

MARKETING MANAGEMENT**UNIT-1&2 (NEP-2024-25)**

	The Maharaja Sayajirao University of Baroda Faculty of Commerce	Academic Year	2024-25
B. Com (Honours) Programme: Regular Programme			
Year	II	Skill Enhancement Course MARKETING MANAGEMENT(CBM)	Credits / Hours per week
Semester	II	Year of Introduction: 2020-21 Year of Syllabus Revision:	Maximum Marks / Grade
Mode of Transaction	Lectures		
Course Outcomes (Cos):			
CO1: Students will be able to comprehend the dynamic nature of the marketing environment.			
CO2: Students will be able to analyse key factors influencing consumer decision-making processes that may influence consumer behaviour.			
CO3: Students will be able to evaluate product and differentiation strategies that can be used appropriately during various stages of product life cycles.			
CO4: Students will be able to understand the factors influencing pricing decisions in various market contexts.			
CO5: Students will be able to explore the significance of place and distribution channel functions, levels, and strategies for effective market reach.			
CO6: They will be able to analyse the objectives of marketing communication and the elements comprising the marketing communication mix.			
COURSE CONTENT/SYLLABUS			
AN INTRODUCTION TO MARKETING MANAGEMENT:			
1	Meaning-definition-scope of marketing-Marketing Environment-Consumer Behaviour: Meaning-Factors Affecting Consumer Behaviour-Buying Decision Process-Basic Concepts only		8hrs
2	INTRODUCTION TO PRODUCT: Product: Meaning-product characteristics and classification-product differentiation-Concept of Product Mix-Product life cycle.		7hrs
3	INTRODUCTION TO PRICE: Price: Meaning-Definition-Factors affecting pricing decision-process of setting price. Pricing strategies and Methods.		7hrs
4	INTRODUCTION TO PLACE AND PROMOTION: Place: Meaning and definition of place-Functions of distribution channel-Channel levels. Promotion: Meaning and objectives of Marketing communication-elements of Marketing communication mix-		8hrs
Reference Books			
1.	Kotler, Keller, Koshy and Jha (2009) 13th Edition; Marketing Management A South Asian Perspective; Pearson Education.		
2.	V. S. Ramaswamy & S. Namakumari (2009) 4th Edition; Marketing Management: Macmillan India Ltd.		
3.	K.Karunakaran (2008) Revised & Enlarged Edition; Marketing Management, Himaliya Publication		

Definition of Marketing

"Marketing is defined as a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others." (Philip Kotler)²

The American Marketing Association defines marketing as follows:

"Marketing is the performance of business activities that directs the flow of goods and services from producer to customer or user."

These traditional definitions have undergone some changes and the new version are as below:

"Marketing is a societal process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with others." (Philip Kotler)

The American Marketing Association now defines marketing as follows:

"Marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organisation and its stakeholders."

Evolution of Marketing

The fundamental reason why markets and marketing developed is attributable to three primary conditions – scarcity of raw materials, specialisation of labour, and consumption satiation. If we see the early history of mankind, tribes of different types lived in very different geographical locations. Each tribe had different access to raw material resources. Some raw materials were scarce in some locations while some other was in abundance. The most fundamental reason for the natural evolution of markets, marketing and trade was this varying access to important raw material resources. The tribes began processing the available raw materials and trading them between them. Adding value by processing raw materials, inventing new products out of raw materials, producing them, distributing them and trading them – such marketing activities evolved slowly.

People developed skills in processing some specific raw material in specific locations (leather, iron, gold, cotton, silk, etc.), through labour specialisation. As early as 1700, the economist Adam Smith gave guidelines to the British government on how to compete in the new global marketplace being created by the Industrial Revolution, emphasising the benefits of labour specialisation., particularly in cotton textiles manufacture. What Adam Smith stated in his famous book, *The Wealth of Nations*, about 200 years ago is still relevant today. This learning process or specialisation of labour occurs in all organisations and contributes to skill improvement.

The main reason why trading occurs on the demand side is that people like to acquire and use a variety of goods and services rather than live in isolated existence in which they consume only what they produce. Consumption satiation leads people to swap what they have in excess for something they are short of. People also wanted a variety of products to satiate their desires. Thus trading evolved spontaneously and thrived because of customer needs, wants, desires, and preferences for a variety of products.

The historical evolution of marketing is found to have moved through distinct stages or eras. The major eras are the production era, the sales era, the marketing era, and the relationship era. The production era was based on the philosophy that good products at affordable price will sell by itself. When this philosophy failed and piles of unsold inventory resulted because products did not sell themselves, the sales era started. Selling was of prime importance in this era and the major concern was to find customers for inventories that went unsold. Next came the marketing era with more importance to identify customer needs and wants prior to producing the product. During the marketing era, marketing moved to the forefront of business strategy, and satisfying customer needs became the responsibility of everyone in the organisation. Then came the relationship marketing era which stressed customer oriented marketing, value and potential of customer retention and creating long-term relationships by providing reasons to keep existing customers.



Marketing Management

According to Philip Kotler,⁴ "Marketing management is the art and science of choosing target markets and building profitable relationship with them. This involves getting, keeping and growing customers through creating, delivering, and communicating superior value." Thus marketing management involves managing demand, which in turn, involves managing customer relationships.

Any company will have a desired level of demand for its products. At any point of time, there may be a situation of no demand, adequate demand, irregular demand, or too much demand. The marketing managers have to identify ways and means to handle different demand situations. They will have to not only be concerned with finding and increasing demand, but also with changing or even reducing it.

Where there is no demand, the marketer has to create demand using market development programmes, publicity, sales promotion, aggressive personal selling and other appropriate tactics.

Reducing the demand is done through demarketing.

Demarketing is resorted to by a company or a government when faced with a very high demand which it cannot meet in the short run. It is a process of discouraging overall demand using measures like increasing the price, controlling the supply and reducing promotion. For example, during 1971-72, there was acute shortage of chemical fertilizers in India as against heavy demand, and the Government resorted to demarketing policies for two years. Controls were introduced on retail distribution, prices were raised by nearly 100%, marketing freedom of dealers and manufacturers was brought under governmental control, and fertilizer promotion programmes were brought down to low key. Demand management and customer management are the fundamental activities in marketing management in all companies.

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Marketing's broader importance extends to society as a whole. Marketing has helped introduce and gain acceptance of new products that have eased or enriched people's lives. It can inspire enhancements in existing products as marketers innovate to improve their position in the marketplace. Successful marketing builds demand for products and services, which, in turn, creates jobs. By contributing to the bottom line, successful marketing also allows firms to more fully engage in socially responsible activities.²

CEOs recognize the role of marketing in building strong brands and a loyal customer base, intangible assets that contribute heavily to the value of a firm. Consumer goods makers, health care insurers, nonprofit organizations, and industrial product manufacturers all trumpet their latest marketing achievements.

Marketers must decide what features to design into a new product or service, what prices to set, where to sell products or offer services, and how much to spend on advertising, sales, the Internet, or mobile marketing. They must make those decisions in an Internet-fueled environment where consumers, competition, technology, and economic forces change rapidly, and the consequences of the marketer's words and actions can quickly multiply. One of the defining changes resulting from the increasing popularity of the Internet is the explosive growth of social networking media. This powerful medium is rapidly changing the ways in which companies connect with customers and how they market their product and services.

The Scope of Marketing ✓

To prepare to be a marketer, you need to understand what marketing is, how it works, who does it, and what is marketed.

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What Is Marketing?

Marketing is about identifying and meeting human and social needs. One of the shortest good definitions of marketing is "meeting needs profitably." When eBay recognized that people were unable to locate some of the items they desired most, it created an online auction clearinghouse. When IKEA noticed that people wanted good furnishings at substantially lower prices, it created knockdown furniture. These two firms demonstrated marketing savvy and turned a private or social need into a profitable business opportunity.

The American Marketing Association offers the following formal definition: *Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.*⁴ Coping with these exchange processes calls for a considerable amount of work and skill. *Marketing management* takes place when at least one party to a potential exchange thinks about the means of achieving desired responses from other parties. Thus we see *marketing management* as *the art and science of choosing target markets and getting, keeping, and growing customers through creating, delivering, and communicating superior customer value.*

We can distinguish between a social and a managerial definition of marketing. A social definition shows the role marketing plays in society; for example, one marketer has said that marketing's role is to "deliver a higher standard of living." Here is a social definition that serves our purpose: *Marketing is a societal process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with others.*

Managers sometimes think of marketing as "the art of selling products," but many people are surprised when they hear that selling is *not* the most important part of marketing! Selling is only the tip of the marketing iceberg. Peter Drucker, a leading management theorist, puts it this way:

There will always, one can assume, be need for some selling. But the aim of marketing is to make selling superfluous. The aim of marketing is to know and understand the customer so well that the product or service fits him and sells itself. Ideally, marketing should result in a customer who is ready to buy. All that should be needed then is to make the product or service available.⁵

When Nintendo designed its Wii game system, when Canon launched its ELPH digital camera line, and when Toyota introduced its Prius hybrid automobile, these manufacturers were swamped with orders because they had designed the right product, based on doing careful marketing homework.

What Is Marketed?

Marketers market 10 main types of entities: goods, services, events, experiences, persons, places, properties, organizations, information, and ideas. Let's take a quick look at these categories.

GOODS Physical goods constitute the bulk of most countries' production and marketing efforts. Each year, Indian companies market cars, trucks, television sets, machine tools, machines, industrial chemicals, watches, cosmetics, and various other mainstays of a modern economy.

SERVICES As economies advance, a growing proportion of their activities focuses on the production of services. Services include the work of airlines, hotels, car rental firms, barbers and beauticians, maintenance and repair people, and accountants, bankers, lawyers, engineers, doctors, software programmers, and management consultants. Many market offerings mix goods and services, such as a fast-food meal.

EVENTS Marketers promote time-based events, such as major trade shows, artistic performances, and company anniversaries. Global sporting events such as the Olympics and the World Cup are promoted aggressively to both companies and fans.

EXPERIENCES By orchestrating several services and goods, a firm can create, stage, and market experiences. An amusement park or a water park represents experiential marketing: by taking rides in the amusement park or the water park, customers enjoy the thrill provided by these experiences. So does a "theme-based restaurant" that creates the ambience of a village in Rajasthan or Gujarat.

PERSONS Artists, musicians, CEOs, physicians, high-profile lawyers and financiers, and other professionals all get help from celebrity marketers.⁶ Celebrities such as Amitabh Bachchan,

The tourism industry is a good example of place marketing. Bihar Tourism has done a good job of promoting Bihar as the birthplace of Lord Buddha.

SHRINE OF PEACE
Bodhgaya, in Bihar, is where Prince Siddhartha ended his spiritual quest from Kapilavastu (Nepal), to become the Buddha—the Enlightened One, and from where Buddhism spread.

MAHABODHI TEMPLE
The ancient temple marks the site of Buddha's enlightenment. Within the sanctum is a colossal gilded Buddha in the Bhumsparsha mudra. Votive stupas dot the courtyard. The railing dates to the 1st century BC. Bodhi Tree, the 5th offshoot of the original, features the vajrasana, the place under the tree where the Buddha sat in meditation, before his Enlightenment.

Bihar TOURISM

Principal Secretary
Department of Tourism, Govt of Bihar, Room No. 89
Old Secretariat, Patna - 800 001
Ph: 06 222 5531, Fax: 06 222 5111
www.tourismbihar.org

Director, Tourism
Govt of Bihar, C/o Chhatrapati
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Ph: 06 222 5531, Fax: 06 222 5111
Email: tourism@bihar.nic.in
Director, Consumer Affairs
State Tourism Development Corporation
Carter Road, Patna - 800 001
Ph: 06 222 5531, Fax: 06 222 5111
Email: tourism@bihar.nic.in

Sachin Tendulkar, Shahrukh Khan, Amir Khan, Kareena Kapoor, and Mahendra Singh Dhoni are big brands in themselves.

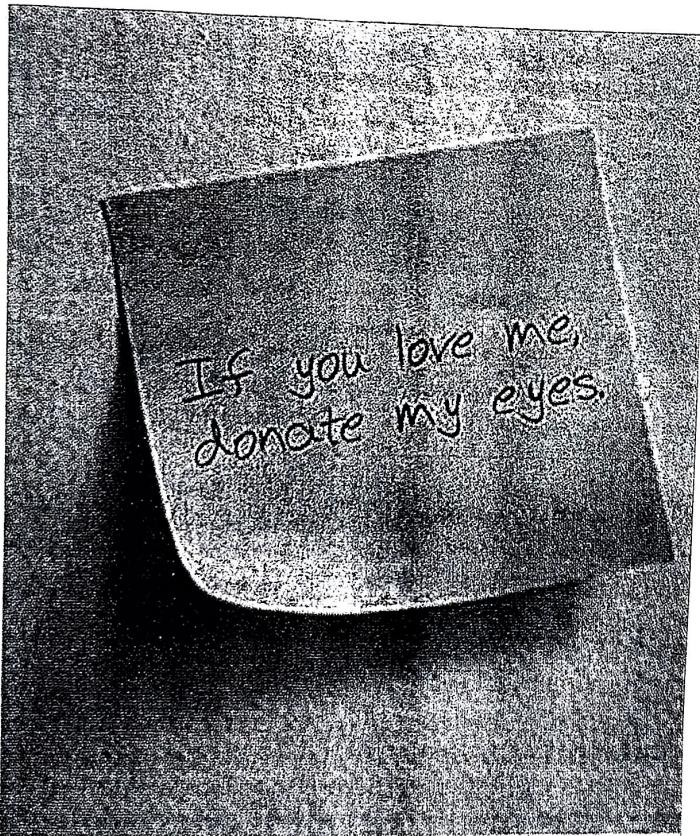
PLACES Cities, states, regions, and whole nations compete to attract tourists, residents, factories, and company headquarters. Place marketers include economic development specialists, real estate agents, commercial banks, local business associations, and advertising and public relations agencies. The tourism industry is a good example of place marketing. The Government of India and various state governments are putting in considerable efforts to promote places and destinations for tourism. Given their diverse culture, rich history, and scenic beauty, many places in India are attractive to domestic and international tourists. Bihar, for example, being the birthplace of Lord Buddha, has special appeal for many. The royal history and the palaces of Rajasthan tell an incredible array of stories that enchant visitors. The national parks and wildlife sanctuaries of Madhya Pradesh appeal to people interested in nature and adventure. Gujarat Tourism recently unveiled a new logo to promote tourism and has roped in celebrity film personality Amitabh Bachchan as its brand endorser.

PROPERTIES Properties are intangible rights of ownership to either real property (real estate) or financial property (stocks and bonds). They are bought and sold, and these exchanges require marketing. Real estate agents work for property owners or sellers, or they buy and sell residential or commercial real estate. Investment companies and banks market securities to both institutional and individual investors.

ORGANIZATIONS Organizations work to build a strong, favorable, and unique image in the minds of their target publics. Many organizations in India and its neighboring countries undertake socially useful initiatives in domains such as health, education, women's empowerment, and poverty alleviation as part of their corporate social responsibilities. These help companies to develop a favorable company image and enhance brand perceptions among the public and other relevant constituencies.

INFORMATION The production, packaging, and distribution of information are major industries.⁸ Information is essentially what books, schools, and universities produce, market, and distribute at a price to parents, students, and communities. The former CEO of Siemens Medical Solutions USA, Tom McCausland, says, "[our product] is not necessarily an X-ray or an MRI, but information. Our business is really health care information technology, and our end product is really an electronic patient record: information on lab tests, pathology, and drugs as well as voice dictation."⁹

IDEAS Every market offering includes a basic idea. Charles Revson of Revlon once observed: "In the factory we make cosmetics; in the drugstore we sell hope." Products and services are platforms for delivering some idea or benefit. In South Asian countries, ideas that lead to responsible actions and wholesome consumption behavior are needed for social welfare. Marketing has an important role in influencing attitudes and behaviors, such as creating awareness about HIV/AIDS, encouraging family planning, discouraging smoking and alcoholism, promoting voluntary eye and blood donation, and other such ideas that fall under the realm of social marketing.



Tell your family and friends about your decision to be an eye donor. Tell them about how you will become immortal and how your eyes will see the world you have left behind even after you die. Tell them that you will be making the life of a visually impaired worth living. What can you say today to make others see tomorrow.

Share your wishes...Share your vision...and make the difference.

Promoting powerful ideas that encourage socially desirable behavior and action is part of social marketing. This advertisement appeals to people to pledge their eyes to improve a visually impaired person's future.

Who Markets?

MARKETERS AND PROSPECTS A **marketeer** is someone who seeks a response—attention, a purchase, a vote, a donation—from another party, called the **prospect**. If two parties are seeking to sell something to each other, we call them both **marketeers**.

Marketeers are skilled at stimulating demand for their products, but that's a limited view of what they do. Just as production and logistics professionals are responsible for supply management, marketeers are responsible for demand management. They seek to influence the level, timing, and composition of demand to meet the organization's objectives. Eight demand states are possible:

1. **Negative demand**—Consumers dislike the product and may even pay to avoid it.
2. **Nonexistent demand**—Consumers may be unaware of or uninterested in the product.
3. **Latent demand**—Consumers may share a strong need that cannot be satisfied by an existing product.
4. **Declining demand**—Consumers begin to buy the product less frequently or not at all.
5. **Irregular demand**—Consumer purchases vary on a seasonal, monthly, weekly, daily, or even hourly basis.
6. **Full demand**—Consumers are adequately buying all products put into the marketplace.
7. **Overfull demand**—More consumers would like to buy the product than can be satisfied.
8. **Unwholesome demand**—Consumers may be attracted to products that have undesirable social consequences.

In each case, marketeers must identify the underlying cause(s) of the demand state and determine a plan of action to shift demand to a more desired state.

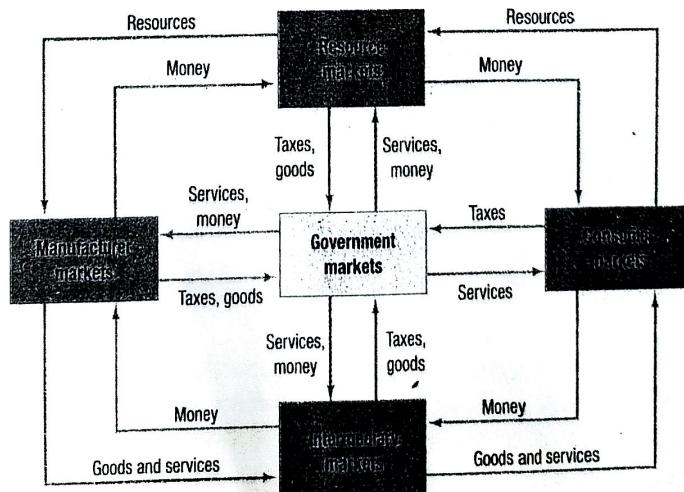
MARKETS Traditionally, a “market” was a physical place where buyers and sellers gathered to buy and sell goods. Economists describe a **market** as a collection of buyers and sellers who transact over a particular product or product class (such as the housing market or the grain market).

Five basic markets and their connecting flows are shown in ▲ Figure 1.1. Manufacturers go to resource markets (raw material markets, labor markets, money markets), buy resources and turn them into goods and services, and sell finished products to intermediaries, who sell them to consumers. Consumers sell their labor and receive money with which they pay for goods and services. The government collects tax revenues to buy goods from resource, manufacturer, and intermediary markets and uses these goods and services to provide public services. Each nation's economy, and the global economy, consists of interacting sets of markets linked through exchange processes.

Marketeers use the term **market** to cover various groupings of customers. They view sellers as constituting the industry and buyers as constituting the market. They talk about need markets (the diet-seeking market), product markets (the shoe market), demographic markets (the youth market), and geographic markets (the Chinese market); or they extend the concept to cover voter markets, labor markets, and donor markets, for instance.

[Fig. 1.1] ▲

Structure of Flows
in a Modern Exchange
Economy



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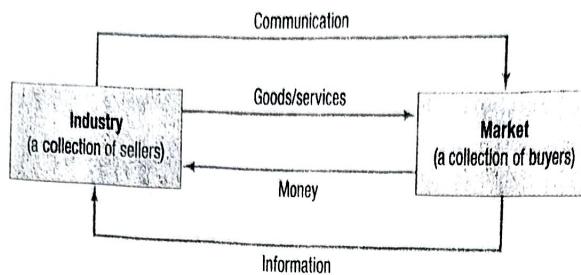


Fig. 1.2 △
A Simple Marketing System

△ Figure 1.2 shows the relationship between the industry and the market. Sellers and buyers are connected by four flows. Sellers send goods and services and communications such as ads and direct mail to the market; in return they receive money and information such as customer attitudes and sales data. The inner loop shows an exchange of money for goods and services; the outer loop shows an exchange of information.

KEY CUSTOMER MARKETS Consider the following key customer markets: consumer, business, global, and nonprofit.

Consumer Markets Companies selling mass consumer goods and services such as juices, cosmetics, athletic shoes, and air travel spend a great deal of time establishing a strong brand image by developing a superior product and packaging, ensuring its availability, and backing it with engaging communications and reliable service.

Business Markets Companies selling business goods and services often face well-informed professional buyers skilled at evaluating competitive offerings. Business buyers buy goods to make or resell a product to others at a profit. Business marketers must demonstrate how their products will help achieve higher revenue or lower costs. Advertising can play a role, but the sales force, the price, and the company's reputation may play a greater one.

Global Markets Companies in the global marketplace must decide which countries to enter; how to enter each (as an exporter, licensor, joint venture partner, contract manufacturer, or solo manufacturer); how to adapt product and service features to each country; how to price products in different countries; and how to design communications for different cultures. They face different requirements for buying and disposing of property; cultural, language, legal and political differences; and currency fluctuations. Yet, the payoff can be huge.

Nonprofit and Governmental Markets Companies selling to nonprofit organizations with limited purchasing power such as churches, temples, universities, charitable organizations, and government agencies need to price carefully. Lower selling prices affect the features and quality the seller can build into the offering. Much government purchasing calls for bids, and buyers often focus on practical solutions and favor the lowest bid in the absence of extenuating factors.¹⁰ See "Marketing Insight: Rural Markets in South Asia" for a discussion of the special features and the importance of rural markets in South Asia.

Preview Case

Play it fair: TRAI Terminates all Misleading Mobile Rates

Mobile service providers (telecom operators) may no longer take customers for a ride through nice-sounding monthly rental plans that actually balloon the bills.

The Telecom Regulatory Authority of India (TRAI) has issued a directive asking telecom operators to show all monthly fixed recurring charges under one head.

The direction comes in view of a number of operators offering tariff plan with misleading titles like 'zero rental' and charging a high monthly fee under some other head.

"The Authority is of the view that such tariff plans which are of misleading nature or having the potential to mislead the subscribers will be considered as lacking in transparency and the service providers should be prohibited from offering such plans", a TRAI release said.

The Government regulator said it intends to put an end to the practice of operators splitting the monthly fixed charges. "When all fixed charges are clubbed under one head it would be easy for the subscriber to make a choice from among all tariff plans available in the market", it said.

TRAI has observed that the tariff plans offered in the market today have monthly fixed charges levied under different sub-heads. Thus, a particular tariff plan, in addition to monthly rental may have plan fee, club membership fee or a fixed charge for compulsory value added service. It is essential from transparency point of view that such plans do not carry any mandatory fixed charge not linked to usage, in any form whatsoever, it said.

"The Authority has directed all service providers that no tariff plan shall be offered, presented, marketed or advertised in a manner that is likely to mislead the subscribers," said the regulator.

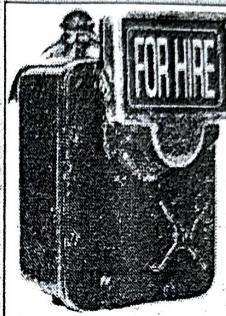
The telecom regulator has given examples of such titles, which are not exhaustive, like Zero Rental, 2R399, Zero Rental (six months), Rent Free, NJ 299 Zero Rental plan, Do More 399 ZR Plan.

All monthly fixed recurring charges, which are compulsory for a subscriber under any given plan, shall be shown under one head. This should also include charges for value-added services like CLIP, if such services are not optional for the subscriber, it said.

Similarly, plans with titles that suggest unlimited usage would be treated as misleading in situations where the features of the plan put restrictions in any manner on the usage.

The case shows how governmental forces come into the picture to control marketing activities in the macro environment. Here, especially, the Authority interfered to safeguard the interests of the consumers from likely unethical practices of mobile service providers.

(Source: *The Economic Times*, 16 September 2005)



Zero rental.

Go Postpaid and pay only for the talktime.

Scanning the Environment

Marketing activities do not take place in a vacuum, isolated from all external forces. In fact, all marketing operations are conducted in a highly complex, dynamic and changing environment. According to Philip Kotler, "A company's marketing environment consists of the actors and forces outside marketing that affect management's ability to build and maintain successful relationships with target customers."¹

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One day, Sherlock Holmes asked Dr. Watson how many steps led up to the Baker Street apartment. Watson responded that he did not know. Holmes replied, "Ah, Watson, you see but you do not observe."

Although we are constantly looking around in our daily lives, like Dr. Watson we often do not observe in a scientific sense. Holmes, however, trained himself to systematically observe the environment in order to see what others overlook.

Scanning the Environment

Environment scanning is a constant, important activity of successful companies. This process includes gathering, filtering and analyzing information related to the marketing environment. It also includes monitoring the changes taking place in the environment and forecasting the future status of each factor. Such analysis helps to spot opportunities and threats in the environment, and pinpoints the ones that are specifically relevant to the company. The company's marketing people have the responsibility for scanning and identifying significant changes or trends in the marketing environment. Marketing Research and Marketing Intelligence System are the methods used by companies for environment scanning and gathering vital information about changes. Customers' behaviour and competitors' activities are also important factors to be watched in the environment.

The marketing environment provides both opportunities and threats. Successful companies know the vital importance of constantly scanning and adapting to the changing environment. The environment continues to change at a rapid pace. Marketers have to study the environment, and adapt marketing strategies to meet new market challenges and opportunities.

Meaning and Concepts

The marketing environment is composed of a microenvironment and a macro environment. The microenvironment consists of the following actors close to the company that affect its ability to serve its customers: (1) The company (2) The suppliers (3) The marketing intermediaries (4) The customer markets (5) The competitors (6) The public. The macro environment consists of the following larger societal forces that affect the microenvironment: (1) Demographic (2) Economic (3) Natural (4) Technological (5) Political (6) Legal (7) Cultural.

Microenvironment

Marketing management's job is to build relationships with customers by creating customer value and satisfaction. Marketing success will require working closely with other departments of the company, suppliers, marketing intermediaries, customers, competitors, and various publics, which combine to make up the company's value delivery network.



Blending industry with Nature

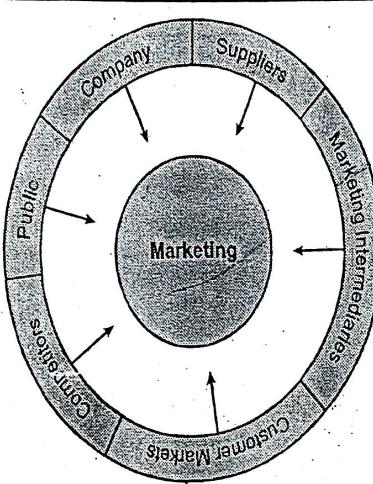


Fig. 2.1: Microenvironment

1. The Company

In the company, marketing managers, in formulating plans, must take into account the other groups such as top management, finance, R & D, purchasing, manufacturing and accounting. All these groups constitute a company's microenvironment for the planners. They should think about the consumer and work in harmony to provide customer value and satisfaction.

2. The Suppliers

Suppliers form an important link in the company's overall customer value delivering system. They provide the resources needed by the company to produce its goals and services. Developments in the supplier environment can have a substantial effect on the company's marketing operations. Price changes, supply shortages, labour strikes, and other events can interfere with the fulfilment of delivery promises to customers and lose sales in the short run and damage customer relationship in the long run.

3. The Marketing Intermediaries

Marketing intermediaries are firms that aid the company in promoting, selling and distributing its goods to the final buyers. They include middlemen, physical distribution firms, marketing service agencies and financial intermediaries.

business firms that help the company find customers and /or close sales with them—agents, brokers, retailers, and so on. Physical distribution firms assist the company in stocking and moving goods to their destinations. Warehousing firms store and protect goods; transportation firms move goods agencies — marketing research firms, advertising agencies, media firms, marketing consultancy firms can in targeting and providing its products to the right markets. Financial intermediaries include banks insurance companies, etc., that help with the buying and selling of goods, and also insure against risks

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he company belong to consumer markets, industrial markets, reseller markets, government markets, markets. The tastes and preferences of customers keep on fluctuating. Customers' brand loyalty also by studying the market demand and customer-related factors on a regular basis can marketers carry activities successfully. Marketers have to keep track of what the customers want, and grab emerging s. Neglecting to watch customer preferences will be disastrous.

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marketing system is surrounded and affected by a host of competitors. These competitors have to be , and outmanoeuvred to gain and maintain customer loyalty. Industry and competition constitute a the microenvironment. Development of marketing plans and strategy is based on knowledge about s. Competitive advantage building also depends on understanding the status, strength and weakness market. Competitive advantage is a superior or distinctive competence (in terms of customer value) ve to competition in a specific area.



Box 2.1**Low-cost Carriers make Mass Air Travel a Reality In India**

With new generation private low-cost carriers expanding at breakneck speed, India's aviation scenario promises to make flying affordable for the teeming middle class families. Following Air Deccan, two new carriers — Kingfisher and Spice Jet — have entered the market, and more than ten are lined up for launch in the near future.

Suddenly, the domestic aviation scenario is exploding like never before. If it promises intense competition among the carriers and more choice to the travellers, it also makes a great demand on trained pilots, ground staff, and engineers.

About 40 percent of the people taking low cost flights are first-time flyers. There is a 250 million strong Indian middle class which is undergoing a tectonic shift in its purchase pattern and lifestyle and is ready to take flights. There are opportunities for any low-cost, no-frills carrier ready to fly to smaller cities.

The low-cost airline is like an Udupi hotel which serves neat, clean and tasty food at affordable prices compared to five star hotels.

Aviation sources say that Indian skies are seeing what the European open skies witnessed in the nineties when a large number of low-cost airlines stirred up air travel within Europe by dramatically cutting fares. Clearly, boom time for cheap air travel, like in Europe, seems to be on the cards for the Indian travelling public. This case is an example of how changes in the competitive environment create marketing opportunities or threats.

(Source: *The Hindu*, 6 June 2005)

**150 daily flights.
38 sectors.
The lowest airfares.**



Starting November 12th, Air Deccan connects Puttaparthi with Chennai & Hyderabad.

Fares start at Rs. 500*. Bookings Open.

FL. A/I	From	To	D.	AIR
DN-127	Chennai	Puttaparthi	12:20	ATR
DN-127	Puttaparthi	Hyderabad	13:05	ATR
DN-128	Hyderabad	Puttaparthi	15:05	ATR
DN-128	Puttaparthi	Chennai	16:30	ATR

Starting December 6th, Air Deccan connects Delhi with Punc & Srinagar.

Lowest fares. Every day. On every flight.

Make your blessings at heaven sent fares. On November 12, we commence daily return flights on the Puttaparthi-Hyderabad and Puttaparthi-Chennai sectors. Ticket prices start at Rs. 500*. And since bookings are open right now, we suggest you hurry, book early and pay less.

To buy tickets call 080 39008000 or log on to www.airdeccan.net & visit your nearest Reliance VieoWorld, Oficino Club, TFC outlet or contact your travel agent.

*Please check flight timings with the 2nd column of least 3 hours before departure. Schedule subject to approval by relevant government authorities. Schedule and fare subject to change without prior notice. *Ticket of Passenger Service Fee (Rs. 225) levied by the government. Fare applicable per sector only. Lowest air Deccan fares applicable on the internet site on 10 November 2005. Seats subject to availability.

AIR DECCAN
www.airdeccan.net
Simplifying Travel

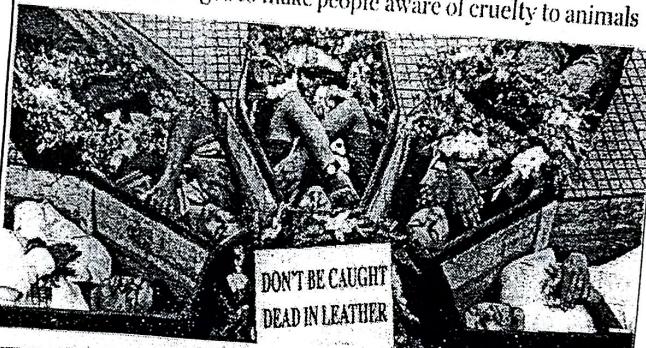
6. The Publics

The company must also acknowledge a large group of publics that take an interest, whether welcome or not, in its method of doing business. A public can facilitate or impede the ability of an organization to accomplish its goals. Most organizations establish public relations (PR) departments to plan constructive relations with various publics. Every company is surrounded by seven types of publics, as given below:

1. financial – banks, stock brokers, financial institutions
2. media – newspapers, magazines, radio, TV
3. government – Government departments
4. citizen-action – consumer organizations, environment groups
5. local – neighbourhood residents, community groups
6. general – general public – public opinion – public image
7. internal – workers, officers, board of directors

Shun products made of leather, says PETA

Demonstration staged to make people aware of cruelty to animals



EXTREME MEASURES: Activists of People for the Ethical Treatment of Animals lying in coffins as part of their demonstration in Bangalore on Tuesday. —

THE HINDU • WEDNESDAY, SEPTEMBER 28, 2005

Special Correspondent

BANGALORE: When animal rights activists take to the streets, they like to do it in style. On Tuesday it was the turn of PETA (People for the Ethical Treatment of Animals), which is part of a worldwide movement to get fair

rights for animals. The demonstration near Mahatma Gandhi statue, a popular venue for devotees of all faiths, had a row of open coffins. Some activists lay in coffins while others held up large pictures of animals being slaughtered. At the end of it all, wreaths were solemnly placed on

each of the coffins. According to PETA, the demonstration was to open the eyes of people to what happen to animals before they are killed for their leather, to be made into fashionable handbags and other accessories.

"Bags, belts and shoes made of dead skin should be shunned.

Since wearing leather supports unimaginable cruelty, no one and no one should wear it," PETA India's N.G. Jayachandra said.

The activists told curious onlookers there are enough alternatives to leather.

Box 2.2

Protesting Public Activists Pose Threat

Cargill Seeds and KFC in Bangalore : The Karnataka Rythu Sangha, the consumer organization for protecting the rights of farmers organized militant protests against the retail outlets of Kentucky Fried Chicken (KFC) and the offices of Cargill seeds in Bangalore, a few years back. They ravaged the outlets, damaging furniture, glass panels, etc., and chasing away customers. Their demand was to stop promoting junk food in a poor country and to safeguard the interests of local farmers from control over seeds patents by MNCs.

FACT in Cochin: The Fertilisers and Chemicals Travancore Ltd., a large public sector enterprise located at Cochin, Kerala, came under the wrath of public interest activists on many occasions due to environmental pollution threats, which, of course, proved false later. When fish die in the nearby Periyar river, or buffaloes grazing on the river banks die of unknown diseases, there is a public outcry against the company, often forcing stoppage of production for short spans of time.

PETA in Bangalore: People for Ethical Treatment of Animals is an animal protection activists' group, part of a worldwide movement to get fair rights for animals. They often organize protests against violent killing in slaughterhouses and also by animal skin traders. PETA has raised voice against use of leather for products like bags, belts and shoes.

(Source: *Multinational Monitor, January/February 1996, The Hindu, 28 September 2005*)

Macro Environment

The company and all of the other actors operate in a larger macro environment of forces that shape opportunities and pose threats to the company. These uncontrollables consist of demographic, economic, natural, technological, political, legal, and cultural factors.

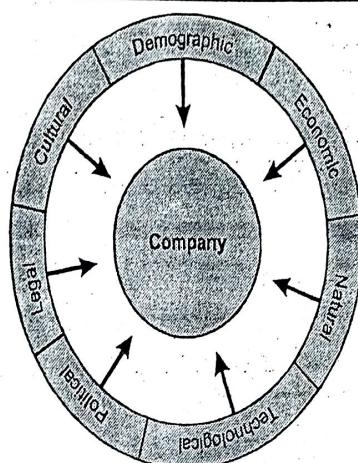


Fig. 2.2 : Macro environment

1. Demographic Environment

Since people make up markets, marketers are interested in the size of the population, its geographic distribution, density, mobility trends, age distribution, birth, marriage and death rates, and racial, ethnic and religious structure. Marketers have to keep track of changing age and family structures, geographical population shifts, educational characteristics, and population diversity. For example, the teenagers' market and working women's market have created marketing opportunities in India, which is a recent development.

Examples: Mobile phones, Two wheelers, Cosmetics, Jeans and fast food.

2. Economic Environment

Markets require buying power as well as people. The economic environment consists of factors that affect consumer purchasing power and spending patterns. Total buying power is a function of current income, prices, savings, and credit availability. The monetary policy changes, prevailing interest rates, business cycles, changes in income levels, etc., are important factors affecting marketing. Marketers should be aware of four main trends in the economic environment. They are:

1. Slowdown in real income growth
2. Continued inflationary pressure
3. Low savings
4. Changing consumer expenditure patterns



Marketing Opportunities in Teenagers' Market

Box 2.3**Share of Food in Household Budget Continues to Fall: NSSO Survey**

The share of food in the average monthly per capita expenditure (MPCE) continued to show a decline in India, as per the latest survey of the National Sample Survey Organisation (NSSO).

For the urban population, the average MPCE of Rs.1,060 comprised Rs. 441 for food and Rs. 619 for non-food items as against rural India where the average MPCE of Rs.565 comprised Rs.305 for food and Rs.260 for non-food, indicating that the decline in the share of food in total expenditure seen over the past several rounds of survey continued, according to the 60th round of NSSO survey on Household Consumer Expenditure in India (Jan-June 2004). The share of food in rural areas was 54 per cent compared to 64 per cent in 1987-88 and in urban areas 42 per cent compared to 56 per cent during 1987-88.

The average urban MPCE exceeded the average rural MPCE by 88 per cent during the period under reference. During the same period, about half of the rural population of India had MPCE below Rs.470, while 20 per cent spent less than Rs.340 per capita per month. In the urban population, 82 per cent had an MPCE above Rs.500 and the amount was more than Rs.1500 for 18 per cent.

In the rural sector, among the major states, Jharkhand, Orissa, Chattisgarh, Madhya Pradesh and Bihar had MPCE less than Rs.800, while Kerala had the highest at Rs.1372.

The proportion of urban households using LPG as cooking fuel rose to 56 per cent in the first half of 2004 as against 47 per cent in 2000-01, while in rural areas, the proportion increased to 9 per cent from 7 per cent in the same period.

(Source: *The Hindu*, 24 November 2005)

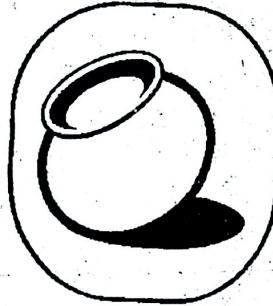
3. Natural Environment

The natural environment involves the natural resources that are needed as inputs by marketers or those that are affected by marketing activities. Environmental concerns have grown steadily in recent years. Marketers should be aware of trends like shortages of raw materials, increased pollution, and increased governmental intervention in natural resources management. Companies will have to understand their environmental responsibility and commit themselves to the 'green movement'.

As an offshoot of the above environmental concerns, the Green Marketing trend has started. Marketers have started promoting eco-friendly products to cater to this need. Manufacturers are required to use the Ecomark label (the symbol of a tilted earthen pot) to inform customers that the products are environment-friendly. To become eligible for the Ecomark,

the product must be produced using environment-friendly technology. It should also be environment-friendly during transport, use and disposal. Its package must also be environment-friendly. Ecomark products or green products are expected to use only natural material for packages. Organic cultivation is part of the green movement, when vegetables, tea, coffee and fruits are grown without using chemical fertilizers and pesticides. Recycled paper and products are other examples of products in green marketing.

ECOMARK SCHEME OF INDIA A SCHEME ON LABELLING OF ENVIRONMENT-FRIENDLY PRODUCTS



Every consumer product we buy has an impact on the environment. It is important to know which ones have less impact.

An earthen pot has been chosen as the logo for the Ecomark scheme in India. The familiar earthen pot uses a renewable resource like earth, does not produce hazardous waste and consumes little energy in making. Its solid and graceful form represents both strength and fragility, which also characterises the eco-system.

As a symbol, it puts across its environmental message. Its image has the ability to reach people and can help to promote a greater awareness of the need to be kind to the environment. The logo for the Ecomark Scheme, signifies that the product which carries it does the least damage to the environment.

4. Technological Environment

The technological environment is the most dramatic force now shaping our destiny. Technological discoveries and developments create opportunities and threats in the market. The marketer should watch the trends in technology. Many of today's common products were not available 100 years ago or even 30 years ago. E.g.: automobiles, airplanes, TV, Xerox, personal computers, CD players, cell phones, etc. Marketers need to know how new technologies can serve human needs. Even the common man has now changed his lifestyle and product preferences. He has become an 'innovator'. In Kerala, the boat operators were some of the first to start using mobile phones. Today, cell phones have become so popular and common that even the lower income group of the society like auto-drivers, vegetable vendors, hawkers and domestic servants uses them.



ON THE MOVE: A boat operator in Kerala talking on his mobile phone. —PHOTO COURTESY: IDEA CELLULAR

5. Political Environment

Marketing decisions are strongly affected by developments in the political environment. The form of government adopted by the country and political stability are important factors to be reckoned with by marketers. The political environment consists of laws, government agencies, and pressure groups that influence or limit various organizations and individuals in a given society. Substantial number of laws have been enacted to regulate business and marketing — to protect companies from each other, to protect consumers from unfair trade practices, to protect the larger interests of society against unbridled business behaviour. Changing government agency enforcement and growth of public interest groups also bring in threats and challenges.

Examples: Liberalisation, Globalisation, Decontrol, Delicensing, FDI Policy.

6. Legal Environment

Marketers have to function within the legal framework prevailing in the country. There have been many legislations passed in India to control or guide businesses and industry. There are legal regulations on products, prices, distribution and promotion. For example, liquor and cigarette advertising has been banned. So marketers come up with surrogate ads which

indirectly promote brands. There are legal measures to protect consumers and control trade. (See chapter 18 for details and examples). Marketers have to understand the legal environment and adapt to its forces.



Example of a Surrogate Ad

7. Cultural Environment

The cultural environment is made up of institutions and other forces that affect a society's basic values, perceptions, preferences, and behaviours. People grow up in a particular society that shapes their basic beliefs and values. They absorb a world view that defines their relationships with others. Culture is the unified result of factors like religion, language, education and upbringing. The following cultural characteristics can affect marketing decision-making:

Persistence of core cultural values — These are deep-rooted and do not change easily. For example, ethnocentrism, i.e., affinity to local-made products and aversion to foreign goods.

Shifts in secondary cultural values — These are more amenable to change and can be moulded and manipulated easily. E.g., The influence of film stars, models and celebrities on our young people's trend in hair styles, fashion of dresses and even lifestyles.

Marketers have a keen interest in anticipating cultural shifts in order to spot new marketing opportunities or threats.

Preview Case

Cultural Differences on Consumer Behaviour

Do consumers desire quicker service and delivery of product? Do they prefer options that offer early pay off? Are consumers willing to pay more for immediate rather than delayed gratification (satisfaction)? Answers to these questions probably reflect consumers' impatience, which is a contemporary research area in consumer behaviour. It has been found that cross-cultural variations are possible in such consumer behaviour, specifically in consumer impatience.

Previous studies say that time orientation varies with culture — for some, time is less important and irrelevant while others value the time element. There are many consumers who want to buy their desired product immediately rather than wait. This behaviour is manifested in consumer impatience.

Research to understand the degree to which this behaviour manifests reveals that promotional messages that emphasise negative info evoke more attention and may lead to more impatience. Further, nature of the goal emphasized in the message and culture's dominant self-view will affect impatience of consumers. Researchers discuss two types of self-regulatory goals — promotion goal (motivation to get desirable result) and prevention goal (motivation to avoid undesirable outcome). It has also been perceived that prevention goals are consistent with Asian cultures and promotion goals are typical of the Western culture. Thus, a congruency in self-view and the way the message is framed will impact persuasion of consumers.

Research findings suggest that the consumers exhibiting Western culture placed a higher value on immediate consumption opportunity by fulfilling a promotion goal and showing a higher willingness to pay. Whereas, consumers exhibiting Asian culture viewed the consumption opportunity as fulfilling a prevention goal and showed a higher willingness to pay. That means, Westerners are willing to pay more to achieve a desirable outcome, while Easterners are willing to pay to avoid an undesirable outcome.

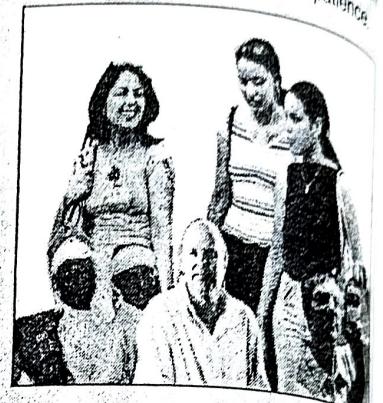
Hence, researchers say in Western cultures, ad messages must suggest that standard delivery limits the early enjoyment of a product and this can yield higher degree of impatient behaviour and thus higher willingness to pay for faster delivery. In Eastern cultures, ad messages must emphasise how standard delivery extends the waiting time and this possibility can lead to higher degree of impatient consumer behaviour and could enhance the consumers' willingness to pay.

(Source: "Cultural Differences on Consumer Impatience", by Haipeng Allan Chen et al,
Journal of Marketing Research, Vol.XLII, August 2005)

What is Consumer Behaviour?

Consumer behaviour or buyer behaviour is defined as the behaviour that consumers display in searching for, purchasing, using, evaluating and disposing of products and services that they expect will satisfy their needs.¹ Consumer behavior focuses on how individuals make decisions to spend their available resources (time, money, effort) on consumption-related items. That includes what they buy, why they buy it, when they buy it, where they buy it from, how often they buy it, how often they use it, how they evaluate it after the purchase and the impact of such evaluations on future purchases and how they dispose of it.

As individuals we all differ in many ways—in likes, dislikes, attitudes, cultural background, income level, etc. Despite such differences, there is a common factor among all of us, i.e., above all, we are all consumers. We buy, use, or consume





Similarly food, clothing, shelter, transportation, education, equipment, necessities, luxuries, services, and even ideas. As consumers, we all play an important role in the overall health of the economy. The buying decisions we make affect the demand for basic raw materials, for transportation, for production, for banking, etc. They also affect the employment of workers and the deployment of resources, the success of some industries and the failure of others.

In order to succeed in any business in today's competitive market, marketers have to know everything they can about consumers. They must know what the buyers want, what the buyers think, how they work, how they spend their leisure time, and so on. They need to also understand the personal and group influences that affect consumer decisions and how these decisions are made by consumers.

Box 4.1

Relevance of Consumer Behaviour Studies

In the present day competitive marketing scenario, studying and understanding consumer behaviour will be the key to business success. Companies are in business today, only to serve the customer and satisfy him. Those that do so efficiently and effectively are the ones that make a profit. The study of consumer behaviour provides the basic knowledge necessary to make successful business decisions.

Consumer behaviour studies open up many avenues for students planning for a career in marketing. A person with a thorough knowledge of consumer behaviour understands the underlying reasons why consumers are loyal to a brand. Study about the psychology and sociology of consumers helps brand managers and product managers in preparing strategies for their business. Thus, studying consumer behaviour can lead to a career in brand or product management in a marketing company.

Knowledge of the psychology of the consumers will help one to secure a good job in an advertising agency. All the motivational and persuasive tactics of advertising spring from the understanding of consumer behaviour. Knowing how consumers will react to certain types of cues or stimuli should help determine the advertising strategy for different brands in different industries.

For a student with strong quantitative and analytical skills, study of consumer behaviour will be useful in combination with marketing research in securing a marketing research analyst's position in a company. As a market research analyst who understands consumer behaviour, one will be able to provide deeper recommendations to top management. The concept of customer relationship management (CRM) has gained prime importance in business nowadays. A number of companies are interested in deploying some sort of CRM strategy in their firms. An understanding of consumer behaviour is a prerequisite to employing a CRM strategy in a firm. There are students who become very fascinated by the study of consumer behaviour and pursue even a doctorate in the subject. Through their study, they develop the knowledge of the field and further our understanding of consumers.

The term, 'consumer behaviour', deals with two different categories of consumers — the household consumer (personal consumer) and the organizational consumer (business or industrial consumer). The household buyer buys goods and services for his or her own personal use, for the use of the household, or as a gift for a friend or relative. Here, the products are bought for final use of individuals, who are referred to as end users or final consumers. All such final consumers combine to make up the consumer market. The organizational buyer includes profit and non-profit companies, government agencies (state or national), and institutions (schools, colleges, hospitals, hotels), all of which buy products, equipment and services to run their organizations, or for further production. End-use consumption is perhaps the most pervasive of all areas of buyer behaviour as it involves every individual human being.

Buying Characteristics Influencing Consumer Behaviour

Consumer behaviour is influenced by cultural, social, personal and psychological characteristics. The marketing people will not be able to control these factors, but nevertheless have to understand and reckon them.

*

20

1. Cultural	2. Social	3. Personal	4. Psychological
Culture	Reference groups	Age and life cycle stage	Motivation
Subculture	Family	Occupation	Perception
Social class	Roles and status	Economic situation Lifestyle Personality and self-concept	Learning beliefs and attitudes

1. Cultural Characteristics

Culture: Cultural factors like the buyer's culture, subculture, and social class exert the broadest and deepest influence on consumer behaviour. Culture is the most fundamental determinant of a person's wants and behaviour. As a person grows up in society, he learns a basic set of values, perceptions, preferences, and behaviour through a process of socialization involving the family and other key institutions.

Marketing people look for cultural shifts to find out new products that may be demanded. Concern about health and fitness, for example, is a cultural shift which created a market for health equipments, health drinks, slimming centres, etc. Similarly, the shift towards informality created demand for casual clothing like jeans, T-shirts, tops, etc.

Subculture: The main culture includes smaller groups of subcultures within its fold that provide more specific identification and socialization for its members. Subcultures like nationality groups, religious groups, racial groups, communities, and geographical areas have distinct characteristic lifestyles.

Social Classes: Social classes are homogeneous social stratifications in society whose members share similar values, interests, and behaviour. Upper class, middle class, lower middle class, and lower class are such social classes. Social class is determined by occupation, income, education, etc. Consumers within a social class may have similar buyer behaviour, and product and brand preferences.

2. Social Characteristics

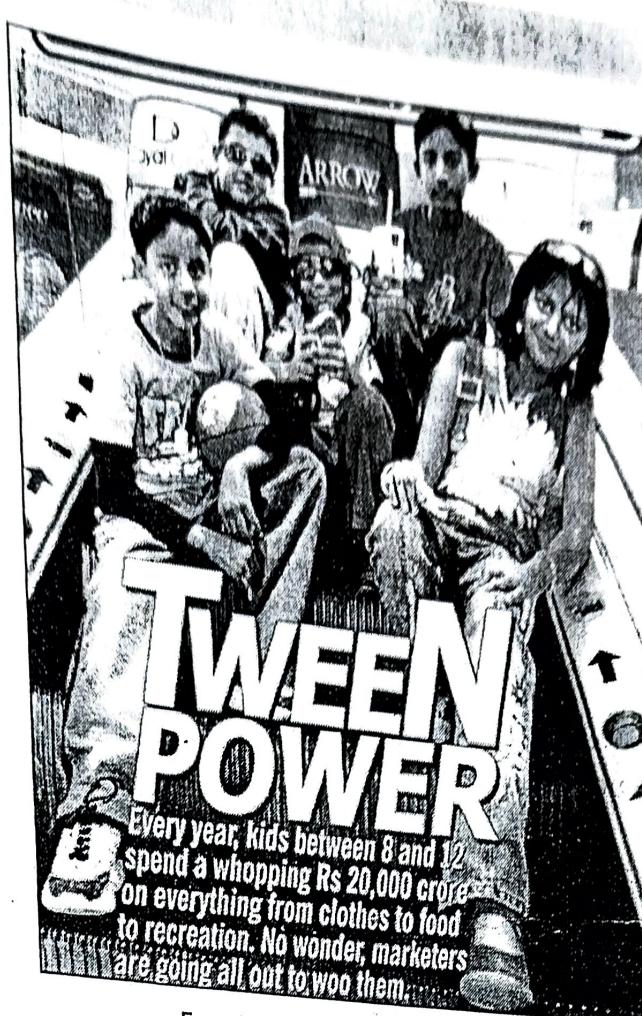
Social factors like the consumer's reference groups, family, social roles and status also influence buyer behaviour.

Reference Groups: Reference groups influence buyer behaviour very strongly.

Membership groups can be primary groups which have direct influence like family, friends, neighbours, and co-workers. Secondary groups can be religious organizations and trade unions. An aspirational group is one to which the person wishes to belong. These groups expose an individual to new behaviour and lifestyles which in turn will affect his choices of products and brands. In the case of products and brands with strong group influence, marketers must seek the help of opinion leaders in the relevant reference group, who will exert influence on others because of their personality, knowledge, special skills, etc. Marketers identify opinion leaders and make direct marketing efforts toward them. Members of the group watch their leader's style and behaviour, and try to emulate them.

Family: Members of the buyer's family can exercise a strong influence on the buyer's behaviour. The family consists of one's parents, spouse and children. Marketing people are interested in the roles and influence of the husband, wife and children on buying decisions. Decision-makers, in case of some goods and services, will be husband-oriented, wife-dominant, and equal.

Role and Status: A buyer may belong to many groups at the same time, like family, clubs, associations, or organizations. His position in each group will be specified by his role and status. Such roles and status will also influence his buying decisions.



3. Personal Characteristics

Buyer behaviour is also influenced by the buyer's personal characteristics, notably his or her age and life-cycle stage, occupation, economic circumstances, lifestyle, personality, and self-concept.

Age and Life-Cycle Stage: The needs, wants and demand for goods and services change in the buyer's lifetime. Buyer's tastes in food, clothes, furniture and recreation are all related, and likely to change. Family life cycle consists of stages like young singles, newly married, married with children (full nest), elderly couple living alone (empty nest), or single parents (working or retired). Consumption is shaped by the stage in which the buyer is presently.

Occupation: Buyer's consumption pattern is also influenced by his occupation. A factory worker may buy work clothes, work shoes, lunch boxes, etc., while a company executive may buy expensive suits, watches, travel accessories, tickets for air travel, luxury car, etc.

Economic Circumstances: Economic circumstances of the buyer will affect his product choice. This consists of his spendable income, saving and assets, borrowing power and attitude toward spending and savings.

Lifestyle: Life style is an individual's way or pattern of living, which is reflected in his activities, interests and opinions. Consumers with the same cultural, sub-cultural, occupational and social class background could have varying lifestyles. This is a factor that has to be thoroughly studied by marketing people.

Personality and Self-Concept: Personality is the person's distinguishing psychological characteristics that lead to relatively consistent and enduring responses to his or her own environment. It is described in terms of such traits like se-

confidence, dominance, autonomy, sociability, defensiveness, and adaptability. In studying consumer behaviour, personality is very important, as it affects the buying decisions and selection of products and brands.

Marketers try to create brand personality for some products, consisting of a mix of human traits. Buyers very often select brands with matching personality of their own. Example: Raymonds and Reid & Tailor suiting, Omega watches, Zodiac ties. Marketers sometimes use buyer's self-concept or self-image to match brand images.

Box 4.2

"Personality drives purchase" – says VALS model

Personality, instead of social values, is the basis for segmentation in the context of consumer behaviour in the current VALS system and this will give greater value to advertisers and marketers. The VALS (Value And Life Styles) segmentation was introduced by the US-based SRI Consultants, and it was originally based on consumer's social values and lifestyles. Consumers were grouped accordingly into groups of Actualisers, Fulfilleds, Achievers, Experiencers, Believers, Strivers, Makers, and Strugglers.

In a revised VALS model which is developed as applicable in the Indian context, SRI uses personality as an important factor in consumer behaviour studies. Personality research provides the theoretical basis and psychometrics (the measurement of individual differences) provides the measurement approach.

According to the new VALS model, the consumer's personality dictates his purchase.

An 'innovator' will be a very active consumer and his purchase will reflect cultivated tastes. A 'thinker' will look for durability and value while buying.

The key benefit of VALS is to help marketers go beyond demographics to understand the motivations driving consumer behaviour and decision-making so that they can match the right products and messages with the right people. People with the same demographics (age, sex, education, financial resources) can have different motivations. By extension, VALS as a general segmentation, helps marketers analyse important behaviour patterns (product purchase, usage patterns, trial, early adoption, etc.) in a broader, interpretive context. This includes motivations, decision-making style, communication style, media and channel use, and consumption-based lifestyle among other attributes.

Many market segmentations are not reliable over time. Some kinds of cluster analysis segmentations provide a current, static picture that becomes irrelevant across time. That is why VALS model is becoming popular for practical applications across a wide range of industries to study consumer behaviour and segment the markets. The key concept in VALS model is that by appropriately measuring personality components with attitude scales and appropriately weighting these scales, segments of consumers sharing similar attitudes and behaviour can be reliably defined.

India VALS will provide a more complete picture of an Indian consumer to the marketers. It will also provide linkages to the existing databases available with the marketer. Immediate application will be for automobiles, consumer durables, FMCG, media, airlines and finance sectors.

(Source: Bill Gunns, CEO, SRI Consulting, Pitch, June 2005)

4. Psychological Characteristics

Motivation, perception, learning, beliefs and attitudes also influence buyer behaviour. These are psychological factors.

Motivation: Buyer's needs are normally biogenic or physiological, and psychogenic or psychological. When they are aroused to a sufficient level of intensity they become motives, urging the buyer to seek satisfaction. Abraham Maslow explained the driving force of people's needs as consisting of a need hierarchy. This included physiological needs, safety needs, social needs, esteem needs and self-actualisation needs.

Needs, according to Maslow, are satisfied according to their hierarchical priority. The buyer's behaviour will be influenced by all these motives.

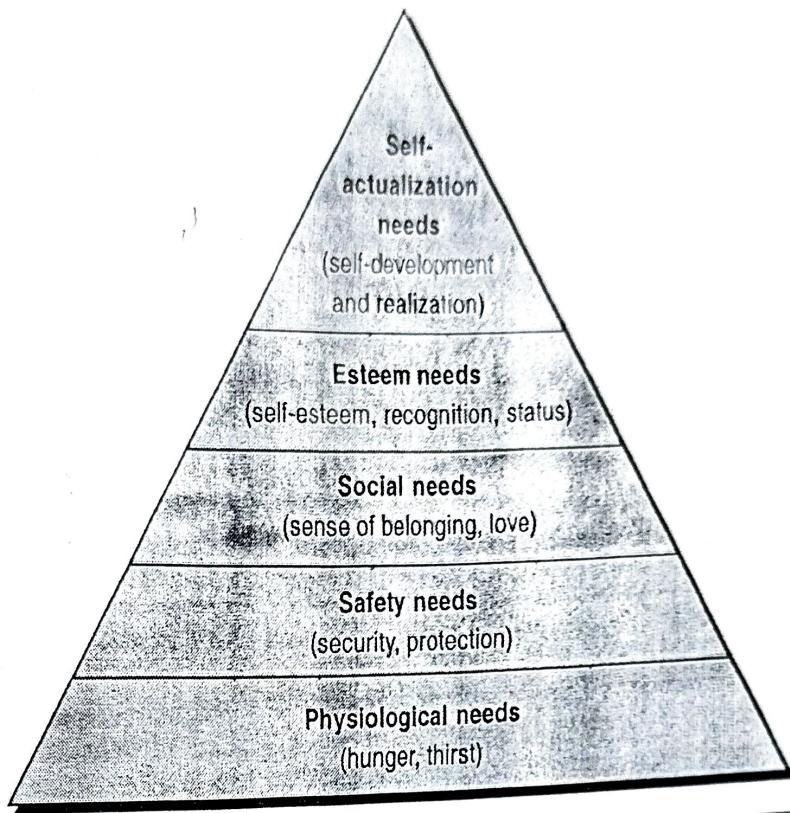


Fig. 4.2: Maslow's Hierarchy of Needs

(Source: Abraham Maslow, *Motivation and Personality*, Harper & Row, N.Y. 1954)

Perception: Once motivated, how the motivated buyer acts is influenced by his or her perception of the situation. That is, how the buyer receives, selects, organizes and interprets information. Buyers can emerge with different perception of the same stimulus object because of three perceptual processes : selective exposure, selective distortion, and selective retention.

Consumers are exposed to a tremendous amount of stimuli everyday of their lives. Out of this, most of the stimuli will be screened out, only a few will be selected by buyers, depending on the relation to a current need. Similarly, buyers forget about some stimuli and retain only what they want. Because of these factors, marketers use considerable drama and repetition in sending messages to their target markets.

Learning: Buyers learn through their actions. Learning involves changes in the buyer's behaviour as a result of his experience. The buyer's learning is produced through the interplay of drives, stimuli, cues, responses, and reinforcement.

Beliefs and Attitudes: People's beliefs and attitudes also influence their buyer behaviour. Beliefs may be founded on knowledge, opinion or faith. It is a descriptive thought that the buyer has about something. Beliefs are important from the marketer's point of view because product and brand images are based on beliefs and, therefore, affect buyer's behaviour.

Attitudes reveal the judgments, feelings, and tendencies of the buyer towards an object or an idea. Attitudes exhibit the buyer's frame of mind of liking or disliking things, and of moving toward or away from them. Marketers should try to fit their product offerings into the buyer's existing attitudes rather than trying to change attitudes, which is a difficult task.

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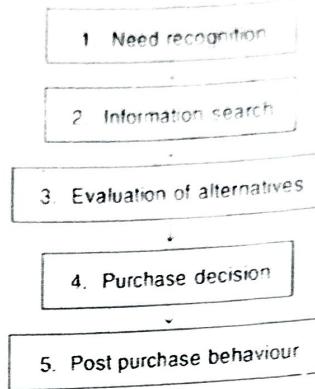
Ad focussed on consumer's craze for power and achievement motivation

A person's choice of products is the result of the complex interplay of cultural, social, personal and psychological factors. Many of these factors cannot be influenced by the marketers. They are useful, however, in identifying the buyers who might have the most interest in the product. Other factors are subject to the marketer's influence and give clues to the marketer on how to develop product, price, place and promotion to attract strong consumer response.

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Stages in the Buying Decision Process

The Stage-Model of the buying process shows the consumer as passing through five stages. They are



1. Need Recognition

The buying decision process starts with the buyer's recognition of a problem or need. Consumers typically make buying decisions to satisfy a particular need or a want. A student, for example, could realise that he is hungry and hence has to buy some food - a pizza, meals or biriyani, or to avoid late-coming to class, he has to buy a motorcycle. A consumer problem can be any state of deprivation or discomfort felt by a consumer. Need or problem recognition happens when consumers realise that they need to do something to get back to a normal state of comfort.

The need can be triggered by either an internal stimulus or an external stimulus. Internal stimuli are perceived states of discomfort - physical or psychological (like hunger, fear of late-coming to class, and esteem needs like the prestige of owning a motor cycle). External stimuli are informational cues from the market that lead the consumer to realise the need or problem (like advertisement of food, motorcycle, etc.). Sometimes some consumers may not recognise latent needs till they see or hear about some products. Modern gadgets like MP3 players, iPods, iPads, camera mobile phones, etc are examples. The easy availability of personal loans (EMI schemes) and credit cards have made many consumers realise the need to buy a motorcycle, a car or a house. The marketer needs to identify the circumstances that trigger the particular need or interest in consumers.

2. Information Search

In many cases, an aroused consumer searches for information about the product. In information search, consumers usually consider only a select subset of brands. His awareness set will include brands about which the consumer is aware of. An 'evoked set' will include brands in a product category that the consumer remembers at the time of decision making. Of the evoked set, not all are deemed to fit the need. Those considered unfit are eliminated. The remaining brands are termed the 'consideration set' - the brands a consumer will consider buying.

Initially, consumers seek information about the consideration set of brands. If the product in question is a motorcycle, this may include popular brands like Yamaha, Honda and Bullet. New information can bring additional brands (like Ducati or Harley Davidson) into the awareness, evoked and consideration sets.

Consumer's information sources can be of different types - personal, commercial or experimental sources. Personal sources of information are family, friends, neighbours, and peers. This type of information is also known as word-of-mouth, is very credible and plays a critical role in the selection of products. Commercial sources of information are advertisements from the marketers, sales persons, dealers, PoP display and product leaflets. Company websites also prove to be a good source of such information nowadays. Experimental sources include handling, examining and using

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It's really easy!

Pension Plans

- NEW JEEVAN SURAKSHA - I
- NEW JEEVAN DHARA - I
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LIC Life Insurance Corporation of India
Joint Venture of LIC

Ad focussing on building customer confidence and relationship

the products. For example, a motorcycle can be test-driven for trial and experimental use by a consumer. Since information gathering has costs in terms of time, physical effort and mental effort, consumers weigh the costs against the likely gains from information search. This comparison helps them to decide how much information they will collect and from what sources. Mostly, the information search will be a complex process for expensive products like a motorcycle, a car, or an apartment, and simple for low-cost products.

3. Evaluation of Alternatives

After gathering sufficient information, the consumer evaluates the alternatives. Here, the concepts involved are product attributes, weightage for important attributes, brand image, price, utility function and evaluation procedure. In the case of evaluating a motorcycle, for example, the student may compare brand image, design and style of the models, price, mileage, power, speed, maintenance expenses, etc.

4. Purchase Decision

After the brand and model are decided, the consumer forms a purchase intention decision, followed by the purchase decision. The purchase decision also includes the vendor decision (from which dealer the bike is to be purchased), timing decision ('to buy immediately or wait for some time, awaiting a discount'), and payment terms or method decision (cash & carry, instalment scheme (EMI) tying up with a bank loan).

5. Post-purchase behaviour

After purchasing the product, the consumers will experience some level of satisfaction or dissatisfaction. This is the post-purchase evaluation stage. If the product falls short of the buyer's expectations the buyer will be disappointed and dissatisfied. If it meets expectations, the buyer will be satisfied. If it exceeds expectations, the buyer will be delighted. Following a satisfactory or dissatisfactory experience, consumers will have three possible responses - decide to reject the brand, voice displeasure through negative word-of-mouth, or buy and become a loyal customer of the product / brand.

Most purchases result in cognitive dissonance which is a discomfort felt by the buyer due to post-purchase conflict. The buyers wonder whether their buying decision was right, the product or brand choice was right, etc. Marketers try to avoid dissatisfaction to the customers. Excellent marketers aim at customer delight. A satisfied buyer may tell three people about a good product experience. But a dissatisfied customer may tell 11 people. Therefore, the marketer has to carefully monitor customer satisfaction regularly and take corrective actions whenever necessary.

The marketer's job is to understand the buyer's behaviour at each stage and what influences are operating. This understanding allows the marketer to develop a significant and effective marketing programme for the target market.