BCOE-141
Principles of Marketing

BLOCK

1

BASIC CONCEPTS OF MARKETING

BLOCK 1 BASIC CONCEPTS OF MARKETING

This Marketing Course is designed to help you learn basic concepts and practice of modern marketing in a practical way. This first block introduces you to the basic concepts of marketing. It explains what marketing is, how has it developed, the environmental forces which shape the organisation's marketing programme, marketing segmentation and consumer behaviour. This block consists of four units.

Unit 1 explains the meaning and importance of marketing, evolution of various marketing concepts, nature of marketing in the developing countries and the concept of marketing mix.

Unit 2 discusses the environmental forces which shape an organisation's marketing programme. In particular, it deals with the meaning and components of marketing environment, various government regulations affecting marketing in India and implication of some regulations for marketing decision-making,

Unit 3 describes the meaning of a market, classification of markets and their characteristics, meaning and importance of market segmentation, and requirement and bases of segmentation.

Unit 4 explains meaning and importance of consumer behaviour, types of consumers, and factors influencing the consumer behaviour.

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UNIT 1 NATURE AND SCOPE OF MARKETING

Structure

1.0 OBJECTIVES

After studying this unit, you should be able to:

- explain the meaning of marketing and various marketing concepts;
- state the importance of marketing to the business, the consumer and the society;
- describe the nature of marketing in a developing economy; and
- discuss the concept of marketing mix.

1.1 INTRODUCTION

In this introductory unit, you will study the meaning of marketing and various marketing concepts, evolution of marketing, importance of marketing and the nature of marketing in a developing economy like India. You will also understand the concept of marketing mix and the components of marketing mix.

1.2 THE MEANING OF MARKETING

When asked about the meaning of marketing, majority of people say that marketing is selling, advertising and /or public relations. It is important to understand that marketing is much more than selling or advertising, although these do form part of the marketing functions.

According to the American Marketing Association *"marketing is an organizational function and a set of process for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders."* This definition is undoubtedly an improvement on the description of marketing as selling. According to this definition, marketing also encompasses other activities along with selling.

If you are an entrepreneur who wants to start a new business, you do not have a product. In fact you will have to decide what product you should manufacture and sell. How do you decide this? This you can do only when you identify the needs which require satisfaction among human beings. Once you identify the need of a group of human beings, you can determine the product which can satisfy that need. This is a part of the modern philosophy of marketing or the marketing concept.

Philip Kotler, a well known author in the area of marketing, defines marketing as *"a human activity directed at satisfying needs and want through exchange processes."* Thus, the most fundamental concept which must be realised as being the basis of all marketing activities is the existence of human needs. A marketing man may devise a product or service aimed at satisfying a certain need, and thus provides satisfaction to the user. People may have unlimited wants but the ability to buy may be restricted on account of their economic background. They will, therefore, select from among those products which give more satisfaction or are needed more. Thus, when they are backed by ability to buy, the wants are converted into demand for your product. Therefore, when people decide to satisfy their needs and wants, in terms of marketing activities, exchange takes place. This explains in detail the definition given by Kotler.

Based on the above discussion we can develop a process-oriented definition of marketing, as **"the process of ascertaining consumer needs, converting them into products or services, and moving the product or service to the final consumer or user to satisfy certain needs and wants of specific consumer segment or segments with emphasis on profitability, ensuring the optimum use of the resources available to the organisation."**

Marketing is a continuous process and it does not end unless the business itself comes to an end. (Figure 1.1)

In today's era, the emphasis of marketers is not limited to customer satisfaction. Marketers now emphasise on attaining customer delight, identifying the most valuable customer, earn customer loyalty, maintain and manage relationship with the customers. This is known as customer relationship management.

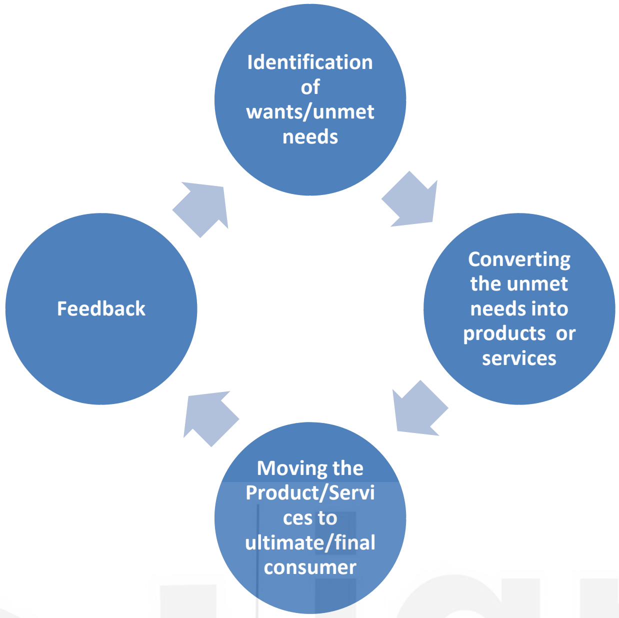

Figure 1.1: Marketing as a Continuous Process

In practice, often, the business functions such as production, finance and marketing are performed by separate departments with their own way of thinking. Production is often considered the more important function as compared to marketing. This practice is, gradually losing ground and it is being recognised that unless you can sell a product, you should not manufacture it. Production-orientation evolved because often products were designed and developed by inventors who hoped that they would sell. However, if these products fail to satisfy some needs, they would never sell in the market place. Therefore, consumer oriented thinking becomes necessary for any business to survive and grow.

1.3 MARKETING CONCEPTS

There are five different marketing concepts under which business enterprises conduct their marketing activity:

1) Production concept
2) Product concept
3) Selling concept
4) Marketing concept
5) Societal concept

1.3.1 Production Concept

This is probably the oldest concept. Some businessmen believe that the consumers are interested only in low priced, easily and extensively available goods. The finer points of the product are not very important to them. So the producers believe they must concentrate only in efficient (economical) and extensive (large scale) production. A company which believes in this approach concentrates on achieving high production efficiency and wide distribution coverage. Organisations may adopt this concept in two types of situations:

i) **When the demand for the product is higher than the supply,** you can sell more if you increase production. Here the main concern of the management is to find ways to increase production to fill the demand and supply gap.

ii) **When the cost of the product is high** and increase in production is going to bring down the cost due to **economies of scale.**

The organisations which adopt this concept are typically production oriented concerns. Production and engineering departments play an important role in this situation. Such organisations have only sales departments to sell the product at a price set by production and finance departments.

1.3.2 Product Concept

As against the production concept, some organisations believe in product concept. The product concept implies that **consumers favour those products that offer the most quality, performance and features.** They also believe that consumers appreciate quality features and will be willing to pay **'higher price for the 'extra'** quality in the product or service made available. Hence, those companies which believe in this concept concentrate on product and its improvement. While improving the product they rarely take into consideration the consumers' satisfaction and his multifarious needs. Even when new products are planned, the producer is concerned more with the product and less with its uses or the consumer needs. For example, a biscuit manufacturer produced a new brand of biscuits with good ingredients, colour, packaging, etc., without taking into account consumer tastes and preferences. This may fail in the market if the biscuit does not taste good to the ultimate consumer.

1.3.3 Selling Concept

Sometimes the main problem of the enterprise is not more production, but to sell the output. Similarly, a better product may not assure success in the market. Hence selling assumes greater importance. So some producers believe that aggressive persuasion and selling is the crux of their business success, and without such aggressive methods they cannot sell and survive. Therefore, attention is paid to find ways and means to sell. They also believe that **customer/consumers** left to themselves**,** will not buy enough of organisation's products and services, and hence considerable promotional effort is justified. Thus, **the selling concept**

assumes that consumers on their own will not buy enough of organisation's products, unless the organisation undertakes aggressive sales and promotional efforts. Many insurance agents, sales persons of certain electrical gadgets, health drinks, soft drinks, and fund raisers for social or religious causes come under this category.

Many a times customers and consumers are treated as same. However, there is a difference. Anyone who buys a commodity or services is customer whether she is buying for own consumption or other or for commercial purpose whereas a consumer may not necessarily buy the offering but she consumes it

Sale is the index of success of marketing as well as the production efforts. The marketers who believe in sales concept often forget that the consumers buy goods to fulfil certain needs. After the sale, what happens or how does the consumer feel is not their concern. They may not expect the customer to come again to buy the product. They may go to new target consumers rather than building up a network of satisfied customers. Some firms facing with excess production also adopt selling concept. There are fair as well as unfair persuasive means adopted in this process. But the purpose behind all such action is selling more. Sales executives or sales department assumes greater importance in sales concept compared with production concept and product concept.

1.3.4 Marketing Concept

In an evolutionary process, many organisers have come to change their focus and to see their marketing tasks in a broader perspective. Marketing concept is considered a business philosophy wider in its implications. Under the marketing concept, the organisation considers the needs and wants of consumers as the guiding spirit and the delivery of such goods and services which can satisfy the consumer needs more efficiently and effectively than the competitors. It is also said that the marketing concept is consumer orientation with the objective of achieving long run profits. It is a modern marketing philosophy for dynamic business growth. In other words, **under this concept the task of marketing begins with finding what the consumer wants, and produce a product which will meet that want and provide maximum satisfaction.** Implicitly, the consumer is the boss or king who dictates. The focus which moved from the product to selling, now rests with the consumer.

When organisations practice the marketing concept, all their activities (manufacturing, finance, research and development, quality control, distribution, selling, etc.) are directed to satisfy the consumer which becomes the core of corporate culture in such organisation. Companies produce what consumers want and, thus, satisfy consumers and make profits.

Those companies which have attained a certain maturity and which could see beyond the immediate future adopt this concept. Some companies may not adopt this concept because they feel that this may result in the decline of sales or profits in the short run and the long run profits in any case are unpredictable or uncertain. The companies which want to make 'quick-bucks' also do not adopt this concept. Even the departments within the organisation may not fully cooperate since they are not 'convinced' about the advantages of following the marketing concept. In spite of these hurdles, it is now a world-wide experience. Companies which are successful, enjoy goodwill and grow in the long run are companies which have adopted the marketing concept as their business philosophy. These companies realised that a satisfied customer is the best advertiser for their product. Their profits are generated from the satisfaction of the customer and not from the product or their selling efforts. In an economy like India with shortages in many goods as well as lack of resistance from the consumers, the firms which practice the first three concepts may also survive.

1.3.5 Societal Concept

With the growing awareness of the social relevance of business, there is an attempt to make marketing also relevant to the society. In a sense, marketing is not a business activity alone but must take into account the social needs. Excessive exploitation of resources, environmental deterioration and the customer movements in particular have necessitated the recognition of the relevance of marketing to the society. Marketing then must be a socially responsible or accountable activity. **The societal concept holds that the business organisation must take into account the needs and wants of the consumers and deliver the goods and services efficiently so as to enhance consumer's satisfaction as well as the society's well being.** The societal concept is an extension of the marketing concept to cover the society in addition to the consumers.

In effect, **a company which adopts the societal concept has to balance the company profit, consumer satisfaction and society's interests.** The problem is almost the same as that of social responsibility of business. What is good for the society is a question to be decided. A voluntary acceptance of this concept is desirable for the long run survival of private business. An effective implementation of the societal concept will certainly enhance the goodwill of the business house. The business enterprises which believe in this concept will produce and market those goods and services which are beneficial to the society, those that do not pollute the environment, and give full value for the money spent.

Check Your Progress A

1) Distinguish between production concept and product concept.

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2) Distinguish between selling concept and marketing concept.

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3) Distinguish between marketing concept and societal concept.

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4) Match the organisational objectives given in Column 1 with the marketing concepts in Column 2.

Organisational Objectives	Marketing Concept
i) Effective distribution	a) Product concept
ii) Large scale selling and promotion effort	b) Societal concept
iii) Produce what consumers need	c) Selling concept
iv) Product improvement	d) Production concept
v) Improve society's well being	e) Marketing concept

5) State whether the following statements are **True** or **False.**

i) In an organisation which adopts the production concept, marketing department assumes greater importance.

ii) Producing a cheaper product is the focus of product concept of marketing.

iii) Selling concept of marketing assumes that left to themselves consumers will not buy enough of organisation's products

iv) "Make what you can sell instead of trying to sell what you can make", is the approach in marketing concept.

v) A company which adopts the societal concept has to balance the company profit, consumer satisfaction and society's interests.

1.4 EVOLUTION OF MARKETING

Marketing has gradually evolved out of the barter system. The Industrial Revolution, growing population, improvements in communications, transport facilities and information technology revolution have contributed to the growth of marketing as an important economic activity. In the initial stages of development, a village artisans or craftsmen made goods to order and tried to meet the neighbourhood demand. After the Industrial Revolution, large scale production became possible and large scale industries came into existence. In the initial stages of Industrial Revolution, producers were able to sell whatever they have produced. So, they concentrated on higher production. At that stage most of the enterprises adopted the production concept. Later when the competition started building-up, producers faced difficulties to sell whatever they produced and the need to improve the product arose. This led to the emergence of product concept and selling concept. With the increase in competition, producers realised the advantage of producing what consumers need instead of selling whatever is produced. This led to the consumer orientation in marketing and the emergence of marketing concept and societal concept.

Figure 1.2 : Evolution of Marketing Concepts - Approximate Time Period

Production Concept	Product Concept	Selling Concept	Marketing Concept	Societal Concept

Late 1900 1920 1950 1970 Present
1890s

Figure 1.2 presents the approximate time spans covered by each of the five concepts in the USA. Since changes occur gradually over a continuum, the periods overlap one another. So, the figure indicates only the times during which a particular concept has been prevalent. Other developed countries also have gone through the similar periods, usual?

In the developed countries where the markets are developed, most of the producer adopt the marketing concept. In the developing countries markets are heterogeneous and you can see the co-existence of all the five concepts. Thus, the concept of marketing has grown along with the process of economic development.

The growth of civilisation, the standard of living, the changing life styles and technological growth have created new wants. These can be satisfied only with a wide variety of new goods and services apart from changes and improvements in the existing goods and services. This is however the general trend, and there are several exceptions. Markets for all products and services have to reach a certain maturity to experience this evolutionary trend. It may not be so in the case of each and every product or market. The rural market in India, for example, is fairly different from the urban market. Even among a set of consumer goods, for example, cosmetics which serve the middle/upper income groups are much more consumer oriented than the market for undergarments for men. Besides, there is a seller's market in some goods and services and a buyer's market in some others.

Another feature in the evolutionary process of marketing is the growing role of service marketing. The demand for service contracts to maintain the gadgets in use have become more easily marketable and a reliable service commands a premium in the market. When one computer manufacturer enters the market, may be another 20 to 30 service organisations come up to offer their services for an uninterrupted performance of the computer or to train people in computer software and operation.

Another feature in the growth of marketing is the globalisation of markets. Many producers aim at selling in more than one country. The product and promotion strategies are planned that way. It does not require a large scale business to enter the export market, even the small scale businesses are entering the export market quite significantly.

1.5 DIFFERENCE BETWEEN SELLING AND MARKETING

Many people use the terms marketing and selling as synonyms. In fact, these two terms have different meanings in marketing management. An understanding of the differences between them is necessary for you to be a successful marketing manager.

Selling is an action which converts the product into cash but marketing is the whole process of meeting and satisfying the needs of the consumer. Marketing consists of all those activities that are associated with product planning, pricing, promoting and distributing the product or service. **Selling focuses on the needs of the seller whereas marketing concentrates on the needs of the buyer.**

Selling is the modern version of the exchange under barter system. When the focus is on selling, the business man thinks that after production has been completed the task of the sales force starts. It is also the task of the sales department to sell whatever the production department has manufactured. Aggressive sales methods are justified to meet this goal and customer's actual needs and satisfaction are taken for granted.

But marketing is a wider and all pervasive activity to a business firm. The task commences with identifying consumer needs and does not end till feedback on consumer satisfaction from the consumption of the product is received. It is a long chain of activity which comprises production, packaging, promotion, pricing, distribution and then the selling. **'Consumer needs' become the guiding force behind all these activities.** Profits are not ignored but they are built up on a long run basis. Distinction between selling and marketing are summarised in Table 1.1.

Table 1.1 Distinction between Selling and Marketing

	Selling	**Marketing**
1.	Emphasis is on the product.	Emphasis is on customers wants.
2.	Company first makes the product and then figures out how to sell it.	Company first determines customers wants and then figures out how to make and deliver a product to satisfy these wants.
3.	Management is sales volume oriented.	Management is profit oriented.
4.	Planning is short-run-oriented, in terms of today's products and markets.	Planning is long-run-oriented, in terms of new products, tomorrow's markets and future growth.
5.	Stresses on needs of seller.	Stresses on wants of buyers.
6.	Stresses on sale.	Stresses on delighted customer.

Source : Stanton W.J., and Charles Futrell. 1987. Fundamentals of Marketing, McGraw Hill, P. 11-12.

1.6 IMPORTANCE OF MARKETING

Marketing is considered to be the most important activity of the present day business. Without it, business will be meaningless. Quite often the success of a business is considered synonymous with the success of its marketing. Apart from becoming so crucial to a business, it is also helpful to the consumer and the development of the economy as well as the society. Over a period of time, businesses have realised various dimensions and significance of this function and a more comprehensive view is being adopted. Specialised branches of marketing like the marketing of consumer goods and services, industrial goods and services, have developed with their own unique features.

Marketing is a concept applicable not only to goods but also to services such as health service, investment counselling, bank deposits and loans, etc. Marketing is important to the business, consumer and the society. For the business house marketing brings in revenue, for the consumer it provides the goods and services of utility, for the society it enables a redistribution of income and generation of employment, and improving the standard of living of people. Major advantages of marketing are briefly discussed below:

1) Marketing is important to the business organisation since it is the activity that sells the product and **brings revenue to the company,** and it is also the key to its success. Research and development and production become meaningless if the product is not marketed successfully. Scanning the environment, finding marketing opportunities, formulating product policies, evolving distribution and pricing strategies are some of the problem areas which pose challenges to the success of a business. Marketing takes care of all these challenges.

2) Marketing enables the consumers to exercise choice and to improve their levels of consumption. In a sense, marketing is defined as the delivery of a standard of living. The easy availability of goods and services of good quality at competitive prices is made possible only by an efficient marketing system. In such a system the consumer is the king.

3) Marketing creates time, place and possession utilities to products and services. Products are useful only when they are available at the required time and place as well as to the person who needs them. Marketing creates these utilities.

4) Marketing contributes to the economic development of the country. It symbolises the economic development. This is because on the one hand marketing activities generate employment and income, and on the other hand the development of a country is reflected in the variety and volume of goods available and consumed by the people of that country. The per capita availability of essential consumer goods is an indicator of the level of poverty or affluence in a country.

5) Marketing offers career opportunities to a large number of people. Marketing related occupations account for a significant portion of the employment generated in a country.

1.7 MARKETING IN A DEVELOPING ECONOMY

Efforts, scope and functions of marketing depends upon economic development, technological achievements and political, social and cultural factors. For example, scope of marketing for a population which is illiterate is different than that of a literate population.

Marketing in a developed economy is somewhat different from a developing economy like India. All the advantages of a matured marketing system as found in a developed economy, may not be realised in a developing economy. Some characteristics of marketing in a developing economy are as follows:

1) Most of the markets remain seller's markets. The seller is in a dominating position and can influence the pattern of consumption, prices and quality of goods and services to his advantage. Many of the manufacturers believe in the selling concept and bother less about consumer satisfaction.

2) The variety of goods and services available are limited and even their quality may require improvement. Lack of effective competition enables the manufacturers to sell whatever they produce. The consumers have to accept and buy whatever is available in the market.

3) In a developing economy, due to lower per capita income, people spend most of their income on necessities and little money is available for discretionary spending. People may not be able to buy many goods and services within the limited income. As income determine consumption patterns, the scope for marketing is also determined by income.

4) The consumers knowledge and awareness about their rights is also limited because they do not have more exposure to marketing activities. It is difficult to know about higher quality, better service and wider choice unless one has an exposure in these terms. The consumers of the developing economies, therefore, appear to be content with whatever is available in their country.

5) The supporting services such as departmental stores, credit facilities, packing and delivery systems, after sales services, product guarantee, money back guarantee etc., are also less in developing countries.

All the developing countries are in a process of gradual evolution and in the normal course of events must grow into developed systems. However, with the rapidly changing environment, the whole thing is getting tricky.

1.8 CONCEPT OF MARKETING MIX

Marketing requires several activities to be done. To begin with, a company may choose to enter one or more segments of a market-since it may not be possible to cover the entire market. The manufacturer of a bathing soap, for example, may aim at the working class in the middle or lower income groups as his target consumers. Once the target market is decided, the product is positioned in that market by providing the appropriate product qualities, price, distribution and advertising efforts. These and other relevant marketing functions are to be combined or mixed in an effective proportion so as to achieve the marketing goal. In order to appreciate this process, it is easier to divide the marketing activities into four basic elements which are together referred to as the marketing mix. These four basic elements are: 1) product, 2) price,3) promotion, and 4) physical distribution. As all these four start with the letter 'P', they are referred to as the four Ps of the marketing mix or the four Ps in marketing. However, in the marketing of services these 4Ps are extended to 7Ps. 3Ps more get added. In the unit 17 these are elaborated.

Thus, marketing mix may be defined as the set of controllable marketing variables/activities that the firm blends to produce the response it wants in the target markets. A marking expert named E. Jerome McCarthy created the term Marketing 4Ps in 1960.

Let us study the four Ps in details.

The word **product** stands for the goods or services offered by the organisation. Once the needs are identified, it is necessary to plan the product and after that keep on analysing whether the product still satisfies the needs which were originally planned for, and if not, to determine the necessary changes. You will learn this in greater detail in Block 2 of this course when we talk about how are new products introduced, how have they to be modified in due course to continue to be successful in sales and why be marginal or non-profitable products should removed, unless they are contributing in some way to the overall benefit of the organisation.

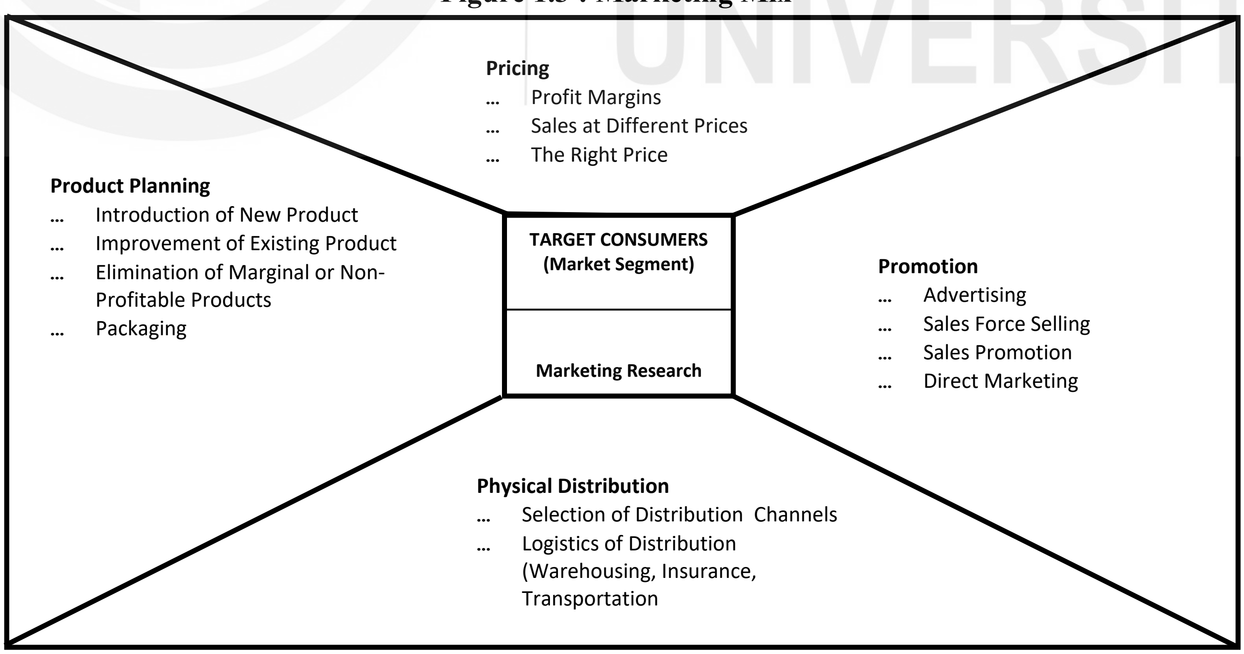
Price is the money that the consumer has to pay. Price must be considered as worth the value of the product to become an effective marketing tool. The product has to be reasonably priced. The manufacturer has to take into account cost factors, profit margin, the possibility of sales at different price levels and the concept of the right price. You will study pricing in detail in Block 3 of this course.

Promotion is the aspect of selling and advertising or communicating the benefits of the product or service to the target customers or the market segment in order to persuade them to purchase such products or services. It includes selling through advertising as well as the sales force. Besides, a certain amount of promotion is also done through special seasonal discounts, competitions, special price reductions, etc. You will study about promotion in detail in Block 5 of this course.

Physical distribution refers to the aspect of the channels of distribution through which the product has to move before it reaches the consumer. It also includes the logistic aspects of distribution such as warehousing, transportation, etc., needed for geographical distribution of products. It is also concerned with the selection of distribution channels. The organisation must decide whether it should sell through wholesalers and then to retailers, or whether directly to the consumers. There are many ways in which a product can be moved from the producer to the consumer. The optimum method has to be determined in terms of both consumer satisfaction and profitability to the organisation, or optimum use of the organisation's resources. You will study about physical distribution in detail in Block 4 of this course.

The manufacturer must design the most effective combination of these four basic factors as well as the expenditure he would like to incur on them. The variables that are relevant in the marketing mix vary from company to company. These variables are not independent in their effect on the marketing effort. One variable may influence the other. Apart from the expenditure involved, these decisions are influenced by the company's market positioning decision. Look at Figure 1.3 carefully. It summarises all the components of marketing mix.

Figure 1.3 : Marketing Mix



As discussed above, when it comes to services marketing these 4P's are further extended to 7P's i.e.,

- Product
- Prices
- Promotion
- Physical Distribution/Places
- People
- Process and
- Physical Evidence

The extended 3Ps are People, Process and Physical Environment.

People: People involves Employer, Management, Culture and Consumer Service.

Process: Process refers to How are Services created and Created and Consumed

Physical Evidence: Physical environment refers to Run down, comfort, facilities etc.

It is very important for a marketer to find out if there is enough demand for his product in his target market(s) and (people) to ensure that the organisation has efficient human resources (employees) who can deliver the satisfaction to the ultimate/final consumer.

We need to have a well-designed process to render services to the consumer. In service industries it is imperative to ensure that the services are delivered to the consumers, as desired by, therefore there should be physical evidence that the services were delivered as they had to be.

Besides, there is a theory of 4C's developed in 1990s. The 4Cs marketing model was developed by Robert F. Lauterborn in 1990. He added: Cost, Consumers, Wants & needs, Communication and Convenience to the marketing mix model.

4Ps and Corresponding 4Cs

Product ⟶ Customer wants and needs

Price ⟶ Cost

Place ⟶ Convenience

Promotion ⟶ Communication

Check Your Progress B

1) What are the four Ps of marketing?

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2) State the distinction between selling and marketing.

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3) State whether the following statements are **True** or **False.**

   i) From the society's point of view marketing is a waste.
   ii) An underdeveloped economy is primarily a buyer's market.
   iii) Marketing creates time and place utilities to products and services.
   iv) Selling primarily refers to exchange function.
   v) Marketing starts with the product.
   vi) Marketing in developing countries is different from the marketing in developed countries.
   vii) In developing countries markets are mostly sellers' markets.

1.9 LET US SUM UP

The term marketing has been defined in different ways. This is because each author defines it with a particular approach or purpose. According to Philip Kotler, "marketing is human activity directed at satisfying needs and wants through exchange process". It is a process of ascertaining consumer needs, converting them into product or services, and moving the product or service to the final consumer or user to satisfy certain needs and wants with emphasis on profitability and ensuring the optimum use of the resources available to the organisation.

After the Industrial Revolution, marketing philosophy has undergone so many changes. It has passed through four stages and a fifth stage is emerging. During these five stages of development, five marketing concepts emerged. They are: 1) production concept, 2) product concept, 3) selling concept, 4) marketing concept, and 5) societal concept. However, even in the present day world many companies are still in the earlier stages.

Many people think that the terms selling and marketing are synonymous. In fact, selling is different from marketing. Selling is the action which converts the product into cash whereas marketing is the whole process of identifying, meeting and satisfying the needs of the consumers.

Marketing is the most important activity of any business. Quite often the success of the business is considered synonymous with the success of its marketing efforts. Apart from becoming crucial to the business, it is also helpful to the consumer and the development of the economy as well as the society. Marketing in a developing economy is somewhat different from developed economy. All the advantages of a matured marketing system as found in a developed economy may not be realised in a developing economy.

Marketing activities may be divided into four basic elements which are together referred to as the marketing mix. These four basic elements are: 1) Product 2) Price, 3) Promotion, and

4) Physical Distribution. As all these elements start with the letter P, they are referred to as the 'four Ps' of the marketing mix or the 'four Ps in marketing.

1.10 KEY WORDS

Marketing: The process of ascertaining consumer needs, converting them into products or services, and moving the product or service to the final consumer or user to satisfy certain needs and wants with emphasis on profitability and ensuring optimum use of the resources available to the organisation.

Marketing Concept: A marketing philosophy which holds that achieving organisational goals depends on determining needs and wants of target markets and delivering the desired satisfaction more effectively and efficiently than competitors.

Marketing Mix: The set of four Ps-product, price, promotion and physical distribution--that the firm blends to produce the response it wants in the target group.

Product Concept: A marketing philosophy which holds that consumers will favour the products that offer the most quality, performance and features, and therefore the organisation should devote its energy to making continuous product improvement.

Production Concept: A marketing philosophy which holds that consumer will favour products that are available and highly affordable, and therefore management should focus on improving production and distribution efficiency.

Selling Concept: A marketing philosophy which holds that consumer will not buy enough of the organisation's products unless the organisation undertakes a large selling and production effort.

Societal Concept: A marketing philosophy which holds that the organisation must take into account the needs and wants of the consumers and deliver the goods and services efficiently so as to enhance consumer's satisfaction as well as the societal well being.

1.11 ANSWERS TO CHECK YOUR PROGRESS

A)	4.	i) d	ii) c	iii) e	iv) a	v) b
	5.	i) False	ii) False	iii) True	iv) True	v) True
B)	3.	i) False	ii) False	iii) True	iv) True	v) False
		vi) True	vii) True			

1.12 TERMINAL QUESTIONS

1) Define marketing and explain its implications. Explain how is marketing different from selling.
2) What are the marketing concepts? Explain the process of evolution of these concepts.
3) Describe the profile of a company which has adopted the marketing concept.
4) What is the consumer's place in modern marketing?
5) Explain the importance and features of marketing in a developing economy.
6) What is marketing mix? Explain the components of marketing mix

Note: These questions will help you to understand the unit better. Try to write answers for them. But do not submit your answers to the University for assessment. These are for your practice only.

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UNIT 2 MARKETING ENVIRONMENT

Structure

2.0 OBJECTIVES

After studying this unit, you should be able to:

- state the meaning of marketing environment, both in terms of micro environment and macro environment
- explain the marketing environment in India
- discuss how do the environment affect marketing decisions
- describe the government regulations in India which have implications for marketing decisions.

2.1 INTRODUCTION

In the previous unit, you have learnt the various activities that comes under marketing. Marketing functions are to be carried out in a given environment. Even the marketing opportunity has to be scanned and identified by carefully observing the environment. The marketing mix is also decided in the context of a given marketing environment. Though marketing managers cannot control the forces in a marketing environment, they must take them into account when making marketing decisions. While formulating the marketing strategies, the marketers must closely observe the environment in which they are functioning. In this unit, you will study the factors that constitute the marketing environment, and the marketing environment in India. You will also learn how various Acts and Statutes influence the marketing decisions in India.

2.2 WHAT IS MARKETING ENVIRONMENT?

Marketing system of every business organisation is influenced by a large number of controllable and uncontrollable factors that surround the company. So the marketing system of a company must have to operate within the framework of the environmental forces. According to Philip Kotler, **a company's marketing environment consists of the actors and forces outside of marketing that affect marketing management's ability to develop and maintain successful transactions with its target consumers.** For example, the relevant environment to a car manufactures and buyers, tyre manufacturer may be the other car manufacturers competitors and the tyre manufacturing technology, the tax structure, imports and export regulations, the distributors, dealers, competitors, etc. In addition to these, the company may have to consider its own capabilities in terms of its production technology, finance, sales force, etc. The environment becomes important due to the fact that it is changing and there is uncertainty. Some of these environmental factors are uncontrollable. There is both a threat and opportunity in these changes.

These environmental factors may be grouped **as micro environment** and **macro environment.** These factors may be classified in terms of internal and external environmental factors also. **Micro environment refers to the company's immediate environment,** that is, those environmental factors that are in its proximity. They include the company's own capabilities to produce and serve the consumer needs, the dealers and distributors, the competitors, and the customers. thus can be termed as internal environment which includes the factors that are within the organisation. These factors affect the overall business operations such as human resource, inventory, company’s plans, and strategies, finance etc. These are also the groups of people who affect the company's prospects directly. The **macro environment consists of larger societal forces, which may be placed in an outer circle.** These includes demographic, economic, natural, technological, political and cultural forces. The influence of these factors are indirect and often take time to reach the company. Look at Figure 2.1 carefully which presents these forces.

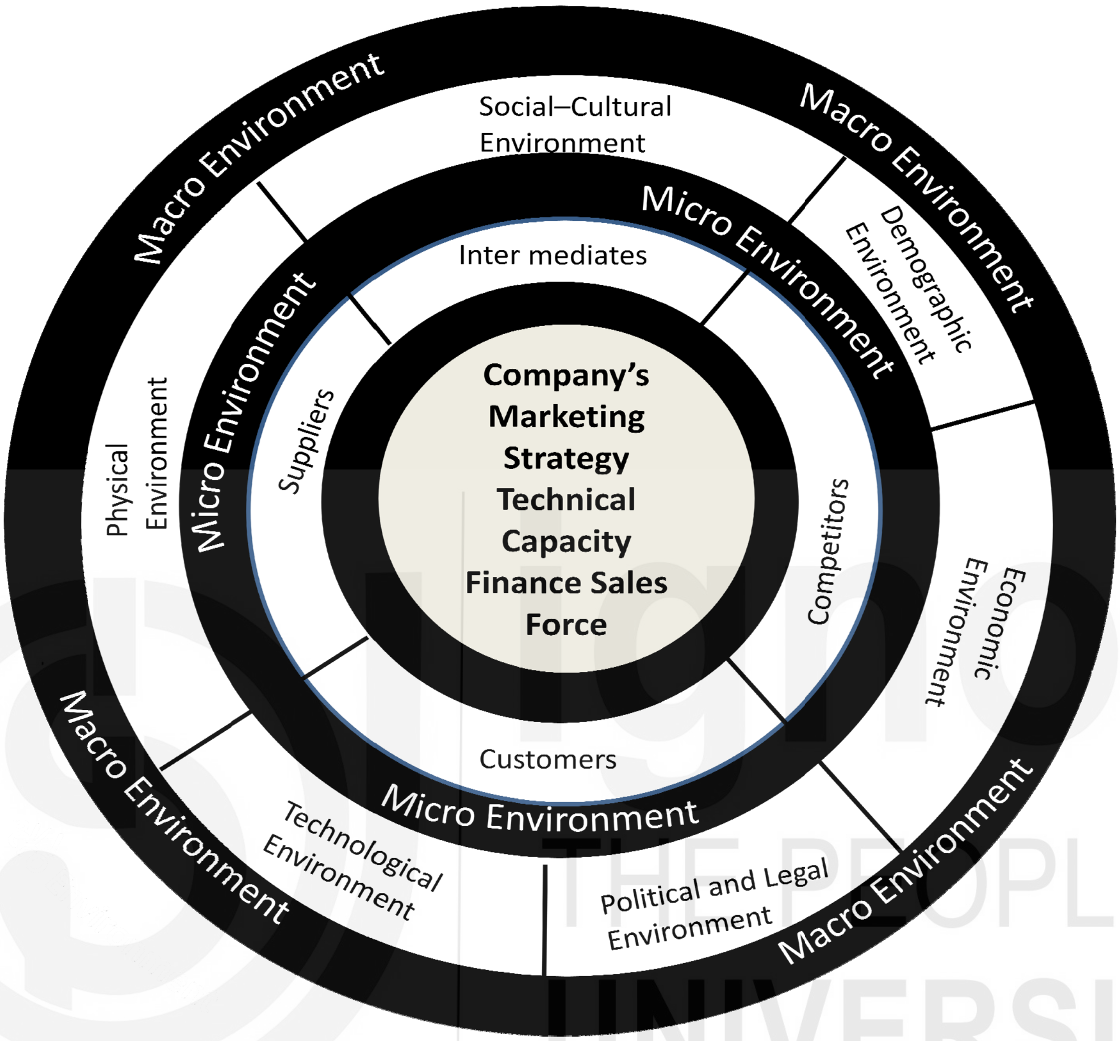


Figure 2.1: Marketing Environment

The forces in the outer circle may be taken to constitute the macro environment and those in the inner circle as the micro environment of a company.

2.2.1 Micro Environment

Micro environmental factors which influence the marketing decisions of the company are: 1) organisation's internal environment, 2) suppliers, 3) marketing intermediaries, 4) competitors, and 5) consumers. Let us now study about each of these factor briefly.

Organisation's Internal Environment: Organisations financial, production and human resource capabilities influence its marketing decisions to a large extent. For instance, while deciding about the sales targets, it is necessary to see whether the existing production facilities are enough to produce the additional quantities or not. If the existing facilities are not enough and expansion to plant and machinery is required, it is necessary to think about financial capabilities.

You may have a responsive research and development department to develop a new product. So also the production department may have its own facilities for producing the new product. It is also necessary to consider how non-marketing departments in the organisation cooperate with the marketing department. The top management may not agree with the views of the marketing department on the marketing strategies or their implementation. Besides, the marketing department must work in close cooperation with the other departments, especially control and production departments. Sometimes it is the sales force that must bear the major task in the strategy.

Suppliers: For production of goods or services, you require a variety of inputs. The individuals or firms who supply such inputs are called suppliers. **Success of the marketing organisation depends upon the smooth and continuous supply of inputs in required quantities on reasonable terms.** Hence suppliers assume importance. The timely supply of specified quality and quantity makes the producer to keep up the delivery schedule and the quality of the final product. The dependence on the supplier is naturally more when the number of suppliers is more. During periods of shortages, some suppliers may not supply materials on favourable terms. Each supplier may negotiate his own terms and conditions, depending upon the competitive position of his firm. Some suppliers, for example, expect payment in advance, and goods are supplied on the basis of a waiting list, whereas others may be ready to supply on credit basis.

Intermediaries: Normally, it is not possible for all the producers to sell their goods or services directly to the consumers. Producers use the services of a number of intermediaries to move their products to the consumers. The dealers and distributors, in other words the marketing intermediaries, may or may not be willing to extend their cooperation. These persons normally prefer well established brands. Newcomers may find it extremely difficult to find a willing dealer to stock his goods. From newcomers they may demand favourable terms by way of discount, credit, etc., and the producer may find it difficult to satisfy them. There are also other intermediaries like transport organisations, warehousing agencies, etc., who assist in physical distribution. Their cost of service, accessibility, safe and fast delivery, etc. often influence the marketing activities.

Competitors: Competitors pose competition. Competitors, strategies also affect the marketing decisions. Apart from competition on the price factor, there are other forms of competition like product differentiation. There are also competitors who use brand name, dealer network, or close substitute products as the focal point. Their advertising may present several real or false attributes of their product. If one advertises that his product has an imported technology, the other may say that he is already exporting his product. Competitor's strategies sometimes may change an opportunity in the environment into a challenge.

Customers: There are many types of customers. A firm may be selling directly to the ultimate users, (consumers) the resellers, the industries, the Government or international buyers. It may be selling to any one or all of these customers. Each type of consumer market has certain unique characteristics and the marketer should be fully acquainted with the art of persuading and selling to these consumers. The environment presented by customer profile will have a direct influence on these marketing activities. (You will study in detail about consumer behaviour in Unit 4.)

The population also contains the potential consumers of the company's product. It may not be easier to identify the persons who are likely to become the customers of a company. The goodwill built-up by a company sometimes influences the consumers to become the loyal customers of a company. Companies generally try to build good public relations and create a favourable attitude among the people or groups of people. Government and consumer action groups are special categories with whom a negative attitude is to be avoided. Thus, the public also constitute an element in the environment.

2.2.2 Macro Environment

The macro environmental factors that exert influence on an organisation's marketing system are: 1) physical environment, 2) technological environment, 3) political and legal environment, 4) economic environment, 5) demographic environment, and 6) social-cultural environment. Let us discuss about these factors in a little more detail.

Physical Environment: The earth's natural renewable resources (e.g. forest, food products from agriculture, etc.) and finite non-renewable resources (e.g. oil, coal, minerals, etc.), weather (climatic) conditions, land shapes and water resources are components of an environment which quite often change the level and type of resources available to a marketer for his production. For example, India does not have enough petroleum resources, and imports petrol and other products. India’s international relations may facilitate the supply of petrol and diesel. This has lot of implications for the companies consuming petro-products.

Technological Environment: Technology is shaping the destiny of the people. The revolution in computers, electronics and communication in general may make one's production out of the tune with the current products and services. For example, printing technology like laser printing and desk top publishing, has already made the labour-intensive type-set printing uneconomical. Digital printing is tremendously cutting down the cost of large print jobs. New printing has gone a notch higher. 3D printing is being used in the clothing industry.

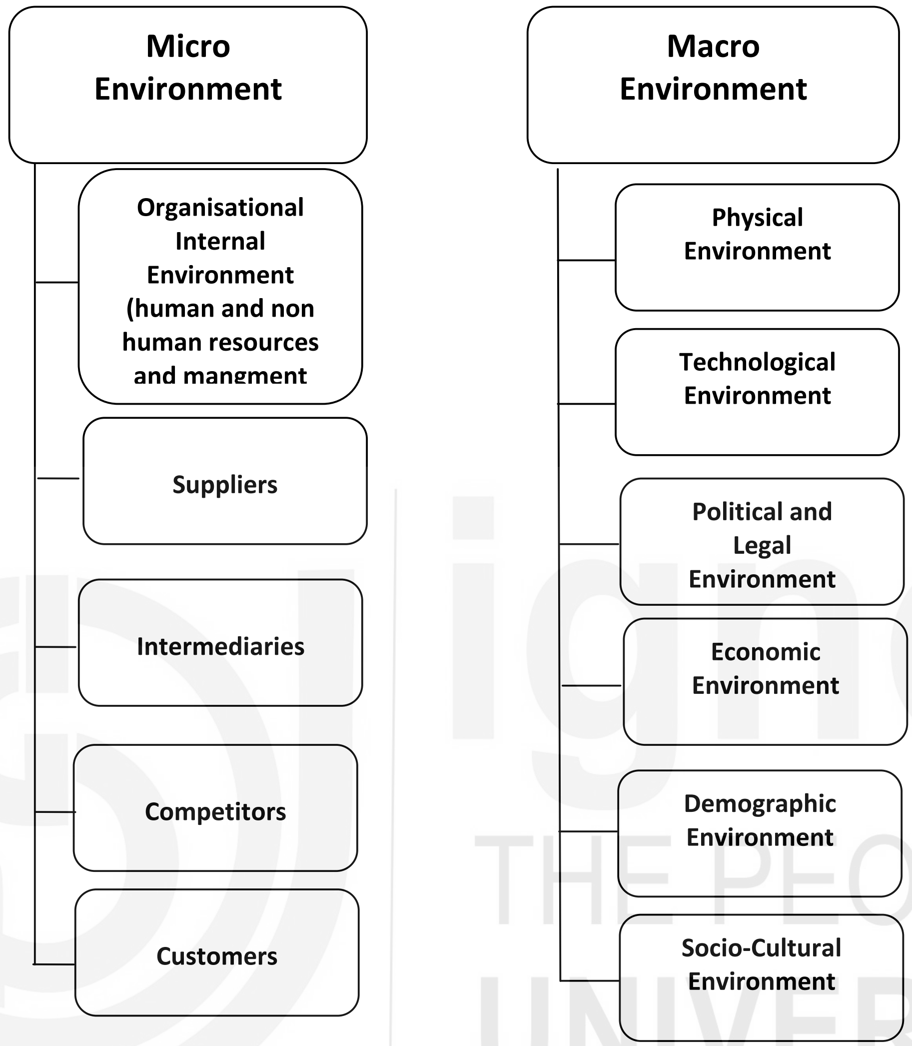
Political and Legal Environment: Political changes bring in new policies and laws relevant to industry. Government regulation continues with different intensities and the law and the rules framed there under are becoming complex. Many areas of business are brought under one law or the other, and the marketer cannot escape from the influence of these laws. The tax laws, the Goods and Services Tax (GST) excise duty, octroi, income-tax, etc., have direct bearing on the costs and prices of the products and services marketed. So also the policies relating to imports and exports. Since these factors affect all the units, (they do not affect a single marketer alone), these are considered as the forces in the macro environment.

Economic Environment: The state of the economy measurable in terms of the Gross National Product (GNP) and per capita income as well as the favourable or unfavourable position of the balance of trade determine the economic environment. Occurrences of war, famine and per capita income as well as the favourable or unfavourable position of the country. For example, if the monsoon is good, the agriculture output will be more and the people depend on agriculture get more income. This enables people to buy more consumer goods. Thus, the demand for consumer goods increases. Similarly, a bad monsoon will adversely affect the demand for fertiliser. The personal and corporate tax system also determines the available income for spending on a variety of goods.

Demographic Environment: Marketers are keenly interested in the demographic characteristics such as the size of the population, its geographical distribution, density, mobility trends, age distribution, birth rate, death rate, the religious composition, etc. The changing life styles, habits and tastes of the population, have potentials for the marketer to explore. For example, when both husband and wife go for jobs, the demand for gadgets that make house keeping easier and the semi-cooked food products increase.

Socio-Cultural Environment: There are core cultural values which are found stable and deep rooted, and hence change very little. There are also secondary cultural values which are susceptible to fast changes. Some of them like hair styles, clothing, etc. just fade. Even in a given culture, the entire population may not adopt the changes. There are different degrees with which people adopt them. Religion is also an important component of culture which has implications for the marketer. For example, Hindus worship the cow and do not eat beef. So the products made out of beef meat do not have demand. Thus the culture of the society influences the consumption pattern to a certain extent also pervades other human activities by determining their values and beliefs.

Figure 2.1A: Marketing Environment at a glance



2.3 RELEVANCE OF ENVIRONMENT IN MARKETING

You have studied that the marketing environment of a company comprises a variety of forces. Most of these forces are external to the company and may not be controllable by the marketing executives of the company. So the marketing system of the company has to operate within the framework of these ever-changing environmental forces. This uncertain marketing environment offers both opportunities, and shocks and threats. Therefore, it is necessary for a company to scan the changing environment continuously, and change the marketing mix strategies in accordance with the trends and developments in the marketing environment.

The company responds to these environmental factors and forces by its policies depending on its own capabilities particularly the finance, sales force and technical facilities. Among all these environmental factors, some of them may be controllable by the organisation to some extent, and others may be uncontrollable. Macro environmental factors are totally uncontrollable by the firm whereas micro environmental factors may be controlled to some extent. For instance, organisation's internal environment can be controlled by the firm to a large extent. Similarly, the firm can exert some influence on suppliers, dealers and distributors by offering liberal terms. A firm can influence the prospective and present consumers through its advertising effort.

Each aspect of the environment has some relevance in marketing. It is easy to imagine how do various environmental factors affect the demand and supply, the distribution and promotional policies, etc. For example, with the oil crisis there will be demand for more oil-efficient machines. Similarly, the popularity of computers will create demand for more computer operators, programmers, voltage stabilizers, etc.

2.4 MARKETING ENVIRONMENT IN INDIA

India is a vast country populated by more than 138 crore people. Its unique feature is its diversity of religions, languages, social customs, regional characteristics, which is both a boon and a bane for the marketer. Its boon because there is tremendous scope for a wide variety of products and services to be successfully marketed and a bane because the marketer often needs to adapt his marketing strategy to suit different tastes and values. There are marketers who may find that the Indian environment is full of profit potential. It means that there are buyer for anything one may produce and there is market for everything. There are others who take a somewhat pessimistic view by considering the poverty and shortages of requisite inputs. However, one can confidently say that the market is vast, quality consciousness among consumers is increasing, and there is demand for new and improved products and services and these trends may continue for a long time.

Despite 75 years of Independence, India is still dominated by villages and almost 65 per cent of population is located in the rural areas. These rural areas are today enjoying the fruits of the Green Revolution and the purchasing power of the rural population is increasingly demanding attention from the marketer who had so far concentrated only in urban areas. No doubt the urban areas with their concentration of numbers and market potential are the priority target markets, but a firm which wants to ensure its future survival must start making inroads into the rural mark well. Government expenditure on rural development has increased the purchasing power of the rural public. Improvements in transport, communication, literacy etc have made many new markets accessible. The capacity to see the opportunity and work out an appropriate marketing strategy can open the doors to the marketers.

There are a large number of companies, public sector undertakings, factories and small-scale units, all of which comprise the organisational consumers, operating in the country. While the public sector usually follows a bureaucratic long winded and time consuming procedure for making even the smallest purchase, the private sector decision-making is relatively quicker and free of procedures. If you are marketing your products/ services to both the public and private sectors, you may like to think about having separate marketing organisations for them. Another major difference between the public and private sector is in the timing of the purchase decision. The public sector companies have an annual budget sanctioned to them by the government and the money from this is used for purchasing a variety of products. The public sector units feel compelled to use the entire budget amount, because if they do not, they run the risk of having a reduced budget in the subsequent years. You would find a flurry of purchases during the quarter preceding March when the financial year ends. So if the public sector companies are your major consumers, you should bear the timing factor in mind. In case of private sector companies, you would generally not find such a peaking of purchases in any particular month of the year unless it is linked to seasonality of production or sales.

Check Your Progress A

1) What is marketing environment?

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2) Distinguish between micro environment and macro environment.

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3) You are a manufacturer of play stations and TVs. What will be the effect if Government abolishes import duty on these products?

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4) Go to a transporting travel agency and ask how did the COVID-19 pandemic affect their business.

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5) What will be the impact on automobile industry if a new cheaper source of energy is invented?

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6) Research findings showed that consumption of a particular edible oil is injurious to health. Is this finding relevant to a sweet shop? How?

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7) If the winter season is severe, which industries lose and which gain?

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2.5 GOVERNMENT REGULATIONS AFFECTING MARKETING

A number of laws affecting business have become operational over the years. The important ones affecting marketing are listed below:

1) The Indian Contract Act, 1872
2) The Indian Sale of Goods Act, 1930
3) The Industries (Development and Regulation) Act, 1951.
4) The Food Safety and Standard Act, 2006.
5) The Drugs and Magic Remedies (Objectionable Advertisement Act), 1954
6) The Essential Commodities Act (Amendment), 2020
7) The Companies Act, 2013
8) The Trade Marks Act, 1999
9) The Competition Act, 2002
10) The Patents Act, 1970
11) The Legal Metrology Act, 2009
12) The Consumer Protection Act, 2019
13) Environment Protection Act, 1996
14) Bureau of Indian Standard Act, 2016

Some of the legislations mentioned above apply to every undertaking, irrespective of the nature of the product sold or the service provided by it like the Contract Act, the Sale of Goods Act, the Companies Act, the Trade Marks Act and the Legal Metrology Act. The Competition Act, however does not apply to any act of government relatable to sovereign functions including the activities carried on by departments of Central Government dealing with Atomic Energy. Currency, Defence, and Space.

As against this, there are certain legislation listed above which seek to regulate certain decisions of the undertakings engaged in the specific industries. These include the Industries (Development and Regulation) Act, 1951; the Drugs and Magic Remedies (Objectionable Advertisements) Act, 1954; Food Safety and Standard Act, 2006; The Essential Commodities (Amendment) Act, 2020.

It would be too much to expect a marketer to know all about the various Acts listed is above. It is essential for you to have a good working knowledge of the major laws protecting competition, consumers and the larger interest of society. Such an understanding would help you to examine the legal implications of your decisions.

The main reasons for government controls can be summarised as follows:

- protecting the welfare of individuals and promoting higher standards of public health, general well being, safety, etc.
- maintaining equality of opportunity for all persons irrespective of sex, nationality race or religion
- restraining business from engaging in practices harmful to the interests of the public, like making false and misleading statements about a product or service, manipulating prices for personal gains, failing to support warranties, etc.
- protecting small firms from the threats of unfair competition by big firms
- preventing unfair practices resulting from mergers or other forms of combinations
- like price fixing
- conserving national resources especially forests, fuels, water, energy, etc.
- preventing pollution of the environment
- preventing concentration of economic power and industrial wealth
- encouraging widely dispersed industrial growth and the growth of small scale industries
- protecting the economy from dominance by foreign inventors and helping save the valuable foreign exchange resources

Let us now briefly discuss about the Acts listed above.

Indian Contract Act (1872)

This act regulates the economic and commercial relations of citizens. The scope of this Act extends to all such decisions which involve the formation and execution of a contract. The essentials of a valid contract are specified and examined in detail.

A contract is an agreement enforceable by law between two or three persons by which rights are acquired by one or more to acts or forbearances on the part of the other or others.

The Act also specifies provisions for the creation of an agency and the rights and duties of a principal and an agent.

Indian Sale of Goods Act (1930)

This act governs the transactions of sale and purchase. A contract of sale of goods is defined as a contract whereby the property in goods is transferred or agreed to be transferred by the seller to the buyer for a price. The Act also lays down rules about passing of property in goods, and the rights and duties of the buyer and seller, rules regarding the delivery of goods as well as the rights of the unpaid seller.

Industries (Development and Regulation) Act (1951)

It is through this Act that the industrial licensing system operates, in effect it empowers the government to licence (or permit) new investment, expansion of licensed units, production of new articles, change of location by the licensed units and also to investigate the affairs of licensed units in certain cases and to take over the management thereof, if conditions so warrant. The objectives behind these powers are, of course, development and regulation of important industries involving fairly large investments which have an all-India importance. It is in the actual implementation of these objectives that the relevant aspects of the industrial policy are expected to be fulfilled.

Industrial licensing is a form of direct state intervention in the market to overrule its forces. The underlying assumption here is that the government is the best judge about the priorities from the national point of view and also that it can do the allocation in a better and socially optimal way. It must, however, be understood that there are economic costs involved in the measures of control and the benefits that are expected to accrue at least equal to or more than the costs involved.

Food Safety and Standard Act (2006)

This act prohibits the publications or issue of advertisement tending to cause the ignorant food articles to ensure purity in the articles of food.

Drugs and Magic Remedies (Objectionable Advertisement) Act (1954)

This act controls advertising of harmful drugs in India. The act prohibits advertisements of drugs and remedies that claim to have magical property.

It prohibits the publication or issue of an advertisement tending to cause the ignorant consumer to resort to self-medication with harmful drugs and appliances.

Advertisements for certain drugs for preventing diseases and disorders like epilepsy, prevention of conception, sexual impotency, etc., are also prohibited. The Act also prohibits advertisements making false claims for the drugs.

Essential Commodities (Amendment) Act (2020)

This act provides for the control of production, supply and distribution in certain commodities declared as essential under Section 2(a) of the Act, in the public interest. Under Section 3(a) of this Act, the government can fix the price of such a commodity

Companies Act (2013)

The Companies (Amendment) Bill 2020 was introduced in Lok Sabha on March, 17, 2020. The Bill seeks to amend the Companies Act, 2013. It is a piece of legislation which has far reaching effects on business by its regulation of the organisation and functioning of companies. It extends to the whole of India. The new law (earlier it was Companies Act, 1956) has enabled the easy process of doing business in India. It aims at improving corporate governance by making companies more accountable.

Trade Marks Act (1999)

This is a replacement of Trade and Merchandise Marks Act 1958. It deals with the trade and merchandise marks registered under this Act. This act protects the trademarks that are well known and safeguard them from infringement. This act protects the well known trademarks in two ways, they are as below:

1. an action against the registration of similar marks; and
2. An action against the mis-use of the well known mark.

"A mark includes a device, brand, heading, label, ticket, name, signature word and letter of numeral or any combination thereof". "A trademark is a distinctive symbol, title or design that readily identifies the company or its product". The owner of the trademark has the right to its exclusive use and provides legal protection against infringement of his right. A trademark is registered for a maximum period of 10 years and is renewable for a similar number of years, each time the period of 10 years expires.

Further, no such trademark should be used which is likely to be deceptive or confusing, or is scandalous or obscene or which hurts the religious sentiments of the people of India.

Competition Act, 2002

The Competition Act, 2002 was enacted by the parliament of India and replaced The Monopolies and Restrictive Trade Practices Act, (MRTP) 1969. This act provides a framework for the establishment of the Competition Commission and the tools to prevent anti-competitive practices and to promote positive competition in the Indian market. The major objectives of the Act are:

… to provide the framework for the establishment of the competition commission.
… to prevent monopolies and to promote positive competition in the market.
… to protect the freedom of trade for the participating individuals and entities in the market.
… to protect the interest of the consumers.

This Act prohibits price-fixing, bid-rigging conspiracies, resale-price maintenance, price discrimination and predatory pricing.

Patents Act (1970)

The provision of this Act are attracted especially where the company intends to produce patented products. A patent is the exclusive right to own, use and dispose of an invention for a specified period. The patent is a grant made by the Central Government to the first inventor or his legal representative. The Patent Act, 1970 along with the Patent Rules 1972, came into force on 20th April, 1972 replacing the Indian Patents and Designs Act, 1911. The Act has been repeatedly amended in the years 1999, 2002, 2005, 2006. The major amendment was in 2005, when product patent was extended to all fields of technology like food, drugs, chemicals and micro-organisms.

The Legal Metrology Act, 2009

The Legal Metrology Act, 2009 replaces the Standards of Weights and Measures Act, 1976 and the Standard of Weights and Measures (Enforcement) Act, 1985. It came into force on 1st April, 2011. The Act rationalises the units of measurements to be used in India. This act was enacted with the objective to establish and enforce standards of weights and measure. It regulates trade and commerce in weights, measurer and other goods which are sold or distributed by weight measure or number and for matters connected therewith or incidental thereto. This act provides regulations for the control of measurements and measuring instruments.

Consumer Protection Act (2019)

The objective of this act is to safeguard buyers of goods and services, and the public against unfair practices. The act aims at protection of the interests of the consumers. For this purpose, authorities are established for timely and effective administration and settlement of consumers. disputes and for matters connected therewith or incidental thereto". More importantly, The Consumer Protection Act, 2019 prescribes rules for the sale of goods through e-commerce. Thus, the act gives rise to a new era of consumes rights in India which meet the needs of the new age consumers.

Environment (Protection) Act (1986)

The Environment (Protection) Act provides for the protection and improvement of environment and the prevention of hazards to human beings, other living creatures, plants and property.

Environment includes, water, air and land and the inter-relationship existing between them and the human beings, living creatures, plants, etc. Any solid, liquid or gaseous substances present which may tend to be injurious to environment is an environmental pollutant and the presence therefore is pollution.

The present enactments covers not only all matters relating to prevention, control and abatement of environmental pollution but also the powers and functions of the Central Government and its officers in that regard and penalties for committing offences.

Bureau of Indian Standards Act (2016)

The Act replaces the previous Bureau of Indian Standard Act, 1986. The Bureau of Indian Standards Act provides for the establishment of a Bureau for the harmonious development of the activities of standardisation, marking and quality certification of goods and for matters connected there with or incidental thereto.

Bureau of Indian Standard Act, 2016 establish the Bureau of Indian Standard (BIS) as the National Standards of Body of India. It also allows Central Government to make it mandatory for certain notified goods, articles or process to carry the standard mark. It has been provided that the **Bureau of Indian Standards (BIS)** will be a body corporate and there will be an Executive Committee to carry on its day-to-day activities.

The objective of this act is to intensify efforts to produce higher standard and quality goods to help in inducing faster growth, increasing exports and making available goods to the satisfaction of the consumers.

Check Your Progress B

1) List four legislations which apply to all business undertaking.

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………………………………………………………………………………………………
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2) List three legislations which affect certain specific industries.

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3) State whether the following statements are **True** or **False.**

   i) One of the reasons for Government control of business is to prevent environmental pollution.
   ii) One of the main objectives of the Consumer Protection Act is to provide redressal mechanism to the consumers against unfair trade practices.
   iii) Agricultural Prices Commission advises the Government on pricing policies for agro-based industrial products.
   iv) All the regulatory measures that affect marketing are within the purview of Central Government only.
   v) The Competition Act intends to control concentration of economic power.

4) Fill in the banks :

i) The Act which prohibits the sale of adulterated food products is................
ii) ……………..act governs the transactions of sale and purchase.
iii) .... act specifies the quantities in which certain products can be packed.
iv) …………..act provides for the protection of environment.
v) The .... act provides regulations for the control of measurement and measuring instruments.

2.6 LET US SUM UP

Marketing system of every business organisation is influenced by a large number of uncontrollable factors that surround the company. A company's marketing environment consists of the actors and forces outside the marketing that affect marketing management's ability to develop and maintain successful transactions with its target consumers.

These environmental factors may be classified as micro environment and macro environment. Micro environment refers the companies immediate environment, that is those environmental factors that are in its closer circle. They include the company's own capabilities to produce and serve the consumer needs, the dealers and distributors, the competitors, and the customers. These are also the groups of people who affect the company's prospects directly. The macro environment consists of larger societal forces, which may be placed in an outer circle. These include demographic, economic, natural, technological, political and cultural forces. The influence of these forces are indirect and often take time to reach the company.

Macro environmental factors are totally uncontrollable by the firm whereas micro environmental factors may be controlled to some extent. It is necessary for the company to scan the ever-changing environment continuously, and adopt marketing mix strategies in accordance with the trends and developments in the marketing environment,

A number of laws affecting business have become operational over the years in India. Some of the legislations apply to every undertaking, irrespective of the nature of the product sold or the service provided by it. For example, The Contract Act, The Sale of Goods Act, The Companies Act, The Trade Marks Act and The Legal Metrology Act, The Competition Act, etc. As against this, there are certain legislations which seek to regulate certain decisions of undertakings engaged in the specific industries. These include : the Industrial (Development and Regulation) Act 1951; The Drugs and Magic Remedies (Objectionable Advertisements) Act 1954; The Essential Commodities Act (Amendment) 2020, and The Food and Safety and Standard Act, 2006.

2.7 KEY WORDS

Macro Environment: Large societal forces which exert influence on firm's marketing system. It includes demographic, economic, natural, technological. political and cultural forces.

Marketing Environment: The factors and forces outside of marketing that affect marketing management's ability to develop and maintain successful transactions with its target customers.

Marketing Intermediaries: Firms which help the company in promoting, selling and distributing its goods to ultimate consumers. They include : middlemen, transporters. marketing service agencies and financial intermediaries.

Micro Environment: The environmental factors that are in the closer circles of the firm. It includes : organisation's internal environment, suppliers, marketing intermediaries, customers and competitors.

Suppliers: Firms that supply consumables and raw materials to the company.

2.8 ANSWERS TO CHECK YOUR PROGRESS

B) 3) i) True ii) True) False iv) False v) True

4) i) Food Safety and Standard Act, 2006

ii) Indian Sale of Goods Act, 1930

iii) The Legal Metrology Act, 2009

iv) Environment (Protection) Act, 1986.

v) Legal Metrology Act, 2009

2.9 TERMINAL QUESTIONS

1) What is marketing environment? Describe the macro environment and micro environment of marketing.
2) How do environmental factors affect marketing policies and strategies?
3) What is marketing environment? Briefly explain the marketing environment in India.
4) Compare and contrast a Company's micro and macro environments.
5) Briefly explain various regulations that affect the marketing decision in India.
6) State various regulations affecting marketing in India and explain their implications.

Note: These questions will help you to understand the unit better. Try to write answers for them. But do not submit your answers to the University for assessment. These are for your practice only.

UNIT 3 MARKETS AND MARKET SEGMENTATION

Structure

3.0 OBJECTIVES

After studying this unit, you should be able to:
- explain the meaning of a market;
- state different types of markets and explain their characteristics;
- describe the meaning and significance of market segmentation;
- narrate the requirements for market segmentation; and
- explain various bases for market segmentation.

3.1 INTRODUCTION

In Units 1 and 2 you have studied the meaning, nature and scope of marketing, and marketing environment. To be successful in your marketing efforts, it is essential to understand the characteristics of the market for your product, and concentrate your efforts on the segment where the prospects are bright. This is necessary because it is not practically possible to sell the same product to all the consumers, as all consumers may not have the same need or taste or buying capacity. In this unit, you will study the meaning of a market, classification of markets and their characteristics. You will also study the meaning and importance of market segmentation, requirements of segmentation and bases of segmentation.

3.2 WHAT IS A MARKET ?

The term market has more than one meaning. The term market in common parlance refers to a place where several shops of buyers or sellers may be located. Economists use the term to refer to a collection of buyers and sellers who transact a particular product or a range of products: such as computer market, two-wheelers market, fashion goods market, etc. But marketers do not agree with economists as they consider the sellers as constituting the industry and the buyers as constituting the market. For marketers, a market consists of all the potential customers sharing a particular need or want who might be willing and able to engage in and exchange to satisfy that need as want.

Thus, to a marketer, a market is the set of all actual and potential buyers of product. In this unit, we will consider the definition of a Market given by the marketers. According to this definition, if 100 varieties of products are produced in the country, there are 100 distinct markets. In this regard market may be spread throughout the breadth and length of the country.

3.3 TYPES OF MARKETS AND THEIR CHARACTERISTICS

As you know, individuals buy various goods for their own consumption, business enterprises buy goods for reselling, manufacturing concerns buy goods for further production, and so on. Thus, there are several types of buyers who buy goods and services by adopting different procedures and practices for securing, goods for different purposes. For proper understanding of the market, therefore, it is essential to classify the markets on the basis of the type of buyer group. As such, markets are classified into two broad groups. They are: 1) consumer markets and 2) organisational markets. Let us study these two types of markets in detail.

3.3.1 Consumer Markets

Here consumers mean all the individuals and households who buy goods and services for personal or household consumption. Thus, **the consumer market consists of all the individuals and households who buy or acquire goods and services for their own**

personal or household use. They buy strictly to satisfy their non-business personal wants. For instance, a person purchases items such as toothpaste, soap, biscuits, sweets, etc., for his/her personal consumption or family consumption. But when an individual buys goods for resale or for further production, such an individual is not treated as belonging to the consumer market.

These ultimate consumers are large in numbers and spread throughout the country. They also vary tremendously in age, income, educational level, tastes, preferences etc. Consumer purchases are influenced by cultural, social, personal, economic and psychological characteristics of the buyer. Buying decision process of consumers involves five stages: 1) problem recognition, 2) information search, 3) evaluation of alternatives, 4) purchase decision, and 5) post-purchase behaviour. You will study in detail about consumer market in Unit 4.

3.3.2 Organisational Markets

There are three types of organisational markets:

1) **Industrial Market:** It consists of all the individuals and organisations that buy or acquire goods and services that enter into the production of other products and services that are sold, rented or supplied to others. For example, a furniture manufacturing firm purchases raw materials such as wood, iron tubes cushions, cloth, etc., manufactures furniture, and sell it. Here the firm purchased **required raw material** to use in the manufacture of furniture which is meant for sale. The major types of industries comprising industrial markets are: 1) agriculture, forestry, and fisheries, 2) mining, 3) manufacturing. 4) construction, 5) transportation, 6) communication, 7) public utilities 8) banking, finance and insurance, and 9) services.

2) **Reseller Market:** It consists of individuals and organisations who acquire goods purchased by others and resell them either to industrial consumers or ultimate consumers. In the case of the sellers like small wholesale and retail organisations, buying is done by one or a few individuals. In large scale reselling organisations, buying is done by an entire purchasing department. When the resellers buy new items, they go through a buying process similar to the one shown for industrial buyers, which we will discuss later in this unit. Similarly, in the case of standard items, the buying process consists of routines for reordering and renegotiating contracts.

3) **Government Market:** It consist of government agencies (central, state and local bodies) who purchase goods for meeting the requirements of government. Government agencies buy an extensive range of products and services. Each product that the government buys require specific decisions related to how much to buy, where to buy, how much to pay, what services are required, etc. Normally, government buyers call for quotations/Lenders and favour the lowest-cost bidder who

can meet the stated specifications. A unique thing about government buying is that it is carefully monitored by auditors and others. Several Committees of MPs and MLAs have exposed government extravagance and waste. Auditors and Comptroller General also check whether proper procedure is followed in buying the goods or not. Many newspaper magazine groups also investigate to know how government agencies spend the public money. As government organisations are accountable to public, they strictly follow certain procedures which involves lot of paper work. A number of forms must be filled and approval of concerned authorities is required before purchases are made. Marketers have to find a way to cut through the red tape.

When we deal with organisational markets, we must take into account several considerations which are not normally found in consumer marketing.

1) Industrial organisations buy goods and services for the purpose of making profits or reducing costs. They prescribe their own product specifications, and buy those goods which meet such specifications and quality control norms.

2) In organisational buying more persons tend to participate in buying decisions than in consumer buying decisions. The decision-making participants usually have different organisational responsibilities and apply different criteria to the purchase decision.

3) The organisational buyers also follow formal policies and procedures established by their organisations.

4) The buying instruments such as request for quotations, proposals, purchase contracts, etc., add another dimension not found in consumer buying.

Main Features of Organisational Markets

Industrial markets have certain characteristics which distinguish them from consumer markets. These characteristics are described below:

1) **Fewer Buyers:** Normally organisational buyers are less in number compared with household consumers. Therefore, an industrial marketer normally deals with fewer buyers than does the consumer marketer. For instance, if a tyre manufacturing company wants to sell its tyres in the industrial market, it may concentrate on one of the big automobile manufacturing concerns. When the same firm wishes to sell tyres to consumers (vehicle owners) it has to contact a few lakh vehicle owners.

2) **Larger Buyers:** Organisational buyers normally require large quantities of goods whereas household consumers require smaller quantities. Thus, industrial buyers are large scale buyers. Even among industrial buyers a few large buyers normally account for most of the purchasing. In such industries as motor vehicles, telephone, soaps, cigarettes, synthetic yarn etc., a few top manufacturers account for more than a

substantial part of total production. Such industries account for a major share of raw material bought in the market.

3) **Geographical Concentration:** Organisational buyers are mainly concentrated in a few places like Mumbai, Kolkata, Delhi, Chennai, Bangalore, Pune, Hyderabad, etc., whereas consumers are spread throughout the country. Because of this geographical concentration of industrial markets, the marketers need not establish a marketing network throughout the country. This helps in reducing the cost of selling.

4) **Derived Demand:** The demand for industrial goods is ultimately derived from the demand for consumer goods. For instance, a shoe manufacturing company purchases leather and produces shoes. If there is good demand for shoes, then the company will buy more leather to produce more shoes to meet the increased demand. If the demand for shoes declines, demand for leather will also decline as the company produces lesser number of shoes. Thus, the demand for industrial goods is dependent on the consumer goods.

5) **Inelastic Demand:** The price elasticity of demand for many industrial goods and services is low, which means that the total demand is not much affected by price changes. For example, a shoe manufacturer may not buy more leather with the fall in the price of leather. But when the demand for his shoe is more, will buy more leather to produce enough number of shoes to meet the increased demand. Similarly, he will not reduce the quantity of leather purchased if the price of leather rises, unless there is a cheaper substitution to leather or there is a way to economise the leather consumption. Demand is especially inelastic in the short run because it is not easy to bring in changes in the production methods. Demand is also inelastic for industrial, goods that constitute a minor share in the total cost of the product. At the same time, producers will use price information to decide from which supplier to buy, although it will have less effect on the quantity bought.

6) **Fluctuating Demand:** The demand for industrial goods and services tends to be more volatile than for consumer goods and services. This is especially true of the demand for new plant and equipment. A given percentage increase in consumer demand can lead to a much larger percentage increase in the demand for necessary plant and equipment to produce the additional quantity in order to meet the increased demand. Economists refer to this as the acceleration principle.

7) **Professional Purchasing:** Most of the organisations have professionally trained in personnel in the purchasing division. Goods are purchased by these specialists. There are professional journals which provide information for the benefit of these professional buyers. Consumers, on the other hand, are less trained in the art of careful buying. In industrial purchasing, if the buying decision is complex it is likely that several persons will participate in the decision-making process. Purchase committees comprising technical experts and top management are common in the purchase of major goods.

8) **Miscellaneous Characteristics:** There are some additional characteristics of organisational markets:

i) **Direct purchasing:** Organisational buyers often buy directly from producers rather than through middlemen, especially such items which are technically complex and/or expensive.

ii) **Reciprocity:** Organisational buyers often select suppliers who also in turn buy from them. An example of this reciprocity may be a paper manufacturer who buys chemicals from a chemical company that is buying a considerable quantity of its paper. Even in this reciprocal buying, the buyer will make sure to get the supplies at a competitive price, of proper quality and service.

iii) **Leasing:** Industrial buyers are increasingly turning to equipment leasing instead of outright purchase. This happens with computers, machinery, packaging equipment, heavy construction equipment, delivery trucks, machine tools and automobiles. The leasee receives a number of advantages such as more capital goods with less investment, availability of latest products, better servicing, tax advantages, etc. The leasor often gets larger net income, and can sell to customers who may not be able to afford outright purchase.

Major Types of Buying Situation: There are three types of buying situations followed by organisational buyers:

1) Straight rebuy from the same supplier, which is a fairly routine decision

2) Modified rebuy where you buy the same product with some more specifications, new terms of supply, etc. It requires some research for placing a purchase order.

3) New task of buying which requires thorough research to identify the product suppliers and finalise the purchase contract.

Check Your Progress A

1) What is a market?

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2) Differentiate between consumer markets and organisational markets.

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3) Distinguish between industrial markets and reseller markets.

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4) State to which type of market the following transactions belong.

   i) Cigarettes bought by a person for smoking.
   ii) Soaps bought by a super bazar.
   iii) Sugar bought by a sweet shop.
   iv) Printing machine sold to a printing press.
   v) Computers purchased by the Municipal Corporation of Delhi.
   vi) Car tyres purchased by Maruti Udyog Ltd.
   vii) Car tyres purchased by Mr. Satish.

3.4 WHAT IS MARKET SEGMENTATION?

Lack of homogeneity may be seen in the real world in both supply side and demand side. On the supply side, many factors, like difference in production equipment and processing techniques, difference in the nature of resources or inputs available to different manufacturers, progress among the competitors in terms of design and improvement, etc., account for the heterogeneity. As a result, imperfect markets in which firms lack uniformity in their size and influence) are common. This problem may be solved to some extent, by market segmentation.

Now the question is, what is market segmentation? As you know, a market refers to a set of all actual and potential buyers of a product. It means that buyers in the same market seek products for broadly the same function. But different buyers have different evaluative criteria about what constitutes the right product for performing the same function. For example, take the case of scooter market. Some buyers prefer Bajaj scooter, some prefer LML and others like Kinetic Honda. Thus, within the same market there are submarkets that differ significantly from one another. This lack of homogeneity within the same market may be due to the differences in buying habits, the ways in which the product is used, motives for buying, etc. Therefore, it is necessary to divide the market into homogeneous submarkets for successfully marketing the product. **Market segmentation, thus, is the process of dividing the total market into one or more parts (submarkets or segments) each of which tends to be homogeneous in all significant aspects.**

Based on the above discussion, now we can say that a market segment refers to a submarket (a part) of the market which is homogeneous in all significant aspects. The strategy of market segmentation involves the development of two or more different marketing programmes for a given product or service, with each marketing programme aimed at a different market segment.

A strategy of marketing segmentation requires that the marketer first clearly defines the number and nature of the customer groupings (market segments) to which he intends to offer his product or service. This is necessary (though not sufficient) condition for optimising efficiency of marketing effort against those segments of the total market where it is likely to yield higher return on effort and investment.

The alternatives strategies of market segmentation are: 1) undifferentiated marketing 2) differentiated marketing and 3) concentrated marketing. In **undifferentiated, marketing,** the marketer exposes only one product and tries to draw all buyers with one marketing programmes. **Differentiated marketing** involves designing of separate products and marketing programmes for each segment. Usually, this strategy is costly due to product modification costs, production cost, administrative costs, inventory costs and promotion costs. Unless the segments is substantial, these costs may prove to be a burden to the marketer. In **concentrated marketing,** the marketer concentrates all his efforts in one or a few lucrative segments only.

In general, homogeneous markets are best exploited by undifferentiated marketing. The differentiated or concentrated marketing is adopted in the case of heterogeneous markets. The stage of the product in its life cycle is also a relevant factor in this regard. Undifferentiated marketing or concentrated marketing may be adopted to develop primary demand at the stage of introduction. Even the strategy of concentrated marketing may be employed at this stage. At the saturation the differentiated marketing becomes necessary.

The concept of market segmentation should not be mixed up with the concept of product differentiation. These two are only related product strategies. Product differentiation is resorted in order to differentiate one's product from a competitor's product and thereby eliminate price competition. This strategy is usually adopted by companies selling standardised products (such as soaps) to a fairly homogeneous market. To reduce competition, many resort to both market segmentation and products differentiation. Market segmentation is resorted in order to penetrate a limited market in depth, while product differentiation is used to secure breadth in the market. It may be said that the product differentiation seeks to secure a layer of the market cake, whereas market segmentation strategy strives to secure one or more wedge-shaped pieces. Compared to product differentiation, segmentation of markets is only a transitory phenomenon.

3.5 IMPORTANCE OF MARKET SEGMENTATION

In marketing a product is not possible to appeal to all buyers in that market. The buyers are numerous, widely scattered, and varied in their buying requirements and buying practices. Some competitors may be in a better position to serve a particular segment of the market. Each company has to identify the most attractive segment of the market which it can serve effectively. Accordingly, market segmentation has the following advantages:

1) You need not waste your marketing efforts over the entire area. You can concentrate on a specific segment and achieve better.
2) As you are not treating all customers alike, you can take care of specific requirements of each segment more effectively.
3) It helps to pay proper attention to particular areas.
4) Market segmentation enables you to frame and adopt separate policies to meet the needs of the different buyer groups.
5) You can use the advertising media effectively by developing promotional programmes specifically for each segment.
6) More efficient use of the marketing resources is possible.
7) Each of the 4Ps of the marketing mix-(product, price, promotion and physical distribution) can be designed with the target market in mind.

3.6 REQUIREMENTS FOR SEGMENTING A MARKET

The variable on the basis of which the market is segmented should be capable of measurement and quantification. It should not be merely a subjective phenomenon. For this measurement, adequate data should be available or be capable of being collected. If the data is not available and not quantifiable, the segmentation will be difficult or unscientific.

The objective of segmentation is effective direction of marketing efforts to specific segments. Therefore, the segments themselves should be accessible through various channels of distribution advertising media, sales force, etc. If the accessibility is difficult, segmentation will become meaningless. The purpose of segmentation is, sometimes, to evolve separate marketing programmes or develop separate products to cater to the needs of separate segments of consumers. So the segments should be large enough to warrant such efforts. Otherwise, various diseconomies in production, marketing, inventory holding, etc., may arise. To be useful, market segments must exhibits the following characteristics:

Measurability: It is the degree to which the size and purchasing power of the segments can be measured. Certain segmentation variables are difficult to measure. For instance, it is difficult to measure the size of the segment of teenage smokers who smoke primarily to rebel against their parents.

Accessibility: It refers to the degree to which the segments can be effectively reached and served. Suppose, a perfume manufacturing company finds that the regular users of its brands are unmarried men who are out late at night and frequently visit bars. Unless this group of men lives in a specific locality or do shopping at certain places, for the company it will be difficult to identify them and reach them. When markets are segmented, each segment should be accessible and approachable.

Substantiality: The segments should be large enough to make efforts yield enough profits. A segment should be the largest possible homogeneous group worth going after with a definite marketing programme. For example, for an automobile manufacturer it may not be profitable to develop cars for a category of persons whose height is more than 7 feet, because the number of such persons will be few.

Actionability : It is the degree to which effective programmes can be formulated for attracting and serving the segments. A small tourist car operator, for example, identified seven market segments, but its staff was too small to develop separate marketing programmes for each segment.

3.7 BASES FOR SEGMENTATION

As you know, market segmentation means dividing the market into several homogeneous submarkets or segments. Now the question is: what is the basis of segmenting the market? In fact, there is no single way to segment a market. A marketer has to try different segmentation variables to view the market structure,

You have learnt that the market can be broadly divided into two categories: consumer market and organisational market. But this is too broad a segmentation. We need to identify some of the widely used based for segmenting these two broad market segments i.e., organisations markets and consumer markets. Now let us start with the bases of segmenting consumer markets.

3.7.1 Bases for Segmenting Consumer Markets

Broadly, there are four bases for segmenting the consumer market. They are: 1) geographic, 2) demographic, 3) psychographic, and 4) behaviouristic factors. These are also presented in Figure 3.1.

Geographic Segmentation

Geographic segmentation calls for dividing the market into different geographical units such as nation, states, regions, cities, neighbourhoods, etc.. In this type of segmentation, the company decides to operate in one or a few geographical segments or operate in all but pay attention to variations in geographical needs and preferences.

Demographic Segmentation

Demographic segmentation consists of dividing the market into groups on the basis of demographic characteristics of consumers such as age, sex, family size, income, occupation, education, religion, race, nationality, etc. Demographic variables are the most popular bases for distinguishing customer groups. One of the reason for preferring demographic bases is that consumer wants, preferences and usage rates are often highly associated with demographic characteristics. Another reason is that demographic variables are easier to measure than most other types of variables even when the target market is described in non-demographic terms (say, a personality type), it should be linked back to demographic characteristics in order to know the size of the target market and to reach it effectively. Let us discuss how certain demographic variables which can be applied to market segmentation.

1) **Age and life cycle stage:** Consumer wants and capacities change with age. For instance, children of six months age differ from children of three months age in their food requirements and consumption potential. A toy manufacturer realized this and designed twelve different toys to be used by babies sequentially as they grow from the age of three months to one year. This segmentation strategy enables customers to identify the appropriate toys suitable to their children by simply considering the age of the child.

2) **Sex:** Segmentation of markets based on sex has been followed in the case of production such as clothing, cosmetics, magazines, etc. Occasionally, marketers of other products also adopt sex as a basis of segmentation. In this context, garments, toilet soaps and shoes markets are some good examples. Another industry that is beginning to recognize sex as a basis of segmentation is the two wheeler automobile industry. In the past, two wheelers were designed to appeal to the male. With the increase in the number of working women, some manufacturers are studying the opportunity to design scooters suitable for women.

3) **Income :** Income is another basis of segmenting the markets for automobiles, clothing, cosmetics and travel. Other industries occasionally, adopt this basis. However, at macro level the per capita income of a person or family can be a basis for segmentation. Accordingly, segmentation could be made in terms of low, middle and higher income groups. Price may be the sole criterion to fit into particular per capita income group. It is more so at the lower levels of income As the income goes up, other non-economic considerations or bases have a greater influence.

Psychographic Segmentation

In psychographic segmentation buyers are divided into different groups on the basis of their social class, life style, personality characteristics, etc. People within the same demographic group can exhibit very different psychographic profiles. Let us understand about some of the psychographic bases of segmentation.

1) **Social class :** Social class has a strong influence on the person's preferences in cars, clothes, home furnishings, leisure activities, reading habits, and so on. Many companies design products and services keeping in mind specific social class and adopt the marketing strategies that appeal to that social class.

2) **Life style:** People's interest in various goods is influenced by their life styles. In fact, the goods they consume express their life style. Marketers of various products and

brands are increasingly segmenting their markets by consumer life styles. For example, a manufacturer of blue jeans may design jeans styled for a specific male group. Each group may require different jean designs, price advertising appeal, outlets, and so on. Unless the company identify the specific group and adopt a suitable marketing strategy, its jeans may not appeal to any one.

3) **Personality :** Marketers also use personality variables to segment markets. They design their products with appropriate brand images that correspond to consumer personalities.

Behaviouristic Segmentation

In behaviouristic segmentation, buyers are divided into groups on the basis of their knowledge attitude, use, or response to a product. Many marketers believe that behaviouristic variables are the best starting point for identifying market segments. In this category, the following bases are adopted to segment the markets.

1) **Occasions:** Buyers can be distinguished according to occasions when they get the idea of buying or make a purchase or use a product. For example, tourist travel is influenced by occasions related to festivals, vacations, etc. A tourist bus Operator can specialise in serving people during one of these occasions. Occasion segmentation can help firms build up product usage. For example, fruit juice may be commonly consumed during a tour. A juice producing company can promote its orange juice in tourist areas.

2) **User status :** Many markets can be segmented into non-users, ex-users, potential. users, first-time users and regular users of a product. Companies which enjoy the higher share of the market may be particularly interested in attracting potential users. Potential users and regular users require different kinds of marketing appeals.

3) **Usage rate:** Markets can also be segmented on the basis of extent of usage of the product as light, medium, and heavy user groups. This is also referred to as volume segmentation. Heavy users are often a small percentage of the market but account for a high percentage of total consumption.

4) **Loyalty status :** As you know, consumers are loyal to brands, stores and other entities. A market can also be segmented by consumer loyalty patterns. Let us consider here brand loyalty. Suppose there are five brands A,B,C,D and E. Buyers can be divided into four groups according to their loyalty status. 1) **Hardcore loyalists** who buy one brand all the time. Thus, a buying pattern of A, A, A. A, A, A, represents a consumer with undivided loyalty to brand A. 2) **Soft-core loyalist** who are loyal to two or three brands all the time. Thus, a buying pattern of A, A, B, B, A, B, represents a consumer with a divided loyalty between A and B. 3) **Shifting loyalists** who shift from one brand to another. The buying pattern A, A, A, B, B, B, would suggest a consumer who is shifting brand loyalty from A to B. 4) **Switchers** who show no loyalty to any brand.

The buying pattern A, C, E, B, D, B would suggests a non-loyal consumer. Each market is made up of the above four types of buyers and to approach each buyer group, different marketing strategies are required. A brand-loyal market is one with a high percentage of the buyers showing hard core brand loyalty. Thus the toothpaste market seems to be fairly high brand-loyal market. Companies selling in a brand loyal market have a hard time gaining more market share, and companies trying to enter such a market have a hard time getting in.

5) **Attitude :** Consumers of a product can be classified by degree of their enthusiasm for the product. Five attitude classes can be distinguished : **enthusiastic, positive, indifferent, negative, and hostile.** If you adopt a door-to-door campaign for your product, sales personnel who are involved in the campaign can assess the attitude of the households and decide about the time to be spent with them. More time may be spent with enthusiastic prospects reminding them to buy. Trying to convince negative and hostile prospects would be a waste of time. To the extent that attitudes are correlated with demographic descriptions, the organisation can increase its efficiency in reaching the best prospects.

3.7.2 Bases of Segmenting Organisational Markets

Organisational markets can be segmented with many of the same variables used in segmenting the consumer goods markets. Organisational markets can be segmented geographically and by several behaviouristic variables, benefits sought, user status, usage rate, loyalty status, and attitudes. In particular, **there are three commonly used bases: 1) type of customer 2) size of customer, and 3) type of buying situations.**

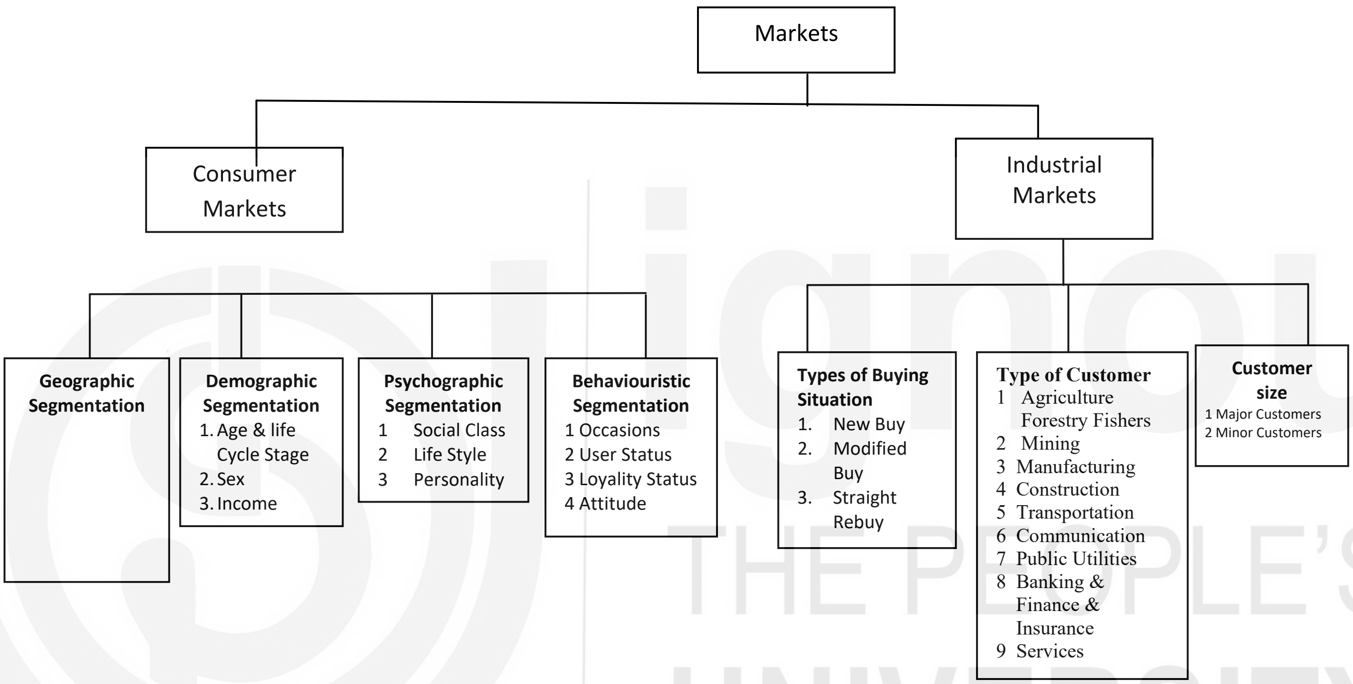
Type of Customer : A common way to segment industrial markets is by end users. Different end users often seek different benefits and can be approached with different marketing mixes. As explained earlier, major types of industrial markets are: i) agriculture, forestry and fisheries, 2) mining. 3) manufacturing. 4) construction, 5) transportation, 6) communication, 7) public utilities, 8) banking, finance and insurance, and 9) services. This is an accepted classification known as Standard Industrial Classification (SIC) Code. Each of this type is further divided upto very minute. levels and, accordingly, directories of industries are published.

Customer Size: Customer size is another variable used for segmenting organisational markets. Many companies set up separate systems for dealing with major and minor customers. For example, Steel case, a major manufacturer of office furniture, divides its customers into two groups as major accounts and dealer accounts. Accounts of large and reputed companies come under major accounts. Such accounts are handled by national account managers working with district field managers. Smaller accounts are categorised as dealer accounts. These accounts are handled by the field personnel working with franchised dealers who sell steelcase products.

Type of Buying Situations: We have already identified three types of buying situations: **1) new buy, 2) modified buy, and 3) straight re-buy.** These buying situations, as you know, are different from each other in a significant way. An industrial seller can segment his market on this basis of buying situations and adopt marketing strategies accordingly.

Look at Figure 3.1 carefully. It summarises the discussion on bases of segmenting the markets.

Figure 3.1 Bases of Segmenting the Markets



Check Your Progress B

1) What is the difference between market segmentation and market segment ?

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2) Differentiate between product differentiation and market segmentation.

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3) List the important bases of segmenting organisational markets.

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4) State whether the following statements are **True** or **False.**

   i) Market segmentation refers to classification of markets on the basis of the products.

ii) A segment of a market is normally homogeneous in all significant aspects,

iii) In undifferentiated marketing, the marketer concentrates all his efforts in one or a few lucrative segments only.

iv) Market segmentation enables the marketer to identify and reach the target customer more effectively.

v) Same bases can be used for segmenting industrial markets and consumer.

3.8 MARKET TAREGETING

By applying the learning from the market segmentation, you as a business manager will be able to identify your firm's markets segment opportunities. These opportunities have to be evaluated to select either one or a number of strategically significant segments for launching your marketing program. It is a stage where the firm has to evaluate different segments and decide how many and which ones to target for . This method is called market targeting. **A target market is defined as a set of buyers sharing common needs or characteristics that the company decides to serve.** It is very important to select the target market to which the company decides to serve because knowledge about how do the consumers decide, what are the criteria of buying products, the characteristics and life style of the targeted customers can help the marketers to develop a suitable marketing strategy. Every marketing strategy involves marketing expenditure and the return on a market program. This can be identified if we are able to know the target market for which the marketing program is targeted. It is observed from research that a majority of the marketing expenditure is actually wastage of company resources as they are spent on non buyers. So an understanding of the nature and characteristics of the target market will help the marketer to derive higher returns on a marketing program. Knowledge on the target market and its growth and changes in attitude will help the marketer to modify and design new marketing programmes for the success of the enterprise as a whole. Hence, an understanding of the target market and measurement of their attractiveness is a key decision in marketing.

3.8.1 Evaluation of Potential Targets

After the firm has identified the target markets, the next task is to evaluate the target segments. **The marketing manager should look at five factors for evaluating each segment. They are: segment size and worth whileness, segment measurability, segment attractiveness, accessibility of the segment, company objectives and resources.** The company should first collect and analyze data on size of the current segment, growth rates in the past and the likely rate of growth from the market indicators for the future on short term and long term basis, and expected profitability from each segment. One of the best ways to calculate the profitability is to find out through the calculation of response elasticity. Response elasticity can be calculated by taking past marketing expenditures as independent variable and the returns from the past marketing expenditures in different periods of time. A graph of response elasticity where responses (sales) on the Y-axis and the corresponding marketing expenditures on the X-axis is a sufficient indicator about the profit growth potential in each of the segments. The myth of marketing says that the fastest growing and largest size markets may not be so for a long period of time. Hence future profitability may slow down as more competitors will enter in to the business looking at the profit potential. So a marketer should be careful about this behaviour of the market. The segments identified should be also measurable from its size and market share from the potential market. The segments should also be evaluated from the point of view of accessibility as there may be a very attractive segment available but the cost to reach at that segment and serve the segment will be higher compared to segments where potential may seem moderate. The Indian rural market suffers from this problem of accessibility. The company should also evaluate the resources available for market coverage. If the company lacks the skill and resources then it should concentrate on markets geographically closer or with a higher density if potential customers in limited markets called a niche segment.

3.8.2 Market Targeting Strategies

You have learnt the meaning of targeting, let us now look at what are the various strategic options available to the marketers for targeting their products and services in the market. The targeting strategy will largely depend upon the kind of product market coverage that the firm takes for the future. The resources, capabilities and intent of the respective firms influence this product market coverage decisions. The product market coverage strategies are broadly classified as concentrated marketing, differentiated marketing and undifferentiated marketing. Let us learn them in detail.

Concentrated Marketing : When company resources are limited and the competition is intense enough that the marketing manager has to stretch the market budget for market coverage, the companies follow a concentrated marketing strategy**. The company decides to cover a large niche than fighting for a small share in a large market.** It is an excellent strategy for small manufacturers those can stay closer to the segment and cater to the emerging needs of a close loop customers. This helps them to gather market share in small markets against strong and large competitors. Through concentrated marketing firms can achieve strong market positions in the segments or niches they serve because of the greater knowledge of the target customers and the special reputation they acquire. Medi mix was a regional brand with a very strong South Indian presence that helped them to go for a national launch in a latter period. The firms can enjoy operating economies because of the specialization in production, distribution and promotion, which can give a higher return on the investments also. Concentrated marketing strategy has its own share of risk also. Looking at the profit potential large competitors may decide to enter in to this market, which may ultimately lead to a take over bid by the large player in business.

Differentiated Marketing: In differentiated marketing strategy, **marketers target several market segments and design separate offers for each segment.** They target several segments or niches with a varied marketing offer to suit to each segment needs. For example, Maruti as an automobile company has the distinction of having products for different segments. Where as its Alto is targeted for the upcoming middleclass, the Baleno is targeted for the middle class and Ciaz is tragetted for upper middle class people and Eeco Omni is targeted for large families. The main objective of offering varied marketing offer is to cater to different segments and get higher sales with a dominant position on each segment. Developing a stronger position within each segment creates more total sales than a mass marketing strategy across all segments. The risk involved in this kind of a marketing strategy is in the form of extra cost in marketing research, product development, different forecasting models, varied sales analysis, promotion planning and channel management. Trying to reach different market segments with different promotion plan involves higher promotion budget.

Thus, the marketing manager has to decide the pay off between the higher cost and the higher sales due to such a strategy.

Undifferentiated Marketing: Marketers may go against the idea of a segmented market and decide to sale the product in the whole market. **Here the marketing manager ignores the idea of segment characteristics differences and develop a marketing program for the whole market.** This approach keeps the over all marketing costs low and makes it easier to manage and track the market forces uniformly. Here the marketer tries to find out the commonality across the segments rather than focusing on the differences. The company designs a marketing offer and a marketing program that will appeal to the largest number of buyers with a mass distribution and mass advertising program. The problem of this strategy lies in finding a common product and marketing program catering to large number of customers with different characteristics and interests. Here the marketer finds it difficult to fight with focused players in business.

Choosing a Product - Market Strategy

As mentioned earlier, the market coverage strategy largely depends on company's resources and ability to cater to the market. The best strategy also depends on the product variability. Undifferentiated marketing suits best to uniform products and commodities like petrol, steel and sugar. The product's life cycle is also another important factor considered while selecting a market coverage strategy. At the Introductory stage of a product, the company will prefer a single product in an undifferentiated market or concentrated market. In the maturity stage of the product life cycle, many players follow differentiated marketing strategy. If all the customers have uniform taste, buy the same amount and respond to a marketing program in the same way then market variability is minimum. So an undifferentiated marketing strategy is most suitable. Every marketing manager should also look at the competitor's marketing strategy. If the competitor is following a differentiated strategy with specific offer for distinct segments then an undifferentiated marketing Strategy will be fatal to follow in the market but the vice versa is a suitable strategy for the marketer.

Check Your Progress A

1 Distinguish between segmentation and market targeting.

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2 Distinguish between concentrated marketing and differentiated marketing.

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3 Explain the concept of segment evaluation.

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3.9 POSITIONING

After the company has decided its market targeting strategy, the next managerial challenge is to decide what position it wants to occupy in the selected segment(s). **Kotler has defined**

product positioning as the way the product is defined by consumers on important attributes - the place - the product occupies in consumer's mind relative to competing products. Thus product's position reflects important attributes which a consumer gives to the product. It is the position in the perceptual space of the consumer's mind that the product takes in relation to competitor's products, which is often verbalized by customers on certain attributes. Product positioning depends on market structure, competitive position of the firm and the concepts of substitution and competition among products.

Product positioning reflects most of the features of the word position. For example, position of a place - what place does the product occupy in its market, a rank, how does the product fare against its competitors in various evaluative dimensions and a mental attitude - what are consumer attitudes i.e., the cognitive, effective and action tendencies towards the given product. Therefore product positioning should be assessed by measuring consumer's or organisational buyer's perceptions and preference for the product in relation to its competitors.

Brand positioning involves implanting the brand's unique benefits and differences in customer's mind. A Maggi noodle is positioned in Indian market as a convenience food, which can solve the frequent food demand of the growing kids. Dove soap is positioned as a premium brand in the market with high moisturizer content which can be used as a face wash also. Vicks Vapo-rub is positioned as a rub exclusively for the purpose of cold and cough relief.

3.10 REPOSITIONING

Repositioning is a critical decision in marketing. The manager can go for repositioning due to two reasons viz. the failure of the current positioning strategy due to the three positioning mistakes like under positioning, over positioning and confused positioning, the opening up of another positioning opportunity due to evolution of the customers on value life cycle or emergence of new technology to redefine the structure of competition. Brand managers normally undertake brand tracking and monitoring studies to identify the gap between the desired positioning or stated position through brand communication and the perceived position by the customers. Any substantial gap in these two measures will warn the brand managers to go for a reposition decision. Similarly, the customers and their value expectation from a brand undergo change over a period. Brands, symbols and ideas prevalent in one period may not stand significant at a different time due to this value migration of customers.

Therefore, a customer centric company will prefer to reposition the brand in this changing context. As we have already discussed the technology life cycle of a product also changes with every phase of innovation in product and its delivery to consumers. These kinds of changes demand repositioning of the product offer in the changing situation. So repositioning is necessary. Repositioning will follow the same process like that of positioning with suitable modifications on the selection of competitive advantage in the new context.

Check Your Progress D

1) What do you mean by repositioning?

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2) State whether the following statements are **True** or **False:**

   i) Positioning is a product driven strategy.

   ii) Product's position reflects important attributes which a consumer gives to the product.

   iii) Brand tracking and monitoring helps in repositioning decisions.

   iv) Repositioning will follow the same process like that of positioning.

   v) The decision of positioning is a strategic decision.

3.11 LET US SUM UP

A market consists of people who are willing to buy and have the purchasing power and authority to buy. Thus, a market is a set of all actual and potential buyers of a product. Therefore, each product or service is said to have a market of its own. Basically, markets may be divided into consumer markets and organisational markets. Organisational markets can be further classified as industrial markets, reseller markets, and government markets.

Within the market for a product, there may be submarkets that differ significantly from one another. Therefore, it is necessary to divide the market into homogeneous sub-markets in order to develop appropriate marketing strategies. The process of dividing the total market into one or more parts, each of which tends to be homogeneous in all significant aspects, is referred to as market segmentation. Due to certain limitations of the producer, he has to concentrate only on one or a few segments of the market. To make your promotional and selling efforts more effective, you may have to select the appropriate market segment and concentrate on that segment. Such a segment will become your target market.

There is no single way to segment the market. The commonly used bases for segmenting the consumer markets are geographic, demographic, psychographic and behaviouristic characteristics of the consumers. Similarly, the organisational markets can be segmented on the basis of customer type, size of customer and type of buying Situation. Whatever base you may select, the bases should be measurable, the data and segment should be accessible and the segment should be large enough to be profitable.

After segmenting the market the next step is to choose one or a number of strategies significant segments for launching your next offerings in the market. This will define the target market. After the target has been identified, the next task is to evaluate the target segments. There are five factors that should be considered while evaluating each segment.

They are: segment size, worth while ness segment measurability, segment attractiveness, accessibility of the segment company objectives and resources. After this, the next-step is formulating market targeting strategies. There are broadly three categories viz., concentrated marketing, and undifferentiated marketing.

Once the company has decided its market targeting strategy, the next challenge is to position the product. It is very important to differentiate your product. The market is ever changing. Keeping this in mind a company needs to/prefers to reposition its brand in the market.

3.12 KEY WORDS

Brand Positioning: It involves implanting the brand's unique benefits and differences in customer's mind.

Competitive Advantage: An advantage over competitors gained by offering consumer's greater value, either through lower prices or by providing more benefits that justify higher price.

Concentrated Marketing: When company resources are limited and the competition is intense enough that the marketing manager has to stretch the market budget for market coverage, the companies follow a concentrated marketing strategy.

Consumer Market: It consists of all individuals and households who buy or acquire goods and services for non-business personal consumption.

Differentiated Marketing: When the marketers chose to target several segments or niches with a varied marketing offer to suit to each segment needs, it is called a Differentiated Marketing.

Government Market: It consists of governmental units which purchases goods and services for carrying out the main functions of government.

Industrial Market: It consists of all the individuals and organisations that buy or acquire goods and services for the productions of other products and services that are sold rented or supplied to others.

Markets: The set of actual and potential buyers of a product.

Market Segment: A segment of a market which is homogeneous in all significant aspects.

Market segmentations: The process of dividing the total market into one or more parts (sub-markets or segments) each of which tends to be homogeneous in all significant aspects.

Product Position: The way the product is defined by consumers on important attributes. It is the position in the perceptual space of the consumer's mind that the product takes in relation to competitor's products, which is often verbalized by customers on certain attributes.

Reseller Market : It consists of all individuals and organisations that acquire goods and services for the purposes of reselling or renting them to others at a profit.

Segmentation Evaluation Criteria: They are segment size and worth whileness, segment measurability, segment attractiveness, accessibility of the segment, company objectives and resources.

Target Market: A target market is defined as a set of buyers sharing common needs or characteristics that the company decides to serve.

Undifferentiated Marketing: Marketers may go against the idea of a segmented market and decide to sale the product in the whole market. Here the marketing manager ignores the idea of segment characteristics differences and develop a marketing program for the whole market.

3.12 ANSWERS TO CHECK YOUR PROGRESS

A) 4) Consumer markets i) reseller market iii) industrial market iv) industrial market v) government market vi) industrial market vii) consumer marker

B) 4 i) False ii) False iii) True iv) False v) True

D) 4 i) False ii) True iii) True iv) True v)True

3.13 TERMINAL QUESTIONS

1) What is a market? Briefly explain various types of markets.
2) Examine the characteristics of organisational markets.
3) Explain the buying process of organisational buyers.
4) What is market segmentation? Explain the importance of segmenting markets.
5) Examine the different bases for segmenting markets, particularly consumer markets.
6) "Consumer is always a rational human being. Hence, economic basis for segmentation is the most appropriate method". Do you agree? Give reasons.
7) Define market targeting and explain the procedure on how to target different markets.
8) How will you evaluate the potential of a target market?

9) Repositioning needs a continuous monitoring of the brand's performance in the market. Explain with suitable examples.

Note: These questions will help you to understand the unit better. Try to write answers for them. But do not submit your answers to the university for assessment. These are for your practice only.

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UNIT 4 CONSUMER BEHAVIOUR

Structure

4.0 OBJECTIVES

After studying this unit, you should be able to:

- explain the need to understand consumer behaviour;
- classify consumers;
- distinguish between the buyer and actual user; and
- describe the factors that influence consumer behaviour.

4.1 INTRODUCTION

As you know a market is the set of actual and potential buyers of a product and marketing refers to human activity directed at satisfying needs and wants through exchange process. This means that while marketing a product you aim at satisfying the needs and wants of actual and potential users of that product. To achieve this, it is essential to understand the tastes, preferences, likes, dislikes, consumption patterns, process of purchase, etc., of the buyers of that product. Thus, there is a need for you to study the consumer behaviour. In this unit, you will study the meaning and importance of consumer behaviour, types of consumers, and factors influencing the consumer behaviour.

4.2 MEANING OF CONSUMER BEHAVIOUR

One thing that we have in common is that we are all consumers. In fact, everybody in this world is a consumer. Everyday of our lives, we are buying and consuming a variety of goods and services. However, we all have different tastes, likes and dislike, and adopt different behaviour patterns while making purchase decisions. You may prefer to use Colgate toothpaste, Cinthol toilet soap and Halo Shampoo whereas your spouse may prefer Neem toothpaste, Lux soap and Shikakai shampoo. Similarly, you may have a certain set of preferences in food, clothing, books, magazines, recreational activities, forms of savings and the stores from where you prefer to shop, which may be different not only from those of your spouse but also your friends, neighbours and colleagues. For example, take the case of two wheelers. You may prefer Activa, your friend may like Royal Enfield Bullet and another person may prefer Hero Honda. Similarly, take the case of smokers some people like cigars, some prefer beedies and others like cigarettes. Again within each category **also different persons prefer** different brands. Thus, each consumer is unique and this uniqueness is reflected in the consumption behaviour and pattern as well of process of purchase. **The study of consumer behaviour provides us with reasons why do consumers differ from one another in buying and using products and services.**

'What' products and services do we buy, 'why' do we buy, 'how often' do we buy from 'where' do we buy, 'how' do we buy, etc., are the issues which are dealt with in the area of consumer behaviour. **Consumer behaviour can be defined as those acts of individuals (consumers) directly involved in obtaining, using, and disposing of economic goods and services, including the decision processes that determine these acts.**

4.3 IMPORTANCE OF UNDERSTANDING CONSUMER BEHAVIOUR

Consumer behaviour is helpful in understanding the purchase behaviour and preferences of different consumers. As consumers, we differ in terms of our sex, age, education, occupation, income, family set-up, religion, nationality and socials status. Because of these differences we have different needs, and we only buy those products and services which we think will satisfy our needs. In marketing terminology as you know, specific types or groups of consumers buying different products (or variation of the same basic product) represent different market segments. In order to market successfully to different market segments, the marketing manager needs appropriate marketing strategies. He can design this strategy only when he understands the factors which account for these differences in consumer behaviour and tastes.

In today's world of rapidly changing technology, consumer tastes are also changing rapidly. To survive in such a rapidly changing market, a firm has to constantly understand the latest consumer trends and tastes. Consumer behaviour provides invaluable clues and guidelines to marketers on new technological frontiers which they should explore. For example, let us consider the advancement in the technology of television in India. Consumers are switching from CRT TV to Smart Televisions. The consumers exhibits desire to purchase TV with higher resolution.

A management which believes in the philosophy of marketing concept must naturally proceed by identifying and understanding the prospective customers and their buying behaviour. To understand the potential consumers, means, to understand the consumer's goals which may be long-term or short-term in nature. Once the goals are identified, the company can decide as to how best its products can help the consumer to reach such goals. He/She can design the products accordingly, and carry on advertisement message explaining how the product can help the consumers to reach the goal. Many difficulties are to be anticipated in understanding the prospective consumers. First of all, people rarely ever give their goals any conscious thought nor express them in a clear-cut way. Even if a few goals are occasionally felt, they are rarely expressed in the order of importance. Again, the means selected to achieve proclaimed goals may or may not be rational. Many individuals frequently decide to satisfy small needs that confront them at a given moment of time. They do not pay much attention to their long-term goals of greater significance to their life in future. Most of such goals and means are changed quite often. Every person sets goals and seeks means of achieving them. However, no two persons have identical sets of ultimate or intermediary sets of goals. There can be only broad generalisations.

When target groups and their specific goals can be guessed with a fair accuracy, then an appropriate advertising message and medium can be selected. For example, when a bank desires to promote its fixed deposit business, the prospects are those whose long-term goals are peaceful, carefree retired life'. There may be many whose goals are different or who would give a low value to this goal. Hence, the advertising message of the bank, if carried through a newspaper or radio, may use the above theme. If, on the other hand, the medium is a trade journal the above goal (to attract fixed deposits) may not be achieved at all. One aspect to be considered here is; how to differentiate between the 'prospects' and 'poor prospectus' and the media to reach the prospects.

Psychology, sociology, cultural anthropology, and economics are among the areas that provide useful insights into consumer behaviour. Similarly, class and demographic methods of market segmentation, although still important need to be combined for a meaningful marketing analysis. Government and other distinctive groups constitute special markets that present unique problems and opportunities. These markets must be analysed in depth if their potentials are to be capitalised.

Check Your Progress A

1) Based on your own experience as a consumer, furnish the following information:

Type of Product	For what purpose you buy the product?	Which brand you buy?	Where do you buy?

i) Tooth paste ii) Tea/Coffee iii) Newspaper iv) Washing Soap v) Ceiling Fan vi) Radio	_____________ _____________ _____________ _____________ _____________ _____________	_____________ _____________ _____________ _____________ _____________ _____________	_____________ _____________ _____________ _____________ _____________ _____________

2) Ask one of your close friends or neighbour to furnish the information for the same.

Type of Product	For what purpose you buy the product?	Which brand you buy?	Where do you buy?
i) Tooth paste ii) Tea/Coffee iii) Newspaper iv) Washing Soap v) Ceiling Fan vi) Radio	_____________ _____________ _____________ _____________ _____________ _____________	_____________ _____________ _____________ _____________ _____________ _____________	_____________ _____________ _____________ _____________ _____________ _____________

3) Compare your experience (Question 1) with the experience of your friend/neighbour (Question 2). Identify the differences, and state the reasons for the differences.

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4.4 TYPES OF CONSUMERS

As you know, markets are broadly classified as consumer markets and organisational markets. In the same way all consumers also can be classified into two types: **personal consumers and organisational consumers.** When you buy a shirt for your own use, you are buying in your capacity as a personal consumer. However, when you are buying a computer for use in office, you are making the purchase in your capacity as an organisational consumer. Whenever you buy goods and services for your own or for your family use, you are treated as a personal consumer. All individuals, thus, fall in the category of personal consumers. All business firms, government agencies and bodies, non-business organisations such as hospitals, temples, trusts etc. are organisational consumers who purchase goods and services for running the organisations. As you know, in the case of an organisation also, buying decisions are taken by individuals only. Hence, the behaviour pattern of organisation consumers is marginally different from personal consumers. In this unit, however, our focus is on the personal consumer and factors influencing his/her behaviour.

4.5 BUYER VERSUS USER

The person who makes the actual purchase of a product or services is called the **buyer** and the person who consumes or uses the product or service is called **user.** Often the person who purchases the product is not the person who actually consumes or uses that product. A mother buys toys and clothes for consumption by her young children. The mother is the buyer but the actual consumers are the children. A car is purchased by the husband or the wife, but is used by all the members of the family. Thus, in the family context, you may either have the situation where the buyer is distinct from the consumer or the buyer is only one of the many consumers. Besides buyer and user, any person in the family or even from outside the family may influence the buying decision in the role of an initiator or influencer or decider. The **initiator** is the person who first suggests or gets the idea of buying the particular product or service. An **influencer** is a person whose views or advice carries some weight in making the final decision. The **decider** is the person who ultimately determines any part of or the entire buying decisions- whether to buy or not, how, to buy, when to buy, where to buy, etc.

The question that arises is who should be the subject of study in consumer behaviour? Should we study the buyer or the consumer or the other influencing persons? To overcome this problem, in many instances it is the household or the family and not the individual who is considered the subject of the study.

However, a person involved in marketing should have a very sharply defined focus for marketing strategy, especially promotional strategy. You must identify the best prospect for your products---whether it is the buyer or the user. Even when the consumer is distinct from the buyer, the consumer's likes and dislikes, taste, etc., influence the buyer's decision in the purchase of a specific product or brand. Thus, many companies focus their promotion at both the user and the buyer. Consider the promotional message of Maggi noodles and Rasna soft drink concentrate. The taste and fun aspects of both these products are meant to appeal to the children who are the major consumers, while the convenience (in case of noodles) and economy (in case of Rasna) are meant to appeal to the mothers who are the buyers.

Check Your Progress B

1) Mr. Sharat, an engineering student, asked his father, Mr. Kailash, to buy for him a calculator, Mr. Kailash asked his friend, Mr. Ramesh, to suggest a suitable brand and Mr. Ramesh told him to buy Casio FX 991ES PLUS model. Accordingly, Mr. Kailash bought the calculator and gave it to his son. Identify the following in this case:
   a) Buyer……………………………………………………………………
   b) User ...... ………………………………………………………………
   c) Initiator…………………………………………………………………
   d) Influencer ……………………………………………………………
   e) Decider…………………………………………………………………

2) Who are likely to be the buyers and users of the following products within your family and your friend's family:

Product	Your Family		Your Friend's Family	
	Buyer	User	Buyer	User
Fruits Razar Blades TV Set Cooking Oil Chairs Toys				

If you find differences between your family and your friends' family in the above, identify the reasons.

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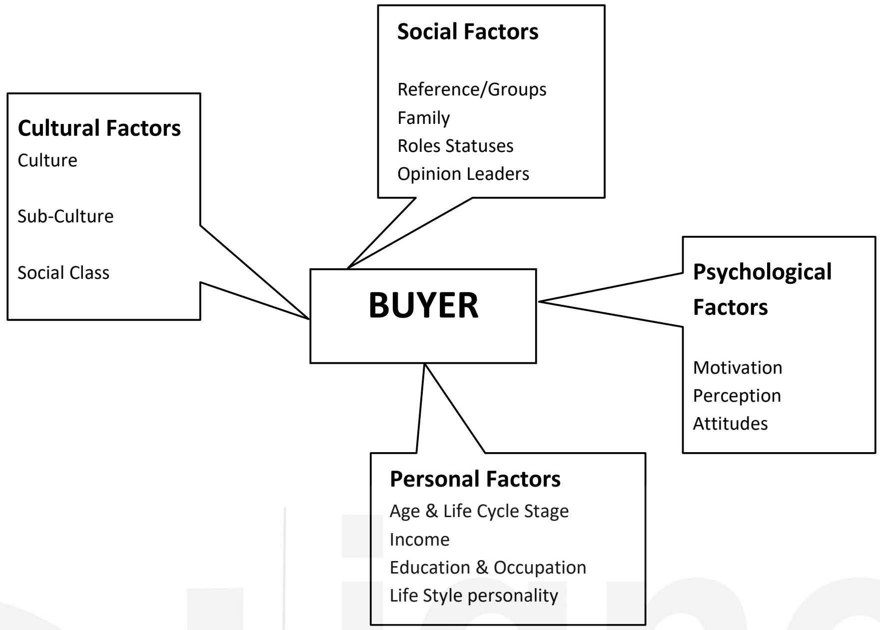
4. 6 FACTORS INFLUENCING CONSUMER BEHAVIOUR

Consumer behaviour is affected by a host of variables, ranging from personal motivations (needs, attitudes and values), personality characteristics, socio-economic and cultural background (age, sex, professional status) to social influences of various kinds exerted by family, friends, colleagues and society as a whole. The combinations of these various factors produce a different impact on each of us as manifested in our different behaviour as consumers.

Consumer behaviour results from individual and environmental influences. Consumers often purchase goods and services to achieve their ideal self-image and to project the self-image they want others to accept. Behaviour is, therefore, determined by the individual's psychological makeup and the influences of others. In other words, consumer behaviour is a function of the interaction of consumers' personal influences and the pressures exerted upon them by outside forces in the environment. Understanding consumer behaviour requires an understanding of the nature of these influences.

The basic determinants of consumer behaviour include the individual motives, perceptions and attitudes. The interaction of these factors with influences from the environmental factors causes the consumer to act. All the factors that influence the consumer behaviour can be classified into four broad groups: 1) Psychological factors, 2) personal factors, 3) social factors, and 4) cultural factor. Look at Figure 4.1 carefully and study the factors grouped in each of these four categories

Figure 4.1 Factors influencing Consumer Behaviour



4.6.1 Psychological Factors

The starting point in the purchase decision process is the recognition of a felt need. A need is simply the lack of something useful. We all have needs and we consume different goods and services with the expectation that they will help to fulfil these needs. When a need is sufficiently pressing, it directs the person to seek its satisfaction. It is known **as motive. Thus, motives are inner states that direct people towards the goal of satisfying a felt need**. The individual is moved the root word for motive to take action to reduce a state of tension and to return to a condition of equilibrium.

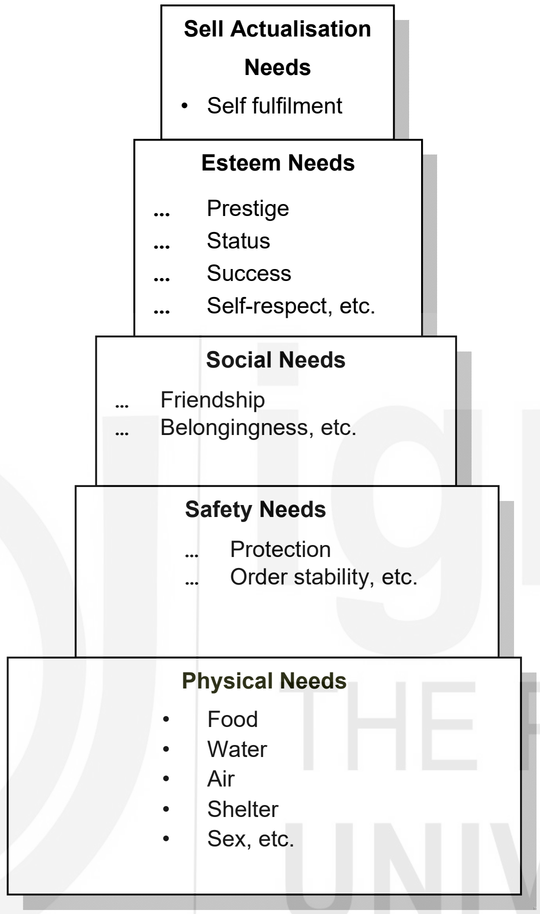
Although psychologists do not agree on any specific classification of needs, a useful theory of the hierarchy of needs has been developed by Abraham Maslow. His list is based on two important assumptions.

1) People are wanting animals whose needs depend on what they already possess. A satisfied need is not a motivator. Only those needs that have not been satisfied can influence behaviour.

2) All needs can be ranked in order of importance from the low biological needs to the higher level psychological needs. Each level of unfulfilled need motivates the individual's behaviour, and as each successive level of need is fulfilled, people keep moving on to the next higher level of need.

As shown in Figure 4.2, Maslow has classified the needs into five categories as: 1) Physiological needs, 2) Safety needs, 3) Social needs, 4) Esteem needs, and 5) Self actualisation needs. In the figure the different levels of needs have been depicted as being water tight compartments, but in reality there is always overlap amongst the different levels of needs, since no need is ever totally satisfied. There is always scope for further fulfilment.

Figure 4.2 : Maslow's Hierarchy of Needs



Physiological Needs: The primary needs for food, shelter and clothing that are present in all humans and must be satisfied before the individual can consider other higher-order needs. A hungry person ignores other needs until he obtains food to satisfy his hunger. Once the physiological needs are satisfied, at least partially, other needs enter the picture.

Safety Needs: The safety needs include: security, protection from physical harm and avoidance of the unexpected unfavourable happenings. Gratification of these needs may take the form of a savings account, life insurance, the purchase of radial tires, or membership in a local health club.

Social Needs: Satisfaction of physiological and safety needs leads to the third level needs which are called social needs. These needs arise due to the desire to be accepted by members of the family and other individuals and groups. The individual may be motivated to join various groups to conform to their standards of dress and behaviour, and to become interested in obtaining status as means of fulfilling these needs.

Esteem Needs: These needs, which are near the top of the ladder, are more difficult to satisfy. At the esteem level is the need to feel a sense of accomplishment, achievement, and to receive respect from others. The competitive needs to excel to better the performance of others is in almost universal human trait. The esteem need is closely related to social needs. At this level, however, the individual desires not just acceptance but also recognition and respect. The person has a desire to stand out from the crowd in some way.

Self-actualisation Needs: The top position on the ladder of human needs is self-actualisation--the need for fulfilment, for realising one's own potential, for using one's talents and capabilities totally. Maslow defines self-actualisation this way: "**The healthy man is primarily motivated by his needs to develop and actualise his fullest potentialities and capacities. What man can be, he must be." Individual behaviour resulting from motivation is affected by how are stimuli perceived.**

Perception is the meaning that each person attributes to incoming stimuli received through the five senses. To perceive is to see or hear, or touch or taste or smell something or event or idea. Perception is much more complex and broader than sensation. It is the process of the mind selecting, organising and interpreting the reality. Several factors influence one's perception. Perception may or may not be corresponding with the reality. What people perceive is as much a result of what they want to perceive as of what is actually there. Perception of incoming stimuli is greatly affected by attitudes about them. In fact, the decision to purchase a product is based on currently held attitudes about the product, the store, or the salesperson.

Attitudes are a person's enduring favourable or unfavourable evaluations, emotional feelings, pro or against action tendencies in regard to some object or idea. They are formed over a period of time through individual experiences and group contacts, and are highly resistant to change. Since favourable attitudes are likely to be conducive to brand preferences, marketers are interested in determining consumer attitudes towards their products.

4.6.2 Personal Factors

A consumer's purchase decisions are also affected by his personal characteristics such age, sex, stage in family life-cycle, education, occupation, income, lifestyle, his overall personality and overall self-concept. We shall now discuss some of these influences.

Demographic Factors and Life-cycle Stage: The first factor influencing a buyer's decision is his age. The need for different products and services changes with age. Babies and children have special needs for products such as milk powder, baby foods and toys. Young adults need clothes, recreational and educational facilities, transportation and a host of other age and fashion related consumption needs.

There are certain physiological differences between men and women which result in their having different consumption needs. Women need specialised medical facilities for pregnancy and delivery. Their requirement of clothes and cosmetics is different from that of men. Each gender thus has its own need for specific products and services.

Education and Occupation: Education widens a person's horizons, refines his tastes and makes his outlook more cosmopolitan. An educated person is more likely to consume educational facilities, books, magazines and other knowledge oriented products and services. In India, for example, we find that educated families are more inclined towards adopting family planning than families which have not educational background.

The occupation in which a person is engaged also shapes the consumption needs. People following specialised occupations such as photography, music, dance, carpentry, etc., need special tools and equipment. Apart from this specific need, the status and role of person within an organisation affects his consumption behaviour. Chief executives would buy three-piece suits of the best fabric, hand made leather briefcase and use services of airlines and five star hotels. A junior manager or blue collar worker in the same organisation may also buy a three-piece suit but he may compromise on price.

Income: The income of a person has an extremely important influence on his consumption behaviour. He may wish to buy certain goods and services but his income may become a constraint. Income in this context really refers to the income available for spending (i.e., income after tax, provident fund and other statutory deductions). The person's attitude towards spending versus saving and his borrowing power are also important influencing factors. Small size packaging in sachets for products such as tea, shampoo, toothpaste, etc., are meant for the lower income customers who cannot afford a one time large outlay of money on such products.

Personality: Personality is the sum total of an individuals psychological traits, characteristics, motives, habits, attitudes, beliefs and outlook. Personality is the very essence of individual differences. In consumer behaviour, personality is defined as those inner psychological characteristics that both determine and reflect how does a person respond to his environmental stimuli.

There has been a great deal of research into the concept of personality with the objective of predicting consumer behaviour, in terms of product and brand choice. The assumption in all personality related research has been that different types of personalities can be classified and each type responds differently to the same stimuli. The personality classification can be used to identify and predict that response. In case of products such as cigarettes, beer and cars, personality has been used to segment the market.

Life Style: Life styles are defined as patterns in which people live, as expressed by the manner in which they spend money and time on various activities and interests. Life style is a function of our motivations, learning, attitudes, beliefs and opinion, social class, demographic factors, personality, etc. While reading this unit, you are playing the role of a student. At the same time you also have your career, family and social roles to play. The manner in which you blend these different roles reflects your life style.

The different life styles are used for market segmentation, product positioning and for developing promotion campaigns, including new products.

Check Your Progress C

1) List the major factors which determine the consumer behaviour.
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2) Differentiate between need and motive.
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3) What are the basic assumptions in Maslow's hierarchy of needs?
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…………………………………………………………………………………………
…………………………………………………………………………………………

4) Match the products in Column A with factors in Column B

Column A		Column B	
i)	Cameras	a)	Sex
ii)	Toys	b)	Physiological need
iii)	Suiting Cloth	c)	Professional
iv)	Vegetables	d)	Age
v)	Lipstick	e)	Personality

4.6.3 Social Factors

Consumer behaviour is also influenced by social factors such as reference groups family, social roles, social status and opinion leaders

Reference Groups: As a consumer, your decision to purchase and services, is influenced by the people around you with whom you interact and the various social groups to which you belong. The groups with whom you interact directly or indirectly influence your purchase decisions.

There may be indirect reference groups. Indirect reference groups comprise those individuals or groups whom an individual does not have any direct face-to-face contact such as film stars, TV stars, sportsmen, politicians, etc. For example, celebrities (like film stars and sports heroes are well known people in their specific field of activity) who are admitted and their fans aspire to emulate their behaviour. Soft drinks, saving cream, toilet soaps, textiles are advertised using celebrities from the sports and film fields. Hidden in this appeal is subtle inducement to the customer to identify himself with user of the product in question.

Family: The family is the most important of all reference groups and we shall discuss it in detail. The family, as a unit, is an important consumer for many products which are purchased for consumption by all family members. It is a source of major influence on the individual member's buying behaviour. It is from parents that we imbibe most of our values, attitudes, beliefs and purchase behaviour patterns. Long after an individual has ceased to live with his parents, their influence on the sub-conscious mind still continues to be great. In our country, where children continue to live with their parents even after attaining adulthood, the parents, influence is extremely important. Within the family, different members play different roles. Marketers are interested in finding out exactly the role played by individual members so that they can appropriately design their promotion strategy to suit these differing roles.

Roles: An individual may participate in many groups. His position within each group can be defined in terms of the activities he is expected to perform. You are probably a manager, and when you are in a work situation you play that role. However, at home you play the role of spouse and parent. Thus in different social positions you play different roles. Each of these roles influences your purchase decisions. As a manager, you would like to buy clothes which reflect your status within the organisation, such as safari suit, three piece suit, tie, leather shoes, etc. You are in a relaxed and informal situation at home, hence, you would prefer clothes which are comfortable rather than formal and you may wear shirts, jeans, kurta pyjama, dhoti or lungi.

Status: Each role that a person plays has status, which is the relative prestige accorded by society. Status is often measured by the degree of influence an individual exerts on the behaviour and attitude of others. People buy and use products which reflect their status. The managing director of a company, for instance, may drive a Mercedes to communicate his status in society. He may go to Europe or USA for a holiday, rather than going to Mussoorie or Ooty.

Opinion Leaders: A consumer is also influenced by the advice he receives from his friends, neighbours, relatives and colleagues about what products and services they should buy. **This process of influencing is known as the opinion leadership process and is described as process by which one person (the opinion leader) informally influence the actions or attitude of other (opinion receivers).** For instance, during lunch hour you may casually ask your colleague to recommend a good motor-bike mechanic. Or you discuss with your relatives and neighbours what brand of TV they possess and try to ascertain which is the brand recommended by most, before purchasing a TV for your home. Similarly, many people seek the advice or opinion leaders in case of specific products. **People who have acquired considerable knowledge and experience in a particular field are thought of as opinion leaders in that area.** Advertisers and marketers are concerned with reaching the opinion leaders and ensuring that they receive the intended information which they can, in turn, pass on to opinion receivers.

4.6.4 Cultural Factors

Consumer behaviour is also being strongly influenced by the cultural factors. Marketers normally study three cultural factors: 1) buyer's culture, 2) sub-culture, and 3) social class. Let us study these factors briefly.

Culture: The study of culture encompasses all aspects of a society such as its religion, knowledge, language, laws, customs, traditions, music, art, technology, work patterns, products, etc. All these factors make up the unique, distinctive, personality, of each society. For our purpose of studying consumer behaviour, **culture can be defined as the sum total of learned beliefs, values and customs which serve to guide and direct the consumer behaviour of all members of that society.**

The kind of products and advertising appeals that can work effectively in a society depend largely on its cultural background. In the American society, individualism, freedom, achievement, success, material comfort, efficiency and practicality are values which are followed and imbibed by the younger children. Products and services which fulfil these values are most successfully marketed in America. In the Indian society, on the contrary, conformity, spiritualism, respect for the elderly, traditionalism and education are some of the dominant cultural values. However, our Society is undergoing a cultural change and you can notice some major cultural shifts which have far reaching consequences for the introduction of a vast variety of new products and services.

Sub-culture: Within the large framework of a society, there exist many sub-cultures. **A sub-culture is an identifiable distinct, cultural group, which, while following the dominant cultural values of the overall society also has its own beliefs, values and customs that set it a part from other members of the same society.** Every member of a society is a member of several subgroups and the consumer's purchase decision is a result of the member of these various subgroups. The marketer must understand how the specific sub cultural groups interact with each other and exert their influence on the member's consumption behaviour.

These sub cultures offer readymade market segments to the marketer who can position his product to meet the specific needs of each sub-culture.

Social Class: In every society there is inequality in social status amongst different people. So the people are categorised into different social classes. **Social classes can be defined as relatively permanent and homogeneous divisions in a society in which individual or families sharing similar values, life-styles, interacts.** Social classes are usually ranked in a hierarchical order ranging from low statues to high status. If we compare different social classes, we would find difference, in values, attitudes and behaviour between each class, as also a pattern of consumptions behaviour unique to each class. Study Table 4.1 carefully and analyse how are the buying behaviour patterns different for various social classes.

Table 4.1

Major social classes and the dominant characteristics and buying behaviour patterns

Social Class	**Distinguishing Characteristics**	**Dominant consumption patterns**
Upper Upper	Elite of society: aristocrats of top industrialist inherited wealth well-known family background: spend money lavishly but in discreet, conservative taste.	Spend on property. homes, best education for children, frequent foreign vacation, antiques jewellery, custom made cars etc.
Lower Upper	Top professionals or business man; who have earned rather than inherited money, style and taste in conspicuous and flamboyant they seek possessions which will reflect their status.	Spend on large home with flashy and expensive decor, best education for children, imported cars and latest household gadgets, 5-star hotels, personal computers etc.
Upper Middle	Professional Careerist', coming from the middle class with basically middle class values of respectable living conformity: emphasis on good education; Style is gracious and careful.	Spend on buying quality products irrespective of the category of product it is quality which is the most important feature, Smart TV, play station, high end cars, iphone are some of the products associated with this class.
Lower Middle	White collar workers such as office workers, small businessmen and traders; value neatness and cleanness and want their home and possessions to reflect this.	Spends a great deal of time shopping around for the beat bargain; they buy refrigerator, Smart TV.. motorcycle etc.
Upper Lower	Poorly educated, semi-skilled factory workers; they comprise the largest social class segment. That major	Smart phones, LCD TV. Coolers etc are bought but largely on hire purchase basis, if available.

	motivation is security. Purchase decision often impulsive but exhibits a high degree of brand loyalty.	
Lower Lower	Often uneducated, at the bottom of the society and working as unskilled labour live from day to day basis with little planning for the future.	Buy only the basic necessities of life usually buy loose and unbranded products. Have no comprehension and value of brands.

4.7 CONSUMER BUYING PROCESS

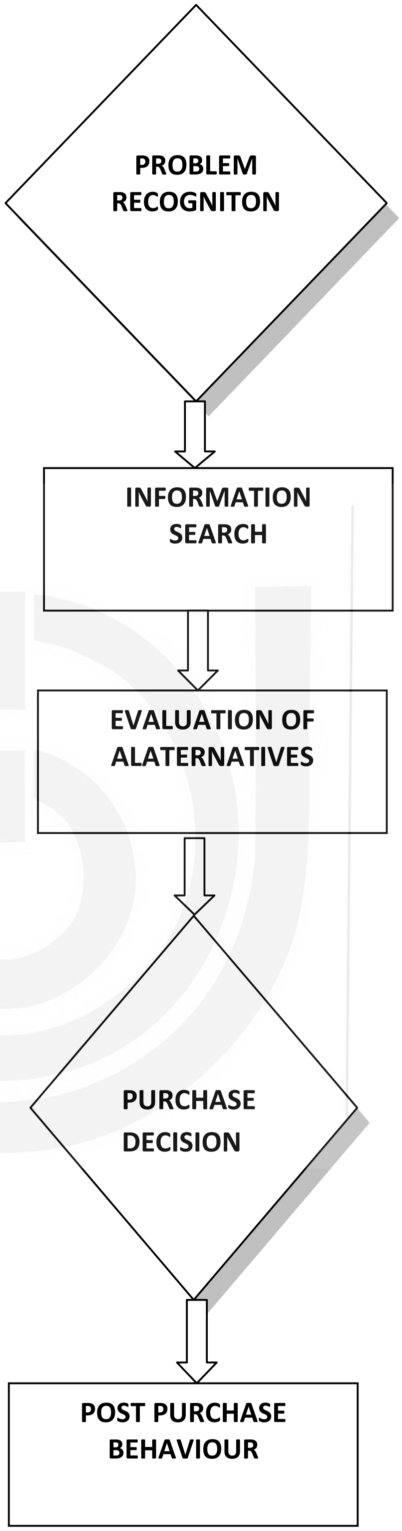
In making a purchase decision, the consumer goes through the following five decisions :

1. **Problem Recognition:** The buying process starts with the buyer recognising a need or problem. For example, Mr. Rao feels very uncomfortable carrying his papers, files and lunch packet in his hand or in a plastic bag to his work place. Mr. Rao feels the need for a briefcase to carry papers to and from his office.

2. **Pre-Purchase Information Search:** After identifying the need for a briefcase Mr. Rao starts searching for information on the kinds of briefcases available in the market. Mr. Rao can seek information from three sources: 1) personal source (family, friends, colleagues, neighbours), 2) commercial sources (advertisements, retailers, salesmen), and 3) public sources (seeing other, consumer information centres). By the end of this stage, Mr. Rao has gathered enough information about different kinds of briefcases available and narrowed down his alternatives to moulded plastic, branded briefcases. Within this broad range there are various brands and price ranges from which to make the final choice from.

3 **Evaluation of Alternatives:** Mr. Rao will make his final decision using certain evaluation criteria. The most commonly used criteria are: i) product attribute, ii) the relative importance of each attribute to the consumer, iii) brand image, and iv) attitudes towards the different brands or alternatives under consideration. For instance, the product attributes of the moulded plastic briefcases are: unbreakable, lightweight, spaciousness, reliability of locking system, colour and price. Mr. Rao attaches maximum importance to the product attributes of light weight and spaciousness as compared to other attributes. He already has some kind of attitude towards the various brands, developed in the stage of information search, which will affect his final decision.

Figures 4.3: Stages in a Buying Process



"I want to be a good host. I must treat my guest well. Perhaps I can make my drawing room look luxurious or I can serve snacks hot & fresh - but that is a time consuming job. Else I can serve chilled drinks, for which I need a refrigerator.

"I myself remember and have seen my neighbours having them - and I saw a few advertisements also -

"LG has a better look - a reputed company makes it. But Godrej is available with a friendly dealer. Voltas seems to be equally good. Price-wise all are similar."

"Let me visit those two most friendly dealers, listen to them and make the choice there itself.

"I am happy. I purchased this refrigerator. I am using it for many more things!

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4. **Purchase Decision:** In the evaluation stage, Mr. Rao has ranked the various brands in terms of his first, second and third preference. In short, he has made up his mind about which brand he wants to buy. However, Mr. Rao may finally end up buying a brand which is not his most preferred. For instance, when Mr. Rao goes to the shop to make his purchase, the shopkeeper's negative remarks about his (Mr. Rao's) most preferred brand may make him change his mind.

5. **Post Purchase Behaviour:** After purchasing the briefcase, if Mr. Rao finds that its performance or utility matches up to his expectations, he will feel satisfied with his purchase. The satisfaction will reinforce his perceived favourable image of the brand, which is likely to be extended to the entire range of products manufactured by the Company and also he may strongly recommend the brand when his friends ask his advice. Mr. Rao may do the opposite, if he feels that the briefcase which he has purchased is not upto his expectation. Thus customer satisfaction/dissatisfaction has a powerful influence on potential customers

   All the above stages in the buying process are presented in Figure 4.3 However, In case of routine purchases, the consumer may skip the second and third stages and straight away go to the stage of purchase decision. In case of purchase decision involving extensive problem solving, the consumer is likely to go through all the five stages in the specified sequence. The important point to note is that the buying process starts much before the actual purchase and has implications even after the purchase has been made. This should give ideas to the marketer as to how has he to start designing his marketing strategy in order to achieve his specified marketing objectives.

Check Your Progress D

1) List the major steps in the consumer buying process.
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2) State the difference in the buying process of washing machine and washing.
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3) Take a magazine and identify five advertisements for different consumer goods. Study the advertising appeal in each advertisement and identify which product is supposed to satisfy which need (according to Maslow's hierarchy of needs):
i)……………………………………………………………………………………
ii)…………………………………………………………………..………………
iii)…………………………………………………………………………………
iv)…………………………………………………………………………………..

4) Take a magazine and select five advertisements where celebrities are used in the advertisement messages and identify the following:

Product	**Name of Celebrity**	**Reference Group**

4.8 LET US SUM UP

Consumer behaviour is the study of why, how, what, when, where, and how often do consumer buy and consume different products and services. Knowledge of consumer behaviour is helpful to the marketer in understanding the needs of different consumer segments and developing appropriate marketing strategies for each segment. The study of consumer behaviour also provides an insight into how consumers arrive at the purchase decision and the factors which influences their decision. Once the influencing variables have been identified, the marketer can manipulate them so as to induce in his consumers a positive purchase decision.

Consumers can be classified into two categories: 1) personal consumer, and 2) organisational consumers. All the individuals and households who buy or procure goods or services for their non-business personal consumption are called personal consumers. All individuals or organisations who buy or procure goods or services for further production or re-sale for profit or for the maintenance are called organisational consumers. Organisational consumers are comprised of industrial undertakings, re-sellers and government.

Often the person who buys the product is not the person, who actually uses it. Besides, buyer, user, or any person, can influence the buying decision in the capacity of an initiator or influencer or decider. Now the question is: who should be the subject of focus for the marketer. To overcome this problem, in many cases, it is the household or the family and not the individual who is considered the subject of focus. However, a marketer should have a very sharply defined focus for an effective marketing strategy.

Consumer's decision to purchase a product is influenced by a host of factors. All the factors that influence the consumer behaviour may be broadly classified into four groups: 1) psychological factors (motives, perceptions, attitudes), 2) personal factors (age and life cycle stage, occupation, income, life style, personality), 3) social factors (reference groups, family, roles, status), and 4) cultural factors (culture, sub-culture, social class).
In making a purchase decision, the consumer goes through five stages: 1) problem recognition, 2) pre-purchase information search, 3) evaluation of alternatives,

4) Purchase decision, and 5) post purchase behaviour. However, in case of routine purchases, the consumer may skip the second and third stages and straight away go to the stage of purchase decision.

4.9 KEY WORDS

Buyer: The Person who makes the actual purchase of a product or service.

Consumer Behaviour: Those acts of the individuals (consumers) directly involved in obtaining, using, and decision-making process, including the decision-making process that proceeds and determine these acts.

Culture: The set of basic values, perceptions, wants and behaviours learned by a member of society from family and other important institutions.

Decider: The person who ultimately determines any part of or the entire buying decision.

Influencer: The person whose views or advice carries some weightage in making a buying decision of a product or service.

Initiator: The person who first suggests or gets the idea of buying the particular product or service.

Life Style: An individual's pattern of living in the world as expressed by the manner in which he spends money and time on various activities and interests, and the opinions that he holds.

Motive: Strong, unfulfilled need which spurs a person to take action for his satisfaction,

Opinion Lender: The member of a reference group who is the information source and who influences the actions or attitudes of others in the group in buying a product or service.

Organisational Consumer: All the individuals and institutions who buy or acquire goods and services for their business or official/ organisational consumption.

Personal Consumer: All the individuals and households who buy or acquire goods and services for their non-business personal or domestic consumption.

Reference Group: A group that serves as a point of reference or comparison for an individual in the matter of forming value, attitude or behaviour.

Role: The activities a person is expected to perform according to his job status and other social functions and responsibilities

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Social Class: Division in a society comprising people sharing same social status. values, beliefs, attitudes, and exhibiting a distinct preference for certain products and brands.

Status: The general esteem given to a role by society.

User: The person who consumes or uses a product or service.

4.10 ANSWERS TO CHECK YOUR PROGRESS

B 1 a) Kailash b) Sharat c) Sharat d) Ramesh e) Kailash

C 4 i) c ii) d iii) e iv) b v) a

4.11 TERMINAL QUESTIONS

1) What do you mean by consumer behaviour? Explain the importance of understanding consumer behaviour?
2) How are human needs classified and how is it helpful for a marketer?
3) How is the distinction between buyer and user meaningful to a marketer?
4) Explain various factors which influence the consumer behaviours?

5) What is culture? Discuss the role of culture in influencing consumer behaviour?
6) Describe the stages in consumer purchase decision.
7) You felt the need for colour TV at your house. Explain the detailed process of buying the TV.

Note: The questions will help you to understand the unit better. Try to write answers them. But do not submit your answers to the University for assessment. These are to practice only.

SOME USEFUL BOOKS

Indira Gandhi National Open University, School of Management Studies. 1989
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