

The id controls the individual's most basic needs and urges such as hunger, sex and self – preservation. The id is the part of the unconscious mind consisting of person's basic inherited instincts, needs and feelings. The id operates on one principle, directing behaviour to achieve pleasure and to avoid pain. It seeks immediate satisfaction ex: A new born baby's behaviour is governed totally by the id. Hence, In simple terms Id was conceptualized as a centre of primitive and impulsive drives, which seeks immediate satisfaction e g: Basic physiological needs such as thrust, hunger etc.

Ego is the person's sense of self esteem. It is the individuals self – concept and is the manifestation of objective reality as it develops in interaction with the external world. It acts as an internal force to control and re-direct the id-impulses and the socio cultural restraints exercised by the superego. Finally, Ego is the person's conscious control. It functions as an internal monitor that attempts to balance the impulsive demands of the id and socio cultural constraints of the superego.

Superego is reflecting social standards that have been learned. Superego does not mangle the id but restrains it by punishing UN acceptable behaviour through the certain of guilt. The operates in unconscious and sees that the individual satisfies his needs in a manner which is acceptable to the society. The superego represents the ideal rather than the real. It motivates us to act in a moral way. So, Superego is conceptualized as

individual's internal expression of society's moral and ethical codes of conduct. It acts as an restraint for the impulsive forces of the id.

So, the behaviour of a consumer is being influenced by a complex set of deep motives and also by the product, price, place and promotion. Also researches have been done in order to understand the consumers needs and wants and therefore can develop product which will definitely suit the consumer's needs.

3. Learning model

The psychologists are very much interested and concerned about the formation and satisfaction of needs and tastes. These psychologists always give attention one two aspects, the primary needs and the learned needs. The primary needs are hunger; sex etc and the learned needs are fear and guilt. The internal stimulus when directed towards a drive becomes a motive. The products and services will act as stimuli in order to satisfy drives.

According to the cognitive theorists, the consumers not only learn to link stimulus with responses but also in the formation of other cognitive aspects such as attitudes, values, beliefs, motivation etc. Ultimately, the consumers behaviour/responses changes according to the needs and wants for a particular product. Consumer can choose from the various alternatives available and therefore can take the right decision in buying the right product which satisfies the needs and wants of the customers.

4. Sociological model

This model reflects individual as a part of an institution called society. The development of the society reflects the development of an individual. The individual can play an important role in the development of the society. Through his contribution, he can be a part of a formal and informal organizations and employees of a firm, on any part of an organization which contributes to the development of the society. The interactions of such a member of an organization reflect in the change of the buying behaviour of an individual. The individual also gets influenced by the suggestions of family members, friends, colleagues etc. The individual gets maximum influenced by the lifestyles and buying behaviour of its peer group. The individual can be ranked to which social class it belongs by the way of income, occupation and place of residence. Here, each class has its own lifestyle and status and therefore the individual can enjoy the benefits according to its class etc.

5. Howard Sheth model

The Howard-Sheth model usually serves two purposes:

- a) It reflects how complex the whole question of consumer behaviour really is.
- b) It provides the framework for including various concepts like learning, perception, and attitudes etc. which play a role in influencing consumer behaviours.

In this theory, the most significant stimulus affecting the buying behaviour is the information cues about the characteristics of the product. These cues can play a very important part when the buyer is involved in shopping activity and therefore referred to as significant. Other cues can be useful for information sources which are depicted through symbols. Both the significant and symbolic cues are very useful tools from marketing prospective. The product emphasizes by way of quality, price, distinctiveness, service and availability. The media communication and advertising sources are very important which the firm has no control. The marketing efforts of the firm are controlled

Notes

by sales and service personnel. Another source/factor which influences the buying behaviour includes family, friends, colleagues etc. This is a social source is personnel where the company has no control over it.

Perceptual constructs:

This is a complex states or psychological processes and how the individual deals with the information cues received from various sources. Sometimes the information is not attested properly. Therefore ends up incomplete outcome on results. The individual receives a lot of information but the individual interprets only the information which is useful to him and therefore neglects the unwanted information.

Learning constructs:

Here, the theory is much more complex and numerous. The buying behaviour of an individual is reflected by the motives. The buyers intention is always towards the products brand, whether the buyer form a positive attitude or not. Though the attitude does not change, it can be changed by the factors influencing the product/brand.

The way includes 'brand comprehension' i.e. knowledge/ awareness about the brand characteristic features which forms the basis for the buyers. This buying behaviour is characterized by set of alternatives, choice criteria etc.

6. Nicosia Model

This is also called as systems model, because here the human being is been a system, where the stimuli is regarded as a input to the system and the human behaviours as an output of the system. This model is developed by Francesco Nicosia in 1966, who was an expert in consumer motivation and behaviour. Here he tries to explain buying behaviour through a link between the organization and the consumer. The model concentrates on the messages which are coming out from the firm which again is focused on the product or service. Based on the situation, the consumer will have a certain attitude towards the product. The consumer always looks for features in a product.

It emphasizes on four basic areas:

- (a) The consumer attributes and the firm's attributes. The advertising message is aimed to reach to the mass to large. The consumer will react depending on the intensity of the message received.
- (b) The search and evaluation results received by the consumer on the advertised product is being compared on the available alternatives. This factor is related with product/service.
- (c) The third one explains how the consumer buys the product.
- (d) The items purchased are emphasized by the utilization of the items.

7. Webster and Wind model

This model is developed by F.E. Webster and Y. Wind. They tried to explain the multifaceted nature of organizational buying behaviour. This model reflects the environmental, organizational, interpersonal and individual buying determinants which influence the organizational and group decision making and therefore reflects in the buying process. The determinant of environment consists of physical and technological, factors, economic, political, legal and socio-cultural environmental factors. These factors are uncontrollable but an understanding of these factors may be very crucial in the success of a decision-making. The organizational determinant is based on Harold Leavitt's four elements buying and those are people, technology, structure and task. These all factors

can be seen in the process of buying centre. The buying process takes from both the aspects individual and organizational from the various functional areas. The individual may be involved on one more buying roles during organizational buying. These roles are as follows:

- (a) **Users:** The end and the ultimate users who helps in buying process.
- (b) **Influences:** The influencers may or may not be directly corrected with the decision, but their view point of judgement of a product or a supplier contains a lot of weight age.
- (c) **Buyers:** The people who negotiator the purchase.
- (d) **Deciders:** The people who takes the actual decision in buying.
- (e) **Gate-keeper:** The person who regulates the flow of information.

8. Engle- Kollat–Blackwell Model

The model reflects consumer behaviour as a decision- making process in the form of five steps which takes place over a period of time. Besides the core steps, the model also explains other related variables grouped into five categories:

- i) Information input.
- ii) Information processing.
- iii) Product-brand evaluation.
- iv) General motivating influences.
- v) Internationalized environmental influences.

The steps which are involved in the decision making are as follows:

- (a) **Problem recognition:** The consumers will be able to locate the difference between the actual and ideal state. This occurs as a result of contact with the external stimuli. The consumer should definitely perceive difference between the actual and ideal states in order to be activated recognize a problem and therefore find a way to solve it.
- (b) **Information search:** The information available with the consumer will be consistent with the beliefs and attitudes. Here in this stage, the consumers are always on the lookout for a more information about the product from the various sources available. The sources could be sales persons, personal or friends or neighbors or mass communication media. The individual gets exposed the various stimuli which either may or may not catch the attention, which may be again either stored or not stored in the memory. This stage is very selective and therefore the consumer will accept the information which is result oriented.
- (c) **Alternative Evaluation:** The consumers always evaluate the alternatives available in the market. The methods used for evaluating the products will again depends on goals, motives and personality. The consumer also has certain belief about the certain brands. So, accordingly the consumers select which will satisfy their needs and wants.
- (d) **Choice:** The choice will definitely depend on his on her intention and attitude. The choices made will again depend or normative compliance and anticipated circumstances. Normative compliance relates to the extent to which the consumer is influenced by friends, family members, colleagues etc. Thus these two factors will definitely help in influencing and determining the dependent on the sensitivity of the individual to handle unanticipated circumstances.

Notes

- (e) **Outcome:** The end result will either be positive or negative. If the end result is positive, the outcome will definitely be positive. If there is a doubt about the choice made, the outcome will be positive but the consumer will further go for information search to support his or her choice made.

5.9 Cognitive Dissonance Strategies

Cognitive dissonance refers to conflicting attitudes, behaviors or beliefs, according to Simple Psychology. The theory of cognitive dissonance states that it occurs when someone holds two or more conflicting attitudes or beliefs about one product or service. Cognitive dissonance is most likely to occur after a consumer makes a purchase. Products or services that involve a high level of commitment contain a greater risk for dissonance. Examples of products with high levels of commitment include homes, vehicles and luxury vacations. Consumers may also experience dissonance prior to making a purchase. Small-business owners should be aware of why dissonance happens and ways they can help reduce it.

Choices

In a competitive market, consumers usually have two or more choices when it comes to selecting products and services. Your potential customers may weigh the pros and cons of each choice. Cognitive dissonance - conflicting beliefs held simultaneously about a product or service - tends to increase with the amount of attractive choices available. Product categories, such as health and beauty items, have a number of brands that consumers can choose from. In some cases, a company may market several different product distinctions under the same brand. Toothpaste is an example of a product with this level of competition. Brand switching is one of the results of cognitive dissonance.

Returns

A customer may try to get rid of her cognitive dissonance by returning the product. Since dissonance causes uncomfortable feelings of anxiety and regret, getting rid of the source often cures it. A feeling of having paid too much may lead to remorse and prompt a return. Finding a more attractive alternative after purchasing the product could also be a reason for a return. A high return rate for a product might indicate that it is not living up to customers' expectations. High return rates also reveal that the product is failing to compete in terms of price or quality.

Research

Cognitive dissonance may cause the customer to rationalize her decision. One of the ways she might accomplish this is through research. A customer who has remorse will gather more information about the product. Some customers will gather information that reaffirms their decisions. Other customers will gravitate towards information that confirms they made a mistake. Either way, the customer becomes more comfortable with keeping the product or making the decision to return it. Customers may come back to your company for information.

Testimonials

Testimonials and reviews are methods you can use to reduce cognitive dissonance. Advertising messages that highlight other customers' satisfaction and positive experiences reiterate that your product is a good choice. Reviews and testimonials are especially helpful for customers who do not have prior experience with your product or company. Intangible services and high-risk products benefit from reviews as well. This is the reason why many consumers look at reviews for appliances, hotels, and investment services.

5.10 Summary

Consumer buying behaviour is the study of when, why, how, and where people do or do not buy a product. It blends elements from psychology, sociology, social anthropology and economics. It attempts to understand the Consumer decision making process, both individually and in groups. It studies characteristics of individual consumers such as demographics and behavioral variables in an attempt to understand people's wants. It also tries to assess influences on the consumer from groups such as family, friends, reference groups, and society in general.

Buyer behaviour study is based on consumer buying behaviour, with the customer playing the three distinct roles of user, payer and Consumer. Relationship marketing is an influential asset for customer behaviour analysis as it has a keen interest in the re-discovery of the true meaning of marketing through the re-affirmation of the importance of the customer or Consumer. A greater importance is also placed on consumer retention, customer relationship management, personalization, customization and one-to-one marketing. Social functions can be categorized into social choice and welfare functions.

Consumer behaviour is a comparatively new field of study. It is the attempt to understand and predict human actions in the buying role. It has assumed growing importance under market-oriented or customer-oriented marketing planning and management. Consumers' market for many products and the growth of consumerism and consumer legislation since 1960 have created special interest in Consumer behaviour and the formulation of marketing mixes to respond favorably Consumer behaviour in the market place.

Consumer behaviour is defined as "all psychological, social and physical behaviour of potential customers as they become aware of, evaluate, purchase, consume, and tell others about products and services." Each element of this definition is important: (1) Consumer behaviour involves both individual (psychological) processes and group (social) processes. (2) Consumer behaviour is reflected from awareness right through post-purchase evaluation indicating satisfaction or non-satisfaction, from purchases, (3) Consumer behaviour includes communication, purchasing and consumption behaviour, (4) Consumer behaviour is basically social in nature. Hence, social environment plays an important role in shaping Consumer behaviour, and (5) Consumer behaviour includes both consumer and business Consumer behaviour.

Consumer behaviour includes the acts of individuals directly involved in obtaining and using economic goods and services including sequence of decision processes that precede and determine these acts. Actual purchase is only a part of the decision process. In Consumer behaviour we consider not only why, how, and what people buy but other factors such as where, how often, and under what conditions the purchase is made. An understanding of Consumer behaviour is essential in marketing planning and programmes. In the final analysis Consumer behaviour is one of the most important keys to successful marketing.

5.7 Check Your Progress

I. Fill in the Blanks

1. _____ is the attempt to understand and predict human actions in the buying role.
2. Buyer behaviour has assumed growing importance under market-oriented marketing _____ and _____.

Notes

3. Buyer behaviour involves _____ and _____ process.
4. Buyer behaviour includes _____, _____ and _____ behaviour.
5. Consumer behaviour is basically _____ in nature.
6. _____ environment plays an important role in shaping buyer behaviour.
7. Inputs include _____, _____ and other factors.
8. _____ of the marketing mix appeals are through advertising, salesmen, reference groups and sales promotion.
9. _____ influence is reflected in motivation, perception, learning, attitudes and personality of buyers.
10. _____ influence is represented by family, social class, reference groups and culture.

II. True or False

1. Buyer behaviour is the attempt to understand and predict human actions in the buying role.
2. Buyer behaviour has assumed growing importance under market-oriented marketing opportunities and management.
3. Buyer behaviour involves psychological and social process.
4. Buyer behaviour includes communication, purchasing and consumption behaviour.
5. Consumer behaviour is basically political in nature.
6. Social environment plays an important role in shaping buyer behaviour.
7. Inputs include buying power, marketing mix and other factors.
8. Promotion appeals are through advertising, salesmen, reference groups and promotion.
9. Inter-personal influence is reflected in motivation, perception, learning, attitudes and personality of buyers.
10. Intra-personal influences are represented by family social class, reference groups and culture.

III. Multiple Choice Questions

1. Which is the attempt to understand and predict human actions in the buying role?
 - a) Buyer behaviour
 - b) Buyer protection
 - c) Buyer legislation
 - d) Buyer process
2. Who contracts to acquire an asset in return for some form of consideration?
 - a) Seller
 - b) Manufacturer
 - c) Consumer
 - d) Both a and b

3. Which of the following is not related to consumer behaviour?
 - a) Searching
 - b) Purchasing
 - c) Using
 - d) Supplying
4. Which of the following is not related to consumer buying process?
 - a) Problem identification
 - b) Search for relevant information
 - c) Evaluation of alternatives
 - d) Exchanging
5. Which are the Goods available in consumer market?
 - a) FMCG
 - b) Raw materials
 - c) Shopping goods
 - d) Only a and c
6. Which environment plays an important role in shaping buyer behaviour?
 - a) Social
 - b) Economic
 - c) Political
 - d) Legal
7. Which of the following factors include buying power, marketing mix and other factors?
 - a) Outputs
 - b) Inputs
 - c) Process
 - d) Feedback
8. Which of the marketing mix appeals are through advertising, salesmen, reference groups and sales promotion?
 - a) Product
 - b) Price
 - c) Place
 - d) Promotion
9. Which influences are reflected in motivation, perception, learning, attitudes and personality of buyers?
 - a) Intra-personal
 - b) Inter-personal
 - c) Other environmental factors
 - d) None of the above
10. Which influences are represented by family, social class, reference groups and culture?
 - a) Intra-personal
 - b) Inter-personal

Notes

- c) Other environment
- d) All the above

5.8 Questions and Exercises

I. Short Answer Questions

1. Who is Consumer?
2. What is Consumer Behaviour?
3. What is Buying Decision Behaviour?
4. What is Henry Assael Model?
5. What is Consumer Buying Decision Process?
6. What is Buying Motive?
7. What is Cognitive dissonance?

II. Extended Answer Questions

1. Discuss characteristics of Buying Decision Behaviour.
2. Explain various types of Buying Decision Behaviour.
3. Briefly explain the Henry Assael Model.
4. Discuss various steps of Consumer Buying Decision Process.
5. Explain Buyer Decision Process for New Products.
6. Write note on: Buying Motives.
7. Discuss various Buyer Behaviour Models.
8. Explain the Cognitive dissonance strategies.

5.9 Key Terms

- **Consumer:** Consumer is an individual who buys products or services for personal use and not for manufacture or resale. A consumer is someone who can make the decision whether or not to purchase an item at the store and someone who can be influenced by marketing and advertisements.
- **Consumer Behaviour:** Consumer behaviour refers to the psychological, social and physical behaviour of potential consumers as they become aware of, evaluate, purchase, consume and tell others about the products or services.
- **Managerial Perspective:** The managerial perspective of consumer behaviour tends to be micro and cognitive in nature. The micro term is used because it is only being counteracted on the individual consumer i.e. lifestyle, attitudes, perception etc. The external factor such as reference groups, family, social class, culture are being taken in consideration in order to see the impact on individual consumers.
- **Consumer perspective:** Consumers view an individual product as part of a larger constellation that reflects their lifestyles. Buying branded Cloths, a Two-wheeler, Mobile Phone, Watches, Cosmetics, Jewelers etc reflects the lifestyles and desire of an individual consumer.
- **Cultural Factor:** Consumer behavior is deeply influenced by cultural factors such as: buyer culture, subculture, and social class.

- **Culture:** refers to the cumulative deposit of knowledge, experience, beliefs, values, attitudes, meanings, hierarchies, religion, notions of time, roles, spatial relations, concepts of the universe, and material objects and possessions acquired by a group of people in the course of generations through individual and group striving.
- **Social Factors:** Social factors also impact the buying behavior of consumers. The important social factors are: reference groups, family, role and status.
- **Reference Groups:** Reference groups have potential in forming a person attitude or behavior. The impact of reference groups varies across products and brands.
- **Personal Factors:** Personal factors can also affect the consumer behavior. Some of the important personal factors that influence the buying behavior are: lifestyle, economic situation, occupation, age, personality and self-concept.
- **Psychological Factors:** Psychology is the study of the intrinsic qualities of individuals such as motivation, perception, personality and learning patterns and attitudes. A person's buying choices are influenced by five major psychological factors- Motivation, Perception, Learning, Beliefs and Attitudes.
- **Motivation:** Motivation is the driving force within an individual generated by a state of tension caused by unfulfilled needs and wants. Motivation is a process of willingness to expend energy to achieve a goal or a reward. It is an urge inside a human being to achieve something.
- **Perception:** Perception is defined as the process by which an individual selects, organizes and interprets stimuli into a meaningful and coherent picture of the world. Perception differs from individual to individual. It is the way a person sees the world around him.
- **Consumer Buying Behavior:** Consumer buying behavior is the sum total of a consumer's attitudes, preferences, intentions, and decisions regarding the consumer's behavior in the marketplace when purchasing a product or service. The study of consumer behavior draws upon social science disciplines of anthropology, psychology, sociology, and economics.
- **Cognitive Dissonance:** Cognitive dissonance refers to conflicting attitudes, behaviors or beliefs, according to Simple Psychology. The theory of cognitive dissonance states that it occurs when someone holds two or more conflicting attitudes or beliefs about one product or service. Cognitive dissonance is most likely to occur after a consumer makes a purchase.

2.10 Check Your Progress: Answers

I. Fill in the Blanks

1. Buyer behaviour
2. Planning; management
3. Psychological; social
4. Communication; purchasing; consumption
5. Social
6. Social
7. Buying power; marketing mix
8. Promotion

Notes

9. Intra-personal
10. Inter-personal

II. True or False

1. True
2. False
3. True
4. True
5. False
6. True
7. True
8. True
9. False
10. False

III. Multiple Choice Questions

- | | |
|--------|---------|
| 1. [a] | 2. [c] |
| 3. [d] | 4. [d] |
| 5. [d] | 6. [a] |
| 7. [b] | 8. [d] |
| 9. [a] | 10. [b] |

5.15 Case Study**Case study based on consumer buying behaviour**

Buying behaviour of consumers denotes the purchasing intentions of a customer. In terms of marketing consumer buying behaviour can be regarded as the perception and habits shown by consumers while purchasing as specific goods or availing specific services. For marketer, effective knowledge of buying behaviour of consumer can be considered as one of the major phenomena, which pursue a significant amount of significance from the strategic perspective. The analysis of daily purchasing trend can be considered as one of the major measures through which the buying behaviour of customers can be analysed and judged.

The analysis of the purchasing habits and trends can be done with the help of different theories and marketing perspectives. The prime quest of the report is to deliver high degree of insights regarding consumer buying behaviour for a business organization and its role in the strategic formulation for a marketer. In relation to this, the report first of all explores the description of the profiling of consumer. Along with this, the report also reflects the weekly purchasing in concern to relevant marketing theories.

From the perspective of having clear insights of marketing decision, a marketer is required to decide a segment on which, he can easily target. In this perspective, segmentation can be considered as the selection of specific group of customers on the basis of their purchasing behaviour, demographic, psychographic, and geographic basis.

As per the segmentation theory of marketing, there can be different basis for the purpose of classifying the segment of the consumer. In this regard, the consumer for this report can be classified on the basis of two specific perspectives:

The consumer is 18 year old boy, who is undergraduate collage going student. Along with the study he also undertake part job for his pocket money. He belongs to a literate and middle income group family.

Another crucial aspect for reflecting the segmentation practices for the selected consumer is psychographic perspective. In the context of the selected consumer, it can be defined that consumer in this segment shows a strong and positive affinity towards highly prestigious and multination brands. In addition to this, convenience can be considered as one of the major factors that can directly or indirectly affect his purchasing behaviour.

Consumer selected for observation shows his preference towards purchasing of prestigious brands and highly convenient products services. In addition to this, the consumer also shows his preference towards ready to use products, as well as, customised services.

Generally consumer in this segment does not belong to high income earning class so the overall purchase intention is not quite high for the consumer. He likes to do purchasing in small segments. He shows slow frequency of purchasing of luxury products or services. Commodities which are used in daily routine can be considered as the prime target commodity for the purchasing of this consumer.

Questions:

1. Why the buying behaviour of consumers demotes the purchasing intentions?
2. How analysis of the purchasing habits and trends can be done with the help of different theories and marketing perspectives?

5.16 Further Readings

1. Marketing by Gary Armstrong, Michael Harker, Philip Kotler, Ross Brennan
2. Principles of Marketing by Philip Kotler
3. Contemporary Marketing by David L. Kurtz
4. Principles of marketing by Frances Brassington, Stephen Pettitt
5. Marketing insights from A to Z by Philip Kotler
6. Principles of marketing by Frances Brassington, Stephen Pettitt
7. Principles of marketing by Veronica Wong, John Saunders
8. Marketing by Armstrong, Armstrong Gary
9. Essentials of Marketing by Charles W. Lamb, Joseph F. Hair, Jr., Carl McDaniel

5.17 Bibliography

1. Kotler, P., Keller, K. L., Koshy, A. & Jha, M., 2009. Marketing Management. Noida: Dorling Kindersley.
2. Jobber (1995) Principles and Practicing of Marketing, McGraw-Hill
3. Winer, R. S., 2001. A Framework for Customer Relationship Management. California Management Review, 43(4).
4. Shaw, E. H., 2012. Marketing Strategy. Journal of Historical Research in Marketing, 4(1).
5. Kotabe, Masaki and KristiaanHelsen, Global Marketing Management, 3rd Edition, John Wiley & Sopns, Inc, publishers, Copyright 2004, ISBN 0-471-23062-6.

Notes

6. Patterson, Laura (2008). Marketing Metrics in Action: Creating a Performance-Driven Marketing Organization. Racom Communications. ISBN 978-1-933199-15-3.
7. Masi, R. J.; Weidner, C. K, AS (1995). Organizational culture, distribution and amount of control, and perceptions of quality. Group & Organization Management.
8. Christopher H. Lovelock and Charles B.Weinberg, Public and Nonprofit Marketing, 2/e (Redwood City, CA: The Scientific Press/Boyd and Davis, 1989).
9. Philip Kotler and Alan Andreasen, Strategic Marketing for Nonprofit Organizations, 5/e (Upper Saddle River, NJ: Prentice-Hall, 1996).
10. Boone, Louise E., and Kurtz, David L. (2004). Contemporary Marketing, 9th Ed. New York, NY: Dryen/Harcourt Brace.
11. Semenik, Richard J., and Bamossy, Gary J. (1995). Principles of Marketing: A Global Perspective, 2d ed. Cincinnati, OH: South-Western.
12. Kotler, Philip, and Armstrong, Gary (2003). Marketing: An Introduction, 11 ed. Englewood Cliffs, NJ: Prentice-Hall.
13. Farese, L., Kimbrell, G., and Woloszyk, C. (1991). Marketing Essentials. Mission Hills, CA: Glencoe/McGraw
14. Strategic Marketing Management (second edition), Richard M. S. Wilson and Colin Gilligan



DUMMY COPY (NOT FOR SALE)

Unit 6: Business Buyer Behaviour

Structure:

- 6.1 Introduction to Business Marketing
- 6.2 Characteristics of Business Markets
- 6.3 Differences between Consumer and Business Buyer Behaviour
- 6.4 Buying Situations in Industrial/Business Market
- 6.5 Buying Roles in Industrial Marketing
- 6.6 Factors that Influence Business Buyers
- 6.7 Steps in Business Buying Process
- 6.8 Summary
- 6.9 Check Your Progress
- 6.10 Questions and Exercises
- 6.11 Key Terms
- 6.12 Check Your Progress: Answers
- 6.13 Case Study
- 6.14 Further Readings
- 6.15 Bibliography

Objectives

After studying this unit, you should be able to understand:

- Characteristics of Business Markets
- Differences between Consumer and Business Buyer Behaviour
- Buying Situations in Industrial/Business Market
- Buying Roles in Industrial Marketing
- Factors that Influence Business Buyers
- Steps in Business Buying Process

Notes

6.1 Introduction to Business Marketing

Industrial marketing is a primarily B2B sale which means business to business. It mostly involves the supply and purchase of raw materials for the manufacture of goods or service. Industrial marketing is best done with the help of sales representatives as the needs vary from client to client which should be serviced in a customized way.

Business marketing is kind of less complicated as it is easy to identify the client and set up an appointment with them. Highly professional and trained people are involved in the purchase of industrial goods. In order to sell to them, the marketing is done in the form of technical selling where the sales representative makes an appointment with the prospective buyer, understands their needs and proposes a solution by which they could offer their service and closes the deal.

Most of the industrial goods purchase generally involves tendering process which is rampant in government and few private institutions of India. The tender process calls for multiple suppliers and the best bid with low price and satisfying all the necessary requirements of the contract is awarded the task to supply industrial goods.

Business marketing is often directed to individuals within an organization, who act on behalf of the needs of the organization. Business-to-business marketing involves any products or services a company purchases to resell, use as components in their own products or services, or to support their daily operations. Any given business-to-business transaction can involve years of complex marketing efforts, including online and offline promotions.

Business Marketing is the practice of individuals, or organizations, including commercial businesses, governments and institutions, facilitating the sale of their products or services to other companies or organizations that in turn resell them, use them as components in products or services they offer, or use them to support their operations. Also known as industrial marketing, business marketing is also called business-to-business marketing, or B2B marketing. Marketing to government entities shares some of the same dynamics of organizational marketing, B2G Marketing is meaningfully different.

Business Marketing

Industrial (business) marketing consists of all activities involved in the marketing of products and services to organizations which may be commercial, profit or nonprofit institutions, government agencies or resellers that use products or services in the production of consumer or industrial goods and services and to facilitate the operations of the enterprise. Industrial marketing includes all activities involved in communicating the value of a business's products and services to another business.

Nature of Business Marketing

Industrial markets consist of all organisations that purchase goods and services to use in the creation of their own goods and services. Industrial marketing is the process of matching and combining the capabilities of the supplier with the desired outcomes of the customer to create value for the “customers customer” and hence for both organisations. Industrial markets present different types of challenges and opportunities as compared to consumer markets. Industrial Markets are markets for products and services, local to international, bought by businesses, government bodies and institutions for incorporation (ingredient material or components), for consumption (process material, consulting services), for use (installations or equipment) or for resale. Business marketing

is to create value for buying organization with products and services that focus on buying needs. Business organization buy products and services to satisfy many objectives like production of goods and services, making profit, reducing costs and so on. Thus, products sold through this route and intention like Iron, Steel Machine Tools, Computers, Office Equipments etc. are called industrial products.

6.2 Characteristics of Business Markets

In certain cases the business market is much similar to the consumer market. In both kinds people are involved to assess the needs of products or services & perform different kinds of roles for the satisfaction of those needs. But in general, there are certain factors that distinguish business market from the consumer market. Following are the some of these distinguishing factors.

1. Market Structure & Demand

Usually there are few, but larger kind of business buyer deal by organizations related to business market. Moreover, these buyers are much concentrated geographically. The demand involved in the business market is the derived demand that finally comes from the demands of final consumers. In certain cases the business markets deal with the inelastic demand, which is not influenced by the price changes of the relative products or services especially in the short run. For example, if the price leather is reduced, then the demand of the shoe producer is not increased unless the price of the producing shoes also reduces which ultimately enhances the demand of the final customers for shoes. The demand of the business market is much more fluctuating. This means that the demand for the business products or service changes more quickly than the demand for the consumer products or services. The business demand is affected greatly by a small degree of increase in the consumer demand. In certain cases only 15% increase in the consumer demand would cause the business demand to be enhanced for about 250% in coming days.

2. Nature of Buying Unit

In the consumer purchase, the participants involved are less along with relatively little efforts. But in case of business purchase, there are many more participants involved in the purchase process & also the increased professional effort. These purchasing decisions are carried out by the highly professional people of the organizations who have spent many years of their lives in learning the way to purchase the business products effectively. With purchase of any main items of business market, there is an established buying committee that includes a group of technical experts along with the members of top management who collectively perform the buying decision. The business organizations are spending much on training their brightest employees for dealing with the business customers efficiently & effectively.

3. Kinds of Decision & Decision Process

The purchasing decisions of the business buyers are more complex than the decisions of the consumer buyers. Complex economic & technical considerations, large sums of money & interactions among different people at various levels have taken place in the business purchase process. As then the business purchase process is longer in duration therefore the decisions of the buyers are also finalized in longer duration. Moreover, the business buying process is more formalized than the consumer buying process. In the business purchase process occurring in the larger organizations, special efforts are exerted for the specification of the detailed product, writing purchase orders,

Notes

carefully the identification of suppliers & formal approval. The purchasing process is also detailed through the preparation of the policy manuals by the purchasing organization.

Finally, the buyers and sellers are highly dependent on each other in the business buying process. Normally the customers are present at a distant place from their consumer markets. On the other hand the organizations of the business market are present closer with one another & help their business customers at every step of their purchase. They assist in the definition of the problems, searching of the solutions & even after sales operations are also supported. Moreover, their offerings are customized according to the needs of their customers. Those business organizations that effectively assist their customers at every step of the purchase are more benefits from a larger portion of sales in the short run.

6.3 Differences between Consumer and Business Buyer Behaviour

1. Consumer buying is usually limited to one or two participants, including the final user of the product. For example, one person is usually involved in buying groceries and basic home supplies.

Business buying usually involves multiple participants, such as the final users of the product, influencers who establish the need for certain products, gatekeepers who screen potential suppliers and purchasing managers and senior management who approve the funds for the purchases.

2. The consumer market consists of thousands of customers located in different geographies and with different buying habits. However, their needs are usually the same for a particular product -- for example, everybody uses washing machines in the same way.

The business market usually consists of a few large buyers who are often concentrated in specific geographic markets. Businesses generally form close and long-term relationships with their suppliers. For example, a retail business might install computers to track its inventory, while a technology company might use them for product research.

3. The influences on consumer buying behavior include basic needs, membership in groups, family requirements, occupation, age, economic situation and lifestyle choices.

The psychological influences include perception of certain products and brands, beliefs and attitudes. Influences on business buying behavior include environmental and organizational factors. Competitive pressures, technological evolution and changing macroeconomic conditions are some of the environmental influences, while corporate objectives, policies and procedures are some of the organizational factors.

4. The consumer buying process consists of five stages: need recognition, information search, evaluation of alternatives, purchase decision and post-purchase outcomes. Marketing stimuli can generate need, which leads to a search for information from different sources. Consumers evaluate alternative products based on brand name, features, quality and price. Possible post-purchase outcomes include delight, satisfaction and dissatisfaction. Critical success factors in the consumer market include quality, value and customer service.

The business buying process also starts with need recognition, followed by development of product specifications. The company prepares a request for proposal to elicit expressions of interest or bids from potential suppliers. It

selects one or more suppliers, issues purchase orders and monitors the quality of the products supplied. Critical success factors in the business market include customization capabilities, quality, performance, ease of use and personal relationships.

6.4 Buying Situations in Industrial/Business Market

There are three common types of buying situations in industrial market, which are discussed as follows:

1. New Purchase

The industrial buyers buy the item for the first time in this situation. The need for a new purchase may be due to internal or external factors. For example, when a firm decides to diversify into new purchase situations the buyers have limited knowledge and lack of previous experience. Therefore, they have to obtain a variety of information about the product, the suppliers, the prices and so on. The risks are more, decisions may take longer time, and more people are involved in decision making in the new purchase decisions.

2. Change in Supplier

This situation occurs when the organisation is not satisfied with the performance of the existing suppliers, or the need arises for cost reduction or quality improvement. The change in supplier may also be necessary if technical people in the buying organization ask for changes in the product specification, or marketing department asks for redesigning the product to gain some competitive advantage. As a result, search for information about alternative sources of supply becomes necessary. Even though, certain attributes or factors can be used to evaluate the suppliers. There may be uncertainty regarding the supplier who can best meet the needs of the buying firm. Therefore, the modified re-buy situation occurs mostly when the buying firms are not satisfied with the performance of the existing suppliers.

3. Repeat Purchase

If the buying organization requires certain products or services continuously and products/services had been purchased in the past then the situation of repeat purchase occurs. In such a situation, the buying organisation reorders/places repeat orders with the suppliers who are currently supplying such items. This means that the product, the price, the delivery period, and the payment terms remain the same in the reorder, as per the original purchase order. This is a routine decision with low risk and less information needs, taken by a junior executive in the purchase department. Generally, the buying firms do not change the existing suppliers if their performance is satisfactory.

6.5 Buying Roles in Industrial Marketing

The decision making unit of a buying organization is called its buying center – all the individuals and units that play a role in the business purchase decision making process. This group includes the actual users of the product or service, those who make the buying decision, those who influence the buying decision, those who do the actual buying and those who control buying information.

Various kinds of Buying Roles are as follows:

- Initiator
- Users

Notes

- Influencer
- Deciders
- Approvers
- Buyers
- Gatekeepers

Initiators – Those who request that something be purchased. They may be users or others in the organization. For example- for office equipment's, the initiative may be taken by administrative department.

Users – Those who will use the product or services .In many cases the users initiate the buying proposal and help define the product requirements.

Influencers – People who influence the buying decision . They often help define specification and also provide information for evaluating alternatives. Technical persons are generally important influencers.

Deciders – People who decide on product requirements or on suppliers and those who have authority to select the suppliers. For major purchase , the final decision will be taken by top management.

Approvers – People who authorize the proposed action of deciders and buyers.

Buyers – People who have formal authority to select the supplier and arrange the purchase terms. Buyers paly their major role in selecting vendors and negotiating. In more complexes the buyers might include high level managers.

Gatekeepers – People who have the power to prevent sellers or information from reaching members of the buying center. For example –purchasing agents, receptionists may prevent salespersons from contacting users or deciders.

6.6 Factors that Influence Business Buyers

1. Environmental Factors

The organisation is greatly influenced by its environment such as Government regulations, Location, industrial development or changes, technological changes, Cultural factors. Buying centre of the organisation has to adjust to these changes and carefully take decision on purchase of products. Companies sign long term contracts with suppliers to ensue constant supply of materials for production. This also avoids price fluctuations. Various Government policies and regulations also affect business buying. A curb on certain materials by the government forces an organisation to make changes to the product requirements.

For example, governments intervene and ban chemicals used for making medicines by pharmaceutical companies for good of the public. Recently (March 2016) Indian government has banned over 300 drugs which had an impact on many organisations purchasing or materials.

Technological advancements or changes in the Industry (new product launch, manufacturing process, etc.) in which the organisation operates also force an organisation to invest in technology like buying new plant equipment, etc. to maintain competitive advantage.

The suppliers also need to study these changes to meet the buyer's needs. For example, due to scarcity of underground water in recent decades in certain regions,

farmers have opted to grow grains that require less water supply. This affects the use of fertilisers and pesticides which has to suit the new crops. Organisations have to accordingly adjust to the shortage of crops which could be available in a different region. Pesticide and fertilisers manufacturers also forces to change their strategies.

Culture of the region in which the organisation operates affects the buying to a big extent. A business marketer should study these as it changes from region to region within a country and also from country to country. In an eastern country, a senior in the organisation is regarded with great respect and his/her decision is final, whereas in a western country like US, individual input and dissent among employees irrespective of hierarchy is considered valuable. The location of the organisation gives an idea to business marketers about the culture it operates in.

The business marketers/suppliers should be ready to produce and supply products to organisations depending on the market demand. Close understanding of economic factors like increase or decrease in production, interest rates, investment, etc. is necessary. During economic recession, business buyers look for cost cutting and buying is significantly reduced to minimum.

Understanding which factors affect the buyers the most is crucial. Business marketers proactively suggest or make changes to their marketing strategy due to changes in environmental factors to stay ahead of competition.

2. Organisational Factors

Organisations also have an image. They hold values that influence its style of functioning. These refers to its structure, formal or informal interaction among departments, etc. This understanding helps suppliers identify how dealing with one organisation is different from the other.

Organisations should ensure that they maintain a positive image as it becomes difficult to change the same in a short period. For example, some organisations rely on high quality of products for manufacturing. The purchasing process involves most of the discussion on quality. Some government organisations, like Indian railways, buy products by bidding process. Here most of the time lowest bid is often selected. Some other organisations rely more on factors other than price. The suppliers/business marketers need to create an adjacent marketing mix that suits the procedure of buying for individual organisation.

The organisational functioning in most of the private sector is different as compared to public sector (Government organisations). In private sector where efficiency, individual effort, continuous improvement, hard work instead of leisure, risk taking, etc. is dominant, some doesn't holds true for a postal service offered by the government where the decisions are made at the top and passed on to the junior staff. Some organisations reward individual efforts rather than collective efforts. Western organisations prefer individual inputs and are rewarded for the same. Whereas in Japanese or other eastern origin organisations, team effort is rewarded.

The organisations also create an image of the suppliers basis the products, formal-informal approach/interaction, reliability, requests processing on various requirements, decision making authority (centralised or de-centralised), etc. A negative experience with a supplier or Buyer organisation constitutes learning for both sides. Relationship with such organisations or suppliers is often discontinued.

The business marketers should study these organisational characteristics as opportunities and design their Marketing Mix Strategies accordingly. The suppliers need

Notes

to carefully influence and present themselves via ad campaigns in business magazines, and also their conduct with existing clients.

3. Individual and Interpersonal factors of Buying centre participants

The individuals at the buying centre affect the purchase decisions due to many factors. The participants may exhibit conflict based on rewards, demotion, expertise, special relationship with other participants, etc. Other characteristics which business marketers should study include personal goals, professional experience, life-style, attitudes and opinions, personality traits, etc. Like consumer buying characteristics, the participants at buying centre are also influenced by emotions, beliefs, etc.

There could be difference of opinion on price and quality of product. The final approval authority may be concerned about the cost of the purchase whereas the production and marketing manager may stress of product characteristics. The participant of young age who have exposure to latest theories may have a different opinion from a participant of an older age working in the same organisation for a long period. A new member having worked in different organisations will bring new ideas to the table as a participant in the Buying Centre. The Buying centre should weigh all the inputs and opt for products that support the marketing objectives of the organisations.

The suppliers should try to understand the individual preferences during business meetings and presentations based on the questions asked. They may clearly make out from the questions asked if price, quality, continuous supply, long-term contract, etc. are significant for the organisations. Designing an appropriate Marketing Mix will be beneficial for the business marketers from the suppliers' side.

6.7 Steps in Business Buying Process

Business buying behavior refers to the process of how companies or organizations buy goods and services. Business Buying is not an easy activity as most people think of it. Following are the stages in the business buying process:



Stages of Organisational Buying Process

Stage-1: Problem recognition

The first stage of the business buying process in which someone in the company recognizes a problem or need that can be met by acquiring a good or a service.

Stage-2: General need description

At this stage of business buying Process Company describes the general characteristics and quantity of a needed item.

Stage-3: Product specification

At this stage of the business buying process buying organization decide on the product and specifies the best technical product characteristics for a needed item.

Stage-4: Value analysis

An approach to cost reduction, in which components are studied carefully to determine if they can be redesigned, standardized or made by less costly methods of production.

Stage-5: Supplier search

At this stage of the business buying process buyer tries to find the best vendors.

Stage-6: Proposal solicitation

The stage of the business buying process in which the buyer invites qualified suppliers to submit proposals.

Stage-7: Supplier Selection

The stage of the business buying process in which the buyer reviews proposal & selects a supplier or suppliers

Stage-8: Order-routine specification

The stage of the business buying process in which the buyer writes the final order with the chosen supplier(s), listing the technical specifications, quantity needed, expected time of delivery, return policies, & warranties.

Stage-9: Performance review

The stage of the business buying process in which the buyer rates its satisfaction with suppliers, deciding whether to continue, modifies, or drops them.

6.8 Summary

Business marketing consists of all activities involved in the marketing of products and services to organizations which may be commercial, profit or nonprofit institutions, government agencies or resellers that use products or services in the production of consumer or industrial goods and services and to facilitate the operations of the enterprise. Industrial marketing includes all activities involved in communicating the value of a business's products and services to another business.

Initiators are those who request that something be purchased. They may be users or others in the organization. For example, for office equipment's, the initiative may be taken by administrative department.

Influencers are the people who influence the buying decision. They often help define specification and also provide information for evaluating alternatives. Technical persons are generally important influencers.

The organisation is greatly influenced by its environment such as Government regulations, Location, industrial development or changes, technological changes, Cultural factors. Buying centre of the organisation has to adjust to these changes and carefully take decision on purchase of products. Companies sign long term contracts with suppliers to ensue constant supply of materials for production.

Notes

Organisations also have an image. They hold values that influence its style of functioning. These refers to its structure, formal or informal interaction among departments, etc. This understanding helps suppliers identify how dealing with one organisation is different from the other.

Business buying behavior refers to the process of how companies or organizations buy goods and services.

6.9 Check Your Progress**I. Fill in the Blanks**

1. Business marketing consists of all activities involved in the marketing of products and services to.....
2. The industrial buyers buy the item for the first time in this.....
3. _____ approach is an important tool for understanding marketing management process.
4. The primary function of a business is to create and maintain a _____.
5. No longer _____ is the operational goal of effective marketing performance.
6. _____ is the task of designing and controlling an industrial system.

II. True or False

1. Business marketing consists of all activities involved in the marketing of products and services to organizations.
2. The industrial buyers buy the item for the first time in this situation.
3. No longer sales is the operational goal of effective marketing performance.
4. Management is the task of designing and controlling an industrial system.
5. Marketing concept demands customers-oriented marketing plans, programmes and policies.
6. Marketing channel has to formulate sound marketing policies and programmes.

III. Multiple Choice Questions

1. Which of the following consists of all activities involved in the marketing of products and services to organizations?
 - a) Business marketing
 - b) Services
 - c) Product
 - d) All the above
2. The primary function of a business is to create and maintain a.....
 - (a) Satisfied seller
 - (b) Satisfied customer
 - (c) Satisfied product
 - (d) Satisfied environment
3. Which is the operational goal of effective marketing performance?
 - (a) Sales

- (b) Cost
 - (c) Profit
 - (d) Loss
4. Which is the task of designing and controlling an industrial system?
- (a) Organization
 - (b) Management
 - (c) Market
 - (d) Programmes
5. Marketing concept demands customer-oriented marketing.....
- (a) Plans
 - (b) Programmes
 - (c) Policies
 - (d) All the above
6. Which has to formulate sound marketing policies and programmes?
- (a) Marketing management
 - (b) Marketing Research
 - (c) Marketing channel
 - (d) Marketing strategy
7. Marketing management has to implement marketing.....
- (a) Strategies
 - (b) Programmes
 - (c) Campaigns
 - (d) All the above
8. Opportunity to create competitive difference is a big challenge in all means of.....
- (a) Product
 - (b) Price
 - (c) Promotion
 - (d) Place

6.10 Questions and Exercises

I. Short Answer Questions

- 1. What is Business Market?
- 2. What is business buying?
- 3. Who is business buyer?
- 4. What is Business Buyer Behaviour?
- 5. Give the meaning of Buying Situation?
- 6. What is Industrial Marketing?

II. Extended Answer Questions

- 1. Discuss characteristics of Business Markets.
- 2. Differences between Consumer and Business Buyer Behaviour.

Notes

3. Explain Buying Situations in Industrial/Business Market.
4. Discuss Buying Roles in Industrial Marketing.
5. Explain various factors that Influence Business Buyers.
6. Discuss various steps in Business Buying Process.

6.11 Key Terms

- **Business Marketing:** Business marketing consists of all activities involved in the marketing of products and services to organizations which may be commercial, profit or nonprofit institutions, government agencies or resellers that use products or services in the production of consumer or industrial goods and services and to facilitate the operations of the enterprise. Industrial marketing includes all activities involved in communicating the value of a business's products and services to another business.
- **Market Structure & Demand:** The demand involved in the business market is the derived demand that finally comes from the demands of final consumers. In certain cases, the business markets deal with the inelastic demand, which is not influenced by the price changes of the relative products or services especially in the short run.
- **Initiators:** Those who request that something be purchased. They may be users or others in the organization. For example- for office equipment's, the initiative may be taken by administrative department.
- **Users:** Those who will use the product or services. In many cases the users initiate the buying proposal and help define the product requirements.
- **Influencers:** People who influence the buying decision. They often help define specification and also provide information for evaluating alternatives. Technical persons are generally important influencers.
- **Buyers:** People who have formal authority to select the supplier and arrange the purchase terms. Buyers play their major role in selecting vendors and negotiating. In more complexes the buyers might include high level managers.
- **Environmental Factors:** The organisation is greatly influenced by its environment such as Government regulations, Location, industrial development or changes, technological changes, Cultural factors. Buying centre of the organisation has to adjust to these changes and carefully take decision on purchase of products.
- **Organisational Factors:** Organisations also have an image. They hold values that influence its style of functioning. These refers to its structure, formal or informal interaction among departments, etc. This understanding helps suppliers identify how dealing with one organisation is different from the other.
- **Business buying behavior:** Business buying behavior refers to the process of how companies or organizations buy goods and services. Business Buying is not an easy activity as most people think of it.

6.12 Check Your Progress: Answers

I. Fill in the Blanks

1. Organizations
2. Situation
3. Systems

4. Satisfied customer
5. Profit
6. Management

II. True or False

1. True
2. True
3. False
4. True
5. True
6. False

III. Multiple Choice Questions

- | | |
|--------|--------|
| 1. [a] | 2. [b] |
| 3. [c] | 4. [b] |
| 5. [d] | 6. [a] |
| 7. [d] | 8. [c] |

6.13 Case Study

Mayur, a hypermarket chain located across India, which attracted customers in the initial stages of its establishment, started losing its customers to its competitors. The management introduced many schemes to attract customers, but without any gain. The top management did not pay heed to the store managers' suggestion of taking up research to find the actual problem. However, when the problem persisted, the management reluctantly agreed for research and hired a consultancy firm 'TS & Associates'. The consultants worked on Mayur's problem and gave them a solution, which when implemented showed an improvement in Mayur's performance.

Praveen Kumar (Praveen) owns an automobile spare parts shop, which has seen a continuous increase in sales over the years. However, in the recent quarters, Praveen observed that his sales were decreasing, though he was stocking more number and variety of spare parts than when shop was started. With little observation, Praveen finds that the waiting time for each customer is more. Lot of time is consumed by the sales men to deliver the orders, as the spare parts in the warehouse are arranged randomly, causing delay in serving the customers. Praveen decides to use cluster analysis to arrange the stock in his shop.

Questions:

1. Do you think, business buyers are more conscious than individual buyers? Why?
2. How do you interpreted the hypermarket performance and success in Indian Market?

6.14 Further Readings

1. Marketing by Gary Armstrong, Michael Harker, Philip Kotler, Ross Brennan
2. Principles of Marketing by Philip Kotler

Notes

3. Contemporary Marketing by David L. Kurtz
4. Principles of marketing by Frances Brassington, Stephen Pettitt
5. Marketing insights from A to Z by Philip Kotler
6. Principles of marketing by Frances Brassington, Stephen Pettitt
7. Principles of marketing by Veronica Wong, John Saunders
8. Marketing by Armstrong, Armstrong Gary
9. Essentials of Marketing by Charles W. Lamb, Joseph F. Hair, Jr., Carl McDaniel

2.13 Bibliography

1. Kotler, P., Keller, K. L., Koshy, A. & Jha, M., 2009. Marketing Management. Noida: Dorling Kindersley.
2. Jobber (1995) Principles and Practicing of Marketing, McGraw-Hill
3. Winer, R. S., 2001. A Framework for Customer Relationship Management. California Management Review, 43(4).
4. Shaw, E. H., 2012. Marketing Strategy. Journal of Historical Research in Marketing, 4(1).
5. Kotabe, Masaki and KristiaanHelsen, Global Marketing Management, 3rd Edition, John Wiley & Sopns, Inc, publishers, Copyright 2004, ISBN 0-471-23062-6.
6. Patterson, Laura (2008). Marketing Metrics in Action: Creating a Performance-Driven Marketing Organization. Racom Communications. ISBN 978-1-933199-15-3.
7. Masi, R. J.; Weidner, C. K, AS (1995). Organizational culture, distribution and amount of control, and perceptions of quality. Group & Organization Management.
8. Christopher H. Lovelock and Charles B.Weinberg, Public and Nonprofit Marketing, 2/e (Redwood City, CA: The Scientific Press/Boyd and Davis, 1989).
9. Philip Kotler and Alan Andreasen, Strategic Marketing for Nonprofit Organizations, 5/e (Upper Saddle River, NJ: Prentice-Hall, 1996).
10. Boone, Louise E., and Kurtz, David L. (2004). Contemporary Marketing, 9th Ed. New York, NY: Dryen/Harcourt Brace.
11. Semenik, Richard J., and Bamossy, Gary J. (1995). Principles of Marketing: A Global Perspective, 2d ed. Cincinnati, OH: South-Western.
12. Kotler, Philip, and Armstrong, Gary (2003). Marketing: An Introduction, 11 ed. Englewood Cliffs, NJ: Prentice-Hall.
13. Farese, L., Kimbrell, G., and Woloszyk, C. (1991). Marketing Essentials. Mission Hills, CA: Glencoe/McGraw
14. Strategic Marketing Management (second edition), Richard M. S. Wilson and Colin Gilligan



Unit 7: Segmentation, Targeting and Positioning

Structure:

- 7.1 Concept of Market Segmentation
- 7.2 Benefits of Market Segmentation
- 7.3 Requisites of Effective Market Segmentation
- 7.4 Market Segmentation Process
- 7.5 Bases of Market Segmentation
- 7.6 Target Market
- 7.7 Targeting Innovators
- 7.8 Market Positioning
- 7.9 Summary
- 7.10 Check Your Progress
- 7.11 Questions and Exercises
- 7.12 Key Terms
- 7.13 Check Your Progress: Answers
- 7.14 Case Study
- 7.15 Further Readings
- 7.16 Bibliography

Objectives

After studying this unit, you should be able to understand:

- Concept of Market Segmentation
- Benefits of Market Segmentation
- Requisites of Effective Market Segmentation
- The Process of Market Segmentation
- Bases for Segmenting Consumer Markets
- Targeting innovators
- Market Positioning

Notes

7.1 Concept of Market Segmentation

The concept of market segment is based on the fact that the markets of commodities are not homogenous but they are heterogeneous. Market represents a group of customers having common characteristics but two customers are never common in their nature, taste, habit, hobbies, income and purchasing styles. There exists a lot of difference in their buying behaviour and buying decisions. On the basis of these characteristics, customers having similar qualities are grouped in segments. The characteristics of customers of one segment differ with those of other segments. In this way market segmentation refers to various segments of the market based on the common characteristics of the customers.

Meaning and Definitions of Market Segmentation**Meaning of Market Segmentation**

Segmentation is the process of defining and subdividing a large homogenous market into clearly identifiable segments having similar needs, wants, or demand characteristics. Its objective is to design a marketing mix that precisely matches the expectations of customers in the targeted segment.

Definitions of Market Segmentation

According to **Philip Kotler**, "Whenever a market for a product or service consists of two or more buyers, the market is capable of being segmented, that is divided into meaningful buyer groups. The purpose of segmentation is to determine differences among buyers which may be consequential in choosing away them or marketing to them".

According to **William J. Stanton**, "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 homogenous in full significant aspects".

Characteristics of Market Segmentation

The characteristics of market segmentation can be summarized as follows:

i) Measurable

Consumers who belong to a particular target market and segment should be clearly identifiable. The characteristics to include or exclude in identification of a market segment are also well defined and measurable. Target markets are quantifiable in terms of population, income and age bracket, among other factors.

ii) Accessible

Market segments should be accessible in terms of geography and economy. To enable accessibility of goods and services, there should be use of appropriate marketing strategies. This is because the marketing strategy used for one group should differ from the strategy used for another, as their needs differ. For example, different age groups have different fashions, styles and consume different products. The way of communicating to this market segment should correspond to the relevant needs of consumers in this segment.

iii) Profitable

A market segment should be large enough to be worth pursuing. The main aim of market segmentation is to be able to tailor marketing techniques toward specific segments. This enables a firm to enjoy economies of scale while at the same time fulfilling consumers' needs. The amount of disposable income the target market is willing to spend in purchasing the goods and services should be enough to enable the firm to earn profits.

For example, if a product's target market is young consumers, the price range should be attainable, considering that majority of the young people are dependent on their parents or guardians.

iv) Market Responsiveness

Consumers in a given market segment should be responsive to the products meant for them. Unless consumers in market segments are willing to respond to the products developed, there is little reason to develop these products. The success of products introduced in the markets depends on whether they meet consumer or organization needs. Consumers' decisions on whether to purchase or not to purchase will be an indicator of the performance of the product in the market.

7.2 Benefits of Market Segmentation

The benefits of Market Segmentation can be summarized as follows:

(i) Adjustment of product and marketing appeals

Market segmentation presents an opportunity to understand the nature of the market. The seller can adjust his thrust to attract the maximum number of the market. The seller can adjust his product to attract the maximum number of customers by various publicity media and appeals. More resources may be allocated to market segment where sales opportunities are better.

(ii) Better position to spot marketing opportunities

The producer can make a fair estimate of the volume of his sales and the possibilities of furthering his sales. In the regions where response of the consumers is poor, the strategy of approach can be readjusted accordingly to push the sales on the basis of marketing research. On the basis of research, habits, tastes, hobbies and nature of consumers of different markets can be understand deeply, new to harness marketing opportunities.

(iii) Allocation of marketing budget

It is on the basis of market segmentation than the marketing budget is adjusted for a particular region or locality. In the place where the sales opportunities are limited, it is no use of allocating a huge budget there.

(iv) Making the competition effective

It helps the producer to face the competition of his rivals effectively. The producer can adopt different policies, program and strategies for different markets taking into account the rivals strategies, policies and program.

(v) Effective marketing program

It also helps the producer to adopt an effective marketing program and serve the consumer better at comparatively low cost. Different marketing program can be attached for different segments.

(vi) Evaluation of Marketing Activities

Thus market segmentation helps the manufacturer to find out and compare the marketing potentialities of the products. It helps to adjust production and in using his resources in the most profitable manner. As soon as the product becomes obsolete, the product line could be diversified or discontinued.

Notes

(vii) Increase in sales Volume

By segmenting the market, the producer can increase his sales volume. As we know, each segment has demand pattern and the producer satisfies the demand of each segment, by improving his product. The total sales volume for the enterprise increases. It is based on the fact that the multiple demand curves in a market are better than a single demand curve. Thus we can conclude that market segmentation helps the producer to increase his sales volume. Customer is also benefited by the market segmentation as the producer produces and supplies the goods which serves their interest and satisfy their needs and wants.

7.3 Requisites of Effective Market Segmentation

The requirements for effective market segmentation are as follows:

- a) **Measurable:** The size, needs, purchasing power, and characteristics of the customers in the segment should be measurable. Quantification should be possible.
- b) **Divisible:** The segments should be differentiable. There must be clear-cut basis for dividing customers into meaningful homogeneous groups. They should respond differently to different marketing mixes. There should be differences in buyer's needs, characteristics and behaviour for dividing in groups.
- c) **Accessible:** The segment should be reachable and serviceable. It should be accessible through existing marketing institutions, such as distribution channels, advertising media and sales force. There should be middlemen to distribute the products.
- d) **Substantial:** The segment should be substantial. It should be large enough in terms of customers and profit potential. IT should justify the costs of developing a separate marketing mix.
- e) **Actionable:** It should be actionable for marketing purposes. Organizations should be able to design and implement the marketing mix to serve the chosen segment.

7.4 Market Segmentation Process

The various stages in market segmentation process are as follows:

Stage-1: Establish a sample of customers

Divide the specified market into identifiable groups of customers and, taking each group in turn, develop it into a micro-segment by carefully listing what the customers in the group regard as their key features for discriminating between competing offers. When meaningful differences are known to occur within a group, capture these differences as separate micro-segments. Identifying key discriminating features from the customer's point of view will provide the link to understanding the needs that customers are trying to satisfy. This is because customers seek out specific features not for their own sake but for the particular benefits that they deliver. It is all based on the well-established principle that customers don't buy features, they buy the benefits delivered by the features. For this sequence to be successful, however, you need to think of features as consisting of both the tangible and intangible components of an offer.

Stage-2: Record personal details about the decision-makers

This step can be obtained for each completed micro-segment, add some details about which it represents using applicable profiling characteristics. As these may not apply to

every customer in the micro-segment, indicate the proportion each characteristic represents. Knowing how to identify and reach the members of each concluding segment will be a crucial element to the success of a segmented approach to marketing.

Stage-3: Understand the real needs of customers

This step can be obtained by talking with a cross-section of people within the organization who have customer contact and by referring to sales and lost sales reports and appropriate past market surveys. Benefits are identified by taking each micro-segment in turn and determining the needs that are being satisfied by its key discriminating feature both individually and as a 'package'. These are the buying criteria that customers regard as being decisive when choosing between alternative offers and are referred to as 'Decisive Buying Criteria'. Price is included as decisive buying criteria for every micro-segment.

Stage-4: Bring together those micro-segments that illustrate similar patterns

The simplest approach is to represent the important levels for each segment's decisive buying criteria (DBC's) in a way which enables you to look for matching patterns across the micro-segments, such as by using stars (refer to point 3 for decisive buying criteria). It is also possible to form clusters mathematically which requires importance levels to be indicated numerically. Once the clusters have been formed the information associated with each cluster's micro-segments (size, decisive buying criteria importance levels and profiling characteristics) should be consolidated.

Stage-5: Verify that the concluding clusters can be regarded as segments

This step answer the three most important questions:

- (a) Is each cluster large enough to justify the development and marketing of a specific offer?
- (b) Is the offer required by each cluster sufficiently different from that required by the other clusters?
- (c) Can you identify which customers are to be found in each cluster so that you can target them with their appropriate offer?

Stage-6: Establish the attractiveness of each segment

The factors that are important to the company when having to decide where it should focus its resources, along with their relative importance to each other. Each segment is then assessed against these factors in terms of how well it can met the requirements and by taking the relative importance of these factors into account an attractive score is determined.

Stage-7: Determine the relative competitive strength

The ability of the company to deliver against the buying criteria of each segment is assessed from the segment's perspective and by taking the relative importance of these criteria into account a competitiveness score is determined. This is also determined for each of the main competitors. A relative competitiveness score for any company is then calculated for each segment by comparing the competitiveness score with the highest score of the competitors.

7.5 Bases of Market Segmentation

The step towards developing a segmentation strategy is to allocate base for segmenting the market. These are different variables used for this purpose.

The bases for market segmentation can be broadly classified into following groups:

Notes

(A) Customer based segmentation

Customer based segmentation further classifies as follows:

1. Geographic location of customers

The starting point of all market segmentation is the geographic location of customers. It helps the firm in planning the marketing offer. The common method is to classify according to rural and urban, Metro or Non- Metro markets. There are also other classifications like district and block markets. We all know that here was the perception that the rural markets are different from urban markets and naturally the product promotion, pricing and distribution were accordingly designed to meet those markets. But now with the development of technology and the advent of various modes of communication like TV, the customers in the rural areas are much exposed and are more aware of the availability market. Today the rural customer buys the same branded product which is purchased by urban customer.

2. Demographic Characteristics

Factors like age, sex, income, occupation, family size, education, marital status is used singly or in combination to segment the market.

- (i) **Age:** Age is one of the most important factors for segmenting the market. The market the producer should know for what age group his product could be most suited so that he can plan his pricing policy, advertisement policy, marketing policy and strategy accordingly.

For example, Cloth market or Garment market may be segmented on this basis of age as:

Children b/w the age group of 3-12 yrs

Children b/w the age group of 13-15 yrs

Teenagers' b/w the age group of 16- 20 yrs

Adults' b/w the age group of 21-30 yrs and so on

- (ii) **Income:** The manufacturer should also bear in mind while preparing his marketing policy, the income of the prospective buyers of his product. Consumer's needs, behaviour, persuasion etc. differ in different income groups. For example, people in high-income group prefer quality of goods, design, fashion-oriented products, etc. hence they can be motivated on these factors. People in low-income group attract towards low price.

- (iii) **Sex:** Marketers may also be divided on the basis of sex i.e., male and female. Some products are exclusively produced for women while some others are for men. For example, Lip Stick is meant for a woman and on the other hand Shaving cream is only meant for men.

- (iv) **Occupation:** Occupation is also another variable in segmenting the market. An individual's employment does definitely affect the consumption; different categories of segments can be identified like doctors, consultants, entrepreneurs, lecturers etc.

- (v) **Education:** Education of the consumer also affects the preference and taste. The choice of literate person would obviously differ from that of an illiterate, as a literate he would be having a lot of exposure to the outside worlds where as an illiterate although exist the same environment would lack the ability to understand, when we look at all these aspects it is easy to indicate that education plays an important role in the life of an individual as it creates awareness about the environment, the availability of different products in the

market and awareness about their rights. Accordingly based on education, the Indian Market can be segmented as illiterates, literates-high school, college and university educated.

- (vi) **Marital Status:** Marital status is another demographics variable used. The behavioral of single and married people differs. Married people are more conservative than unmarried people.
- (vii) **Family Size and Structure:** Markets may also be segmented on the basis of size of family. Refrigerators and cookers are produced in different sizes to suit the needs of families of different sizes.

3. Psychographics Variables

No two consumers act in the same manner though they two may be of the same age, from the same profession, same education and have same income. Each of the customers may have different attitudes because of personality and life-style differences. Markets are using psychographics variables to segment their market. For example, Citibank, Diners card, Titan Watch, Savvy has used Psychographics variables to segment its market and distance itself from all others, including Femina. Savvy Women is identified as the highly liberated independent strong women, who have a definite plan in the society and to whom career would be extremely important.

4. Buyer Readiness

Buyers are at different stages of readiness. People may be unaware, people who are aware but are not interested, people who are interested and desires to buy and those who will buy the product. The relative proportion of buyers at different stages will affect the marketer's tasks.

(B) Product related segmentation

Different customers use the same product in different situations. For example, Rasna - for parties, unexpected guests, and a drink for quenching thirst etc. A market makes the product versatile so that it can be used in different situation. A consumer may buy different brands of the same product for different situations for example, Saree-for kitty party, work place. Thus depending upon the situation, a product or a brand may be selected by the customers. Knowing these situations marketer can plan the positioning strategy. Another product related variable is the benefit segmentation. The marketer identifies benefits that the customer looks for when buying a product.

(C) Competition Based Segmentation

The success in marketing depends on the number of loyal customers. Customer loyalty therefore is an important factor to determine the competitive position of the firm. On the basis of brand loyalty further the market could be classified as:

- (i) **Hard Core Loyal:** These are the customers who buy the same brand, for examples Newspaper readers, tea drinkers, etc.
- (ii) **Soft-core loyal:** Customers who are loyal to two or three brands in a product group, for e.g., Housewife buying toilet soap (Lux, Cinthol, Pears). The marketers have to watch such customers and shift them to the core loyal.
- (iii) **Switchers:** Customers who never stick to a brand. This is a slipping market segment for the marketer. The marketer has to find out why customers keep switching from brand to brand and from the existing to the competing brand. This can help the firm to strengthen its competitive position in the market. The

Notes

marketer should also take into account factors like price, non-availability of brands, indifferent habit etc.

7.6 Target Market

A target market is a group of customers that the business has decided to aim its marketing efforts and ultimately its merchandise. A well-defined target market is the first element to a marketing strategy. The target market and the marketing mix variables of product, place, promotion and price are the four elements of a marketing mix strategy that determine the success of a product in the marketplace.

Basis for Identifying Target Customers

The following criteria should be considered for identifying target customers:

i) Characteristics

Members of a target market share common needs and characteristics. These similarities are typically explained in terms of their demographic information and the specific need the company hopes to fill. Common target market characteristics identified include age, gender, income, education and location. For instance, a target market for a neighborhood coffee shop could be well-educated people age 25 to 55 who live or work within a three block radius from the shop and have high paying, white collar jobs.

ii) Importance's Importance

Identifying the target market is important for a company because doing so allows it to tailor its advertising, pricing and promotions to appeal directly to the targeted audience. In contrast, a company that does not define its target market narrowly could end up with promotions and products that do not fully meet most customers' needs. Further, when a company fails to establish a target audience, it does not give itself the opportunity to compete directly with its competitors, such as the laptop company that comes on the market offering a super low cost laptop. In this case, because it did not try to address any specific needs other than cost, cost becomes its only basis for competition and likely its eventual undoing.

iii) Process) Process

Companies determine who to target by looking at segments of the population and comparing them based on their size and relative growth. A good example of this is examining age groups, although segments may be identified through a combination of factors, such as single professional female. Companies look at each segment's attractiveness. To use the example of the coffee shop, a neighborhood may have a large concentration of high school and college students, but if that population is not likely to stick around, targeting students could be a mistake. Older people may start to classify that place as a place students hang out and choose a different coffee shop to frequent as a result, when the students move away, the coffee shop would have to try to win back its older client, clientele that may have already developed a strong preference for another coffee shop.

iv) Considerations) Considerations

The company has to look at its own objectives, capabilities and resources, carefully examining the profit to be had by targeting a particular audience. For example, the baby boomer generation may be the largest segment of the population by age, but they are also less willing to spend on luxury items than their younger counterparts. For a luxury

retailer, this is an important distinction; it needs to target the segment that is likely to spend the most on its products. Likewise, if a company cannot compete with the low-price providers, it is not going to target customers focused solely on the bottom line, but may instead try to demonstrate value or feature desirability

Strategies of Target Market

The strategies of target market can be classified as follows:

- 1. Selective Specialization:** The firm selects a number of segments, each objectively attractive and appropriate, given the firm's objectives and resources. There may be little or no synergy between the segments, but each segment promises to be a money maker.
- 2. Product Specialization:** The firm concentrates on making a certain product that it sells to several segments. An example would be a microscope manufacturer that sells microscopes to university laboratories, government laboratories.
- 3. Market Specialization:** The firm concentrates on serving the needs of particular customer group. The firm gains a strong reputation for specializing in serving this customer group and becomes a channel for all new products that this customer group could feasibly use.
- 4. Single Segment Concentration:** In the simplest case, the company selects a single segment. Volkswagen concentrates on small car market. Through concentrated marketing the firms achieves a strong market position in the segment owing to its greater knowledge of the segment's needs and the special reputation it gains.
- 5. Full Market Coverage:** A firm attempts to serve all customer groups with all products that they might need. Only large firms can undertake a full market coverage strategy. Large firms cover a whole market in two broad ways, namely, through undifferentiated marketing and differentiated marketing.

7.7 Targeting Innovators

Innovators are the first customers to try a new product. They are, by nature, risk takers and are excited by the possibilities of new ideas and new ways of doing things. Products tend to be more expensive at their point of release (though some products do defy this trend) and as such innovators are generally wealthier than other types of adopters (though in some cases they may adopt products in a very narrow field and devote much of their financial resources to this adoption).

Innovators will often have some connection to the scientific discipline in which a new product is generated from and will tend to socialize with other innovators in their chosen product categories.

It's also important to realize that innovators are comfortable with the risks that they take. They are aware that some products that they adopt will not deliver the benefits that are promised or will fail to win mass market appeal.

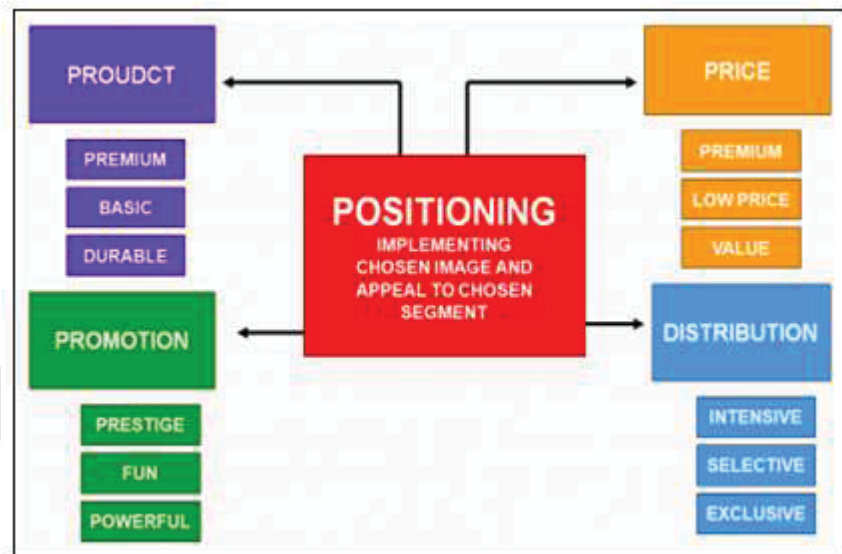
When designing for innovators it might be best to remember what Larry Marine the UI expert says; "It is far better to adapt the technology to the user than to force the user to adapt to the technology."

Notes

7.8 Market Positioning

Positioning is a marketing strategy that aims to make a brand occupy a distinct position, relative to competing brands, in the mind of the customer. Companies apply this strategy either by emphasizing the distinguishing features of their brand what it is, what it does and how, etc. or they may try to create a suitable image inexpensive or premium, utilitarian or luxurious, entry-level or high-end, etc. through advertising.

Positioning involves implementing our targeting. *For example*, Apple Computer has chosen to position itself as a maker of user-friendly computers. Thus, Apple has done a lot through its advertising to promote itself, through its unthreatening icons, as a computer for “non-geeks.” The Visual C software programming language, in contrast, is aimed a “techies.”



Michael Treacy and Fred Wiersema suggested in their 1993 book *The Discipline of Market Leaders* that most successful firms fall into one of three categories:

1. Operationally excellent firms, which maintain a strong competitive advantage by maintaining exceptional efficiency, thus enabling the firm to provide reliable service to the customer at a significantly lower cost than those of less well organized and well run competitors. The emphasis here is mostly on low cost, subject to reliable performance and less value is put on customizing the offering for the specific customer. Wal-Mart is an example of this discipline. Elaborate logistical designs allow goods to be moved at the lowest cost, with extensive systems predicting when specific quantities of supplies will be needed.
2. Customer intimate firms, which excel in serving the specific needs of the individual customer well. There is less emphasis on efficiency, which is sacrificed for providing more precisely what is wanted by the customer. Reliability is also stressed. Nordstrom's and IBM are examples of this discipline.
3. Technologically excellent firms, which produce the most advanced products currently available with the latest technology, constantly maintaining leadership in innovation. These firms, because they work with costly technology that needs constant refinement, cannot be as efficient as the operationally excellent firms and often cannot adapt their products as well to the needs of the individual customer. Intel is an example of this discipline.

Elements of Positioning

The main elements of positioning are as follows:

- i) **Pricing:** Pricing element verify the question about the product a luxury item, somewhere in the middle, or cheap.
- ii) **Quality:** Total quality is a much used and abused phrase. But is the product well produced? What controls are in place to assure consistency? Do the quality claim with customer-friendly guarantees, warranties, and return policies?
- iii) **Service:** Do the offer is added value of customer service and support? Is the product customized and personalized?
- iv) **Distribution:** How do customers obtain the product? The channel or distribution is part of positioning.
- v) **Packaging:** Packaging makes a strong statement. Make sure it's delivering the message intend.

Tasks involved in Positioning

The various Tasks involved in positioning are as follows:

1. Identifying the Competitors

A first step is to identify the competition. This step is not as simple as it seems to be. For example, 'Pepsi ' might define its competitors as follows:

- (a) Other cola drinks
- (b) Non-diet soft drinks
- (c) All soft drinks
- (d) Non-alcoholic beverages,
- (e) All beverages except water

One thing, which should be clear to you, is that there is basically two types of competitors:

- i) Primary competitors i.e., competitors belonging to the same product class
- ii) Secondary competitors, those belonging to other product category.

In the above example other cola drinks are primary competitors and other drinks and beverages are secondary competitors.

2. Determining how the Competitors are Perceived and Evaluated

The second step is related to determining the product positioning which is basically done so as to see, when the competitors products are purchased by the customers. It is to see comparative view. An appropriate set of product attributes should be chosen. The term 'attributes' includes not only product characteristics and consumer benefits but also product associations such as product use or product users. In any product category, there are usually a host of attribute possibilities.

3. Determining the competitor's positions

Next focus should be to determine how different brands (including our own brand) are positioned with respect to the relevant attributes selected under the previous step. At this point we should be clear about what is the image that the customer has about the various product brands? You have to see how are they positioned in respect to each other? Which competitors are perceived as similar and which as different? This judgment

Notes

can be made subjectively. However a research can be taken up for getting the answer of these questions.

4. Analyzing the Customer

Now you need to analysis the customers habits and behaviour in a particular market segment. The following questions need attention while understanding the customer and the market – (i) how is market segmented? (ii) What role does the product class pay in the customer's life style? What really motivates the customers? And what habits and behavior patterns are relevant?

The segmentation question is, of course, critical. There are various approaches to segmentation but out of all benefit segmentation is relevant here, which focuses upon the benefits or attributes that a segment believes to be important. In order to specify that benefit segments, it is useful to highlight the role of 'ideal object' as a tool.

5. Making the positioning Decision

The above four steps provide you a useful backgrounds and are necessary to be conducted before taking any decision about positioning. The managers can carry these steps or exercises. After these four exercises, the following guidelines can be offered to reach a positioning decision:

- (i) An economic analysis should guide the decision.
- (ii) Positioning usually implies a segmentation commitment.
- (iii) If the advertising is working
- (iv) In making a decision on position strategy, symbols or set of symbols must be considered.

6. Monitoring the position

An image objective, like an advertising objective should be measurable. It is necessary to monitor the position overtime, for that you have variety of techniques that can be employed it can be on the basis of some test and interviews which will help to monitor any kind of change in the image.

Thus, the first four steps in the process provide a useful background. The fifth one only is taken to make the position decision. The final step is to evaluate and measure and follow up.

7.9 Summary

Market segmentation is the process of defining and subdividing a large homogenous market into clearly identifiable segments having similar needs, wants, or demand characteristics. Its objective is to design a marketing mix that precisely matches the expectations of customers in the targeted segment. Few companies are big enough to supply the needs of an entire market; most must breakdown the total demand into segments and choose those that the company is best equipped to handle.

Segmentation is the process of defining and subdividing a large homogenous market into clearly identifiable segments having similar needs, wants, or demand characteristics. Its objective is to design a marketing mix that precisely matches the expectations of customers in the targeted segment.

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 homogenous in full significant aspects.

Adjustment of product and marketing appeals: Market segmentation presents an opportunity to understand the nature of the market. The seller can adjust his thrust to attract the maximum number of the market. The seller can adjust his product to attract the maximum number of customers by various publicity media and appeals. More resources may be allocated to market segment where sales opportunities are better.

Allocation of marketing budget: It is on the basis of market segmentation than the marketing budget is adjusted for a particular region or locality. In the place where the sales opportunities are limited, it is no use of allocating a huge budget there.

Making the competition effective: It helps the producer to face the competition of his rivals effectively. The producer can adopt different policies, program, and strategies for different markets taking into account the rivals strategies, policies, and program.

Effective marketing program also helps the producer to adopt an effective marketing program and serve the consumer better at comparatively low cost. Different marketing program can be attached for different segments.

7.10 Check Your Progress

I. Fill in the Blanks

1. Market consists of _____ and _____ of people and _____ bodies.
2. When a want is supported by purchasing power it is called _____.
3. Customer demand is a very important element in the _____.
4. _____ and _____ are the dimensions of sound marketing system.
5. Demographic variable effective demand and life-styles style patterns are the variable factors of _____.
6. _____ is the variable factors of market demand, to ascertain size of demand.
7. _____ is the variable factors of market demand to ascertain potential demand.
8. _____ is the variable factors of marked demand that reflects the purchasing propensity and indicating customer behaviour.
9. _____ is the study of population structure and process.
10. Demographic variable are most widely employed in _____.

II. True or False

1. Market consists of individuals and groups of people and corporate bodies.
2. When a want is supported by purchasing power it is called supply.
3. Customer demand is a very important element in the marketing strategy.
4. Demand analysis and the competition are the dimensions of sound marketing system.
5. Demographic variable, effective demand and life style patterns are the variables factors of market demand.
6. Effective demand is the variable factors of market demand, to ascertain size of demand.
7. Demographic variable is the variable factors of market demand, to ascertain potential demand.
8. Life style pattern is the variable factory of market demand that reflects the purchasing propensity and indicating customer behaviour.

Notes

9. Geography is the study of population structure and process.
10. Demographic variables are most widely employed in market segmentation.

III. Multiple Choice Questions

1. Customer Demand Planning is a business-planning process that enables sales teams to develop demand forecasts as input to.....
 - (a) Service-planning processes
 - (b) Inventory planning
 - (c) Revenue planning
 - (d) All the above
2. When a want is supported by purchasing power it is called.....
 - (a) Demand
 - (b) Supply
 - (c) Resource
 - (d) System
3. Customer demand is a very important element in the.....
 - (a) Marketing environment
 - (b) Marketing system
 - (c) Marketing management
 - (d) Marketing strategy
4. What are the dimensions of sound marketing system?
 - (a) Demand analysis
 - (b) Competition
 - (c) Both a and b
 - (d) None of the above
5. What are the variable factors of market demand?
 - (a) Demographic variable
 - (b) Effective demand
 - (c) Life style patterns
 - (d) All the above
6. Which is the variable factors of market demand, to ascertain size of demand?
 - (a) Demographic variable
 - (b) Effective demand
 - (c) Life-style patterns
 - (d) All the above
7. Which is the variable factors of market demand, to ascertain potential demand?
 - (a) Demographic variable
 - (b) Effective demand
 - (c) Life-style patterns
 - (d) None of the above
8. Which is the variable factor of market demand that reflects the purchasing propensity and indicating customer behaviour?
 - (a) Demographic variable

- (b) Effective demand
 - (c) Life style patterns
 - (d) None of the above
9. Which is the study of population structure and process?
- (a) Demography
 - (b) Geography
 - (c) Market research
 - (d) Market information
10. Demographic variables are most widely employed in
- (a) Market information
 - (b) Market segmentation
 - (c) Market programmes
 - (d) market process

7.11 Questions and Exercises

I. Short Answer Questions

1. What is Market Segmentation?
2. What is Geographic segmentation?
3. Give the meaning of Demographic segmentation?
4. What is Psychographic segmentation?
5. What is Behavioral segmentation?
6. What is Target Market?
7. What is Targeting innovator?
8. What is Market Positioning?

II. Extended Answer Questions

1. Discuss the concept of Market Segmentation.
2. Explain benefits of Market Segmentation.
3. Discuss requisites of Effective Market Segmentation.
4. Explain the Process of Market Segmentation.
5. Discuss various types of Segmentation.
6. Explain bases for Segmenting Consumer Markets.
7. Write note on: Targeting innovators.
8. Discuss in brief about Market Positioning.

7.12 Key Terms

- **Market segmentation:** Market segmentation is the process of defining and subdividing a large homogenous market into clearly identifiable segments having similar needs, wants or demand characteristics. Its objective is to design a marketing mix that precisely matches the expectations of customers in the targeted segment.

Notes

- **Segmentation:** Segmentation is the process of defining and subdividing a large homogenous market into clearly identifiable segments having similar needs, wants, or demand characteristics. Its objective is to design a marketing mix that precisely matches the expectations of customers in the targeted segment.
- **Marketing budget:** It is on the basis of market segmentation than the marketing budget is adjusted for a particular region or locality. In the place where the sales opportunities are limited, it is no use of allocating a huge budget there.
- **Geographic location of customers:** The starting point of all market segmentation is the geographic location of customers. It helps the firm in planning the marketing offer. The common method is to classify according to rural and urban, Metro or Non-Metro markets.
- **Demographic Characteristics:** Factors like age, sex, income, occupation, family size, education, marital status is used singly or in combination to segment the market. Age is one of the most important factors for segmenting the market.
- **Psychographics Variables:** No two consumers act in the same manner though they two may be of the same age, from the same profession, same education and have same income. Each of the customers may have different attitudes because of personality and life-style differences.

7.13 Check Your Progress: Answers

I. Fill in the Blanks

1. Individuals; groups; corporate
2. Demand
3. Marketing system
4. Demand analysis; Competitions
5. Market demand
6. Demographic variable
7. Effective demand
8. Life style pattern
9. Demography
10. Market segmentation

II. True or False

- | | |
|----------|----------|
| 1. True | 2. False |
| 3. False | 4. True |
| 5. True | 6. False |
| 7. False | 8. True |
| 9. False | 10. True |

III. Multiple Choice Questions

- | | |
|--------|---------|
| 1. [d] | 2. [a] |
| 3. [b] | 4. [c] |
| 5. [d] | 6. [a] |
| 7. [b] | 8. [c] |
| 9. [a] | 10. [b] |

7.14 Case Study

A careful market segmentation is critical to successfully selling products; you need to understand what makes different consumers tick and how best to reach them. Skincare giant Nivea conducted an impressive market research campaign that can be modeled by other firms.

Beiersdorf is an international skincare company with leading brands such as Nivea and Eucerin. They have expanded significantly in the UK market through effective segmentation that matches consumer needs. The company has become the value leader in the field, meaning people spend more on Nivea sun protection products than any other brand.

One important product line for Nivea is sun-related skincare products, worth upwards of £173.6 million in the United Kingdom alone. Nivea's reputation in this broad segment is bolstered by robust scientific research and development focused on providing the best protection possible from the sun's skin-damaging rays.

The key was to further segment the sun protection products market by two important factors: Skin type and the climate where the products are used. Skin types include very light, fair, normal, dark and children (who tend to have thinner, lesser developed skin) while the climates include moderate, hot and very hot. The level of protection is measured by SPF, which stands for Sun Protection Factor. The lighter the skin and the higher the temperature, the higher the SPF that is needed. SPF 20 may be adequate protection for a fair-skinned person in the UK, but SPF 40 might be recommended for the same person if they were in a more tropical environment.

The company's market research revealed significant demographic differences between men (who go for convenience), women (who gravitate towards more luxurious products) and children (a market reached through adult parents, mostly mothers). Through the use of surveys and focus groups, Nivea was able to determine the attitudinal differences between distinct segments of consumers.

They discovered concerned consumers who were not at all concerned about getting a tan but instead were more focused on protection from sun damage. Sun avoiders don't buy these products at all because they avoid high-exposure situations, although with education they may be convinced of the need for sun protection product purchases. Conscientious sun lovers love being out in the sun but are concerned about protection. Careless tanners, on the other hand, don't worry about the sun at all and buy low-SPF products if they buy any at all. Finally, the naïve beauty conscious people are the ones who want to have a good tan but don't adequately understand the relation between SPF and protection.

Nivea used this research to develop their unique brand positioning that includes making sun care as simple as possible, providing education about the importance of protection and finding ways to reinforce that protection message. One product innovation that came from this research was a product that offered full and instant protection from both UVA and UVB sunrays because many consumers fail to apply such products in the necessary time frame for effectiveness (20-30 minutes before exposure). Other product innovations have included sprays that are easy to apply, colorful products for children and water-resistant products for both children and adults. Advertising for children's products targets the mothers of children with a protection message.

Questions:

1. How do you differentiate the Nivea sun protection products than any other brand in India?
2. Do you think the Nivea's research to develop their unique brand positioning?

Notes

7.15 Further Readings

1. Marketing by Gary Armstrong, Michael Harker, Philip Kotler, Ross Brennan
2. Principles of Marketing by Philip Kotler
3. Contemporary Marketing by David L. Kurtz
4. Principles of marketing by Frances Brassington, Stephen Pettitt
5. Marketing insights from A to Z by Philip Kotler
6. Principles of marketing by Frances Brassington, Stephen Pettitt
7. Principles of marketing by Veronica Wong, John Saunders
8. Marketing by Armstrong, Armstrong Gary
9. Essentials of Marketing by Charles W. Lamb, Joseph F. Hair, Jr., Carl McDaniel

7.16 Bibliography

1. Kotler, P., Keller, K. L., Koshy, A. & Jha, M., 2009. Marketing Management. Noida: Dorling Kindersley.
2. Jobber (1995) Principles and Practicing of Marketing, McGraw-Hill
3. Winer, R. S., 2001. A Framework for Customer Relationship Management. California Management Review, 43(4).
4. Shaw, E. H., 2012. Marketing Strategy. Journal of Historical Research in Marketing, 4(1).
5. Kotabe, Masaki and KristiaanHelsen, Global Marketing Management, 3rd Edition, John Wiley & Sopns, Inc, publishers, Copyright 2004, ISBN 0-471-23062-6.
6. Patterson, Laura (2008). Marketing Metrics in Action: Creating a Performance-Driven Marketing Organization. Racom Communications. ISBN 978-1-933199-15-3.
7. Masi, R. J.; Weidner, C. K, AS (1995). Organizational culture, distribution and amount of control, and perceptions of quality. Group & Organization Management.
8. Christopher H. Lovelock and Charles B. Weinberg, Public and Nonprofit Marketing, 2/e (Redwood City, CA: The Scientific Press/Boyd and Davis, 1989).
9. Philip Kotler and Alan Andreasen, Strategic Marketing for Nonprofit Organizations, 5/e (Upper Saddle River, NJ: Prentice-Hall, 1996).
10. Boone, Louise E., and Kurtz, David L. (2004). Contemporary Marketing, 9th Ed. New York, NY: Dryen/Harcourt Brace.
11. Semenik, Richard J., and Bamossy, Gary J. (1995). Principles of Marketing: A Global Perspective, 2d ed. Cincinnati, OH: South-Western.
12. Kotler, Philip, and Armstrong, Gary (2003). Marketing: An Introduction, 11 ed. Englewood Cliffs, NJ: Prentice-Hall.
13. Farese, L., Kimbrell, G., and Woloszyk, C. (1991). Marketing Essentials. Mission Hills, CA: Glencoe/McGraw
14. Strategic Marketing Management (second edition), Richard M. S. Wilson and Colin Gilligan

