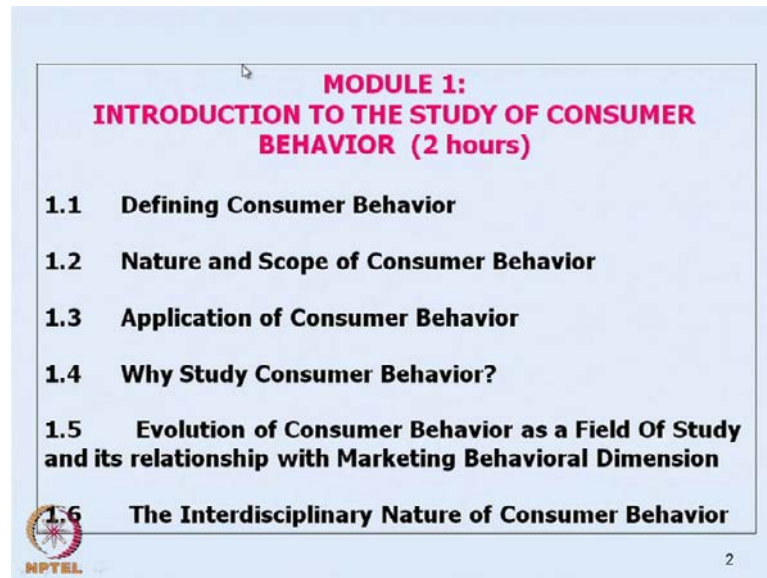


Consumer Behaviour
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Lecture - 2
Introduction to the Study of Consumer Behaviour (Contd.)

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MODULE 1:
INTRODUCTION TO THE STUDY OF CONSUMER BEHAVIOR (2 hours)

- 1.1 Defining Consumer Behavior**
- 1.2 Nature and Scope of Consumer Behavior**
- 1.3 Application of Consumer Behavior**
- 1.4 Why Study Consumer Behavior?**
- 1.5 Evolution of Consumer Behavior as a Field Of Study and its relationship with Marketing Behavioral Dimension**
- 1.6 The Interdisciplinary Nature of Consumer Behavior**

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We are to continue with module one, and we will start with session two of module one. If you recall this particular module, we have to be doing few topics, where we have completed the first two topics in the first session. We have defined consumer behaviour and we have also studied the nature and scope of consumer behaviour. Now, in today's session, remaining part of this module, we shall be covering few topics like application of consumer behaviour; why should we study consumer behaviour; how we discuss the evolution of consumer behaviour as a field of study and its relationship with the marketing behavioural dimension; and also, we shall be studying about the interdisciplinary nature of consumer behaviour.

Now, before we do that, I would give you a quick recap of what we did in the previous session, where we defined consumer behaviour as an interplay of forces that take place during the consumption process within the consumer and his environment. And, this interplay or this interplay actually happens between three elements: cognition, affect and behaviour. The particular process of consumer behaviour, which includes within its

ambit, the pre-purchase activity as well as the post-purchase experience; and, includes the successive stages of evaluating a query using and disposing of goods and services. We also said that, here the term consumer includes both personal consumers as well as industrial buyers or organizational buyers. And, we did discuss that, consumer behaviour explains the reasons and the logic behind the purchasing decisions and consumption patterns.

Moving forth with the nature of the study, we have spoken about how this particular subject deals with related issues of cognition, affect and behaviour, and against a backdrop of individual environmental determinants. So far, as individual determinants were concerned, we said that, they are more psychographic in nature and include issues like motivation, involvement, need, want, perception, learning, memory, attitudes, personality, self concept and so forth. And, we have also said that, the external environment is more sociographic in nature, where we study the influence of family, social groups, social class, reference groups, social cultures, subculture, opinion leadership and so forth.

We have already studied that, the particular subject is highly interdisciplinary and has borrowed extensively from the field of psychology, sociology, social psychology, anthropology and economics. The study is very dynamic. It involves an exchange between the buyer and the seller. And, here when we spoke about the buyer and the seller, we also focused on the buying roles; where, we said as a buyer, the number of roles, which are there in terms of a buying process are as many as five: initiator, influencer, decider, buyer and user. And, we said that, although this particular study does not negate the influence of other roles, nevertheless it tries to expand on the role of the buyer and the user. The focus here is the buyer; as to some extent to the user.

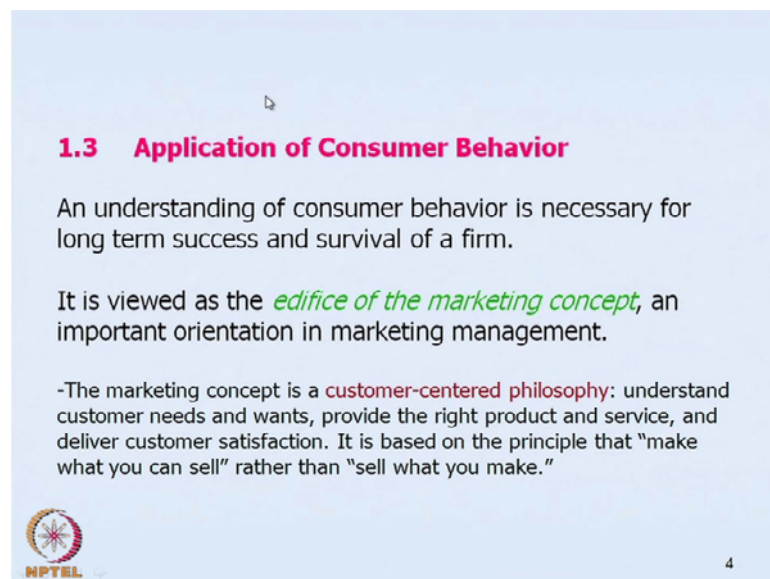
We have also studied here that, this particular subject; its scope is very broad and it includes within its ambit, answers to questions like what does the consumer buy? Why does buy it? When does he buy it? Where does it buy it from? How often does he buy it? And, how often does he use it? So, we will be moving further now and we will be studying the next component of this particular module.

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And, we will be now starting with the application of consumer behaviour.

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Now, we will start with the application of consumer behaviour. Now, it is very important that you understand consumption behaviour and consumption patterns, something which is very necessary for a firm to succeed and survive and succeed in the long run. In fact, understanding consumer behaviour – it is viewed as the edifice of the marketing concept, which is an important orientation in marketing management. You have to understand your consumer. If you want to satisfy him, you have to provide him the kind of product

and need, which is value to him. And, you should be able to do it in a better manner, much better than the competitors, so that you can also gain a competitive edge.

Now, in order to understand the consumers, it is very important that, you analyze them; it is very important that, you can study them. And, here we will see how market research will also help us. But, before we move into that, when we are speaking of understanding consumer behaviour and when we are saying consumption behaviour, understanding consumption patterns, understanding consumer behaviour is the key to success and survival for a firm, we are essentially elaborating on the edifice of the marketing concept, which is an important orientation towards the market place; where, it is essentially a customer centered philosophy; understand customer needs and wants; provide the right time of product and service; deliver customer satisfaction; and, make what you can sell rather than sell what you are making. So, here the focus is very customer centric. You basically have to talk about the customer his needs and wants and then deliver the desired kind of product and services. So, it basically provides the right product and provide the right service to the customer.

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When we speak about this particular study, it helps us formulate appropriate marketing strategies for a firm keeping in view the consumer and his environment. So, when we speak about consumer behaviour, we say that, it helps us formulate appropriate marketing strategies for a firm keeping in view the customer and the environment in

which he is operating. Subject has a number of applications. And, the main application, basis of which we will discuss now.

The first thing is it helps you analyze the environment. So, the knowledge of customer behaviour or consumer behaviour can be basically used to identify opportunities to fight threats. So, if you want to kind of take advantages, opportunity in the environment; if you want to take opportunities of serving the customer better; if you want to fight threats in the environment; for all of these, it is very important that, you analyze the environment. And, the study of consumer behaviour will basically help you identify the opportunities and threats in the environment.

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The slide is a light blue rectangle containing text. At the bottom left is the NPTEL logo, which consists of a circular emblem with a stylized 'N' and the text 'NPTEL' below it. The text on the slide is as follows:

1. Analyze the environment:
Knowledge of consumer behavior can be applied to help
identify opportunities and fight threats:

a) *assess environment for opportunities:*
- newer customers, newer markets, unfulfilled needs and wants (through a study of consumer individual determinants and other environmental influences).

b) *assess environment to fight threats:*
- through developing and implementing appropriate marketing strategies to best fit the environment.

c) *the marketing strategies need to be dynamic and constantly evolving keeping in view the uncertainty in the environment; Environmental uncertainty is a function of complexity and dynamism.*

Complex environment:
-the strength, number and interrelatedness of the various factors in the environment that a firm has to deal with.

Dynamic environment:
-how quickly the changes take place in the environment.

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First, for example, we speak about assess environment for opportunities. When we are talking of assessing the environment for opportunities, we are talking of new customers, newer markets, unfulfilled needs and wants. Say for example, I feel that my product or service could benefit a new segment. So, I am talking of newer customers; or, it is going to serve people, who never used it before. So, it is newer customers. When I speak about newer markets, it means that, whatever product and services, I am actually providing for in certain geographical territories or in certain countries or probably even in certain market segments. I could move further beyond them. So, that is newer markets.

I could also be speaking about unfulfilled needs and wants. In any and all of these, basically, what I am doing is, I am assessing the environment for opportunities. One

application of this particular subject is that, you analyze the environment and identify the environment for opportunities. Second thing is you assess the environment to fight the threats. Through developing and implementing appropriate strategies, you can basically fight the threats in the environment. So, a study or knowledge of consumer behaviour will also help you identify their threats; and, through appropriate strategies, you are also be able to basically fight those threats.

Now, marketing strategies need to be very dynamic and they need to be very constantly evolving. Any and all of the marketing strategies, which are formulated by a marketer pertain to his 4 Ps; any or one of the 4 Ps. And, when he is going to actually formulate a marketing strategy through his 4 Ps, it is very important that, such strategies are highly dynamic in nature; it is very essential; they are dynamic; they are constantly evolving. Why should they be dynamic or why should they be constantly evolving? Because there is a great deal of uncertainty in the environment. Environmental uncertainty is a function of complexity and dynamism.

What is complexity and what is dynamism? When we speak about the strength or the number or the interrelatedness of the various factors in the environment, which a firm has to deal with, we are talking about the complexity in the environment; that is, the number of factors or number of forces it has to deal with; the strength and power of these forces or the impact of such forces or the interrelatedness of these forces such that one affects the other. So, when we are talking about all these elements or all these forces in a firm's environment, which the firm has to deal with, we are talking about the complexity. Dynamism is how quickly the environment is changing. When we are talking about environment changing very dynamically, we are actually speaking of things happening very quickly around the environment. So, forces in the internal and external environment – be it political, economic, social, technological or be it the environment directly related to a firm in terms of its competitors, customers, suppliers, vendors, distributors, dealers. So, when all of these forces are changing very quickly, very rapidly, we talk in terms of dynamic environments. So, when we talk about uncertainty in the environment, it is this function of two: the complexity and the dynamism.

Complexity as I said the strength of the forces or the intensity with which they act upon the... and the interrelatedness amongst themselves. So, that is the strength. And, dynamism is how quickly such changes are taking place. Now, when you are confronted

with an (()) environment, which is very dynamic, which is very complex; and, you have a situation where your environment is very uncertain; in those cases, you will have to be very quick to act and you have to keep on formulating, reformulating, modifying, adapting your 4 Ps very quickly. So, there has to be some (()) amount of flexibility with respect to these. So, through the knowledge of consumer behaviour basically, you can analyze the environment. And, while analyzing this environment, you will be able to assess the environment for opportunities; you will also be able to assess the environment for threats; and, you will also be able to come up with the right kind of strategies to be able to take advantage of the opportunities and fight the threats. You will basically be able to deal with the dynamism and complexity in the environment. So, this is one application of this particular discipline called consumer behaviour.

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2. Segmentation, targeting and positioning:

The study of consumer behavior may be applied to
**segment the market, select the target market and position
the product or service offering.**

*Identifying the target segment, understanding their needs,
providing the right product and service offering and
communicating about the offering – all of these help a
marketer succeed in the long term and ensure his survival
and success in a changing environment.*

 NPTEL 7

Now, we come to the second application of the subject, which is, it helps a marketer in segmentation, targeting and positioning. The study of consumer behaviour may be applied to segment the market, select the target market and position the product or service offering. When we are about the study of consumer behaviour, it will be giving us insights into how do we identify the market segments; how do we select the right kind of segments; and, how do we position our product or service offering. Identifying the target segment, understanding their needs, providing the right product and service, communicating the value – all of these are going to help a firm basically; succeed in the long run; help him to do better than the competitors; get him a better edge over

competitors; help him succeed in the long run and survive in the long run. So, it is very important that, you identify the target segment; you understand the needs and wants of the segment; deliver the right kind of product or service. And so, it is all about creating value, delivering value, communicating value correctly to the segment that, you are basically catering to. So, when we are talking about a particular segment, how do we understand the segment and how do we divide our 4 Ps with respect to the segment. The answer to this will again come from a study of consumer behaviour.

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a) **segment the market:** identify distinct customer groups with needs and wants; classify them on basis of **descriptive characteristics and behavioral dimensions**.

Descriptive characteristics:
- age, gender, income, occupation, education, family size, family life cycle, gender, lifestyle, personality, religion, generation, geography, nationality, and social class.

Behavioral dimensions:
- benefits, uses, use occasion, usage rates, loyalty status



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Let us first start with segmenting. Now, what do we mean by segmenting the market? Segmenting the market essentially means identifying distinct customer groups with needs and wants. Now, these distinct customer groups are homogenous within and heterogeneous outside. So, because it is not possible for a marketer to cater to the entire market or to cater to the entire public, it is much feasible for him to identify likeminded clusters of individuals such that the individuals within such clusters are homogenous to one another and heterogeneous outside. The assumption with which we work for segments is that, because people are like-minded, they are assumed to behave similarly in a market place. Keeping the segment in mind, a marketer would design his 4 Ps. And, once he designs his 4 Ps, he would give it to the market; he would give it to the public; and probably, the segment would react in a similar fashion.

Now, it is very important that, we understand marketers do not create segments. Segments pre-exist a marketer. Marketers basically identify segments. Once they could identify segments on a number of basis, these basis could be defined as descriptive, characteristics or behavioural dimensions. So, what are the various descriptive characteristics? Age, gender, income, education, occupation, family size, gender, life style, personality, religion, generation, geography, nationality, social class – any and all of these could be used as descriptive characteristics to identify segments in the market. Similarly, there are number of behavioural dimensions also, which we may be used as basis for segmenting markets. And, these behavioural dimensions would include things like customer benefit, use, occasion, usage rate, loyalty status and so forth. And, the knowledge of consumer behaviour will basically help us segment the market in the right manner. We will be able to understand which could be the ideal basis for identifying segments. And, how keeping these bases in mind, we could adapt our 4 Ps and deliver and offering, which should be more in tune with the needs and wants of that segment.

The next thing, which we have to do, is selecting the target markets. So, the next question, which a marketer is confronted with after he has identified the segments is, which particular market segment to enter? Now, this will depend upon the viability of the segment. Naturally, a consumer would prefer entering a segment, which he feels is most viable.

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b) **select target market:** select one or more markets to enter: most viable.

The segment(s) that should be targeted should be viable; there should be a fit between the market attractiveness and the company's objectives and resources.

The marketer would be able to assess the viability of a segment on the basis of the following criteria. The segment should be **Measurable, Substantial, Accessible, Differentiable, Actionable.**

c) **position product or service offering** in the mind of the customers: communicate distinct and unique product or service characteristics.



Now, we shall be discussing all these later on in another separate module. But, here I would just like to say, that particular segment will be targeted by a marketer, which he feels is most viable. Now, viability here would be based on criteria like for example, the segment should be measurable; it should be substantial; it should be accessible; it should be differentiable; it should be actionable. These are various criteria, which help in defining the viability of the segment. But, the segment that we target should be viable and viable enough such that there is a best fit between the market attractiveness and the company's resources and constraints. So, actually, the segment would be viable for you only if we define it in terms of market attractiveness and the company's objectives and resources. Now, keeping these two dimensions in mind, there are certain criteria, which define the attractiveness of a segment. And, this is in terms of substantiability of the segment, measurability, actionability, differentiates and distinctiveness of the segment and the accessibility of the segment. Now, after you have basically selected the particular target segment, which you feel you would like to cater to.

The next thing which a marketer has to do is position his product or service offering. How does he position his product or service offering? He does it by communicating the distinct and unique product or service characteristics that his particular brand entails. So, something very different; something very distinct; something very special; something very unique; something better than the competitor – any and all of these could basically be used as queues to position the market offering; create an image in the minds of the consumer in such a manner that he feels, yes, this product is for me and I should buy it; or, this product is not for me and I should not be buying it. So, you have to very carefully position your product, so that your segment actually jells with it; the needs of the segment are in sync with the product or service offering. And, in a nut shell, the knowledge of consumer behaviour will help you do that segment market; identify the segments; target the most viable ones; and then, finally, help you position your product accordingly.

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3. Designing the Marketing Strategy:

- There exists **interrelatedness between the Consumer, the Environment and the Marketing strategy.**
- a) **Consumer:** his needs and wants: interplay of Cognition, Affect and Behavior
- b) **Environment:** forces in the environment: Complex and Dynamic
- c) **Marketing strategies:** Setting of goals and achieving them: Designing appropriate Marketing Mix.

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Now, let us come to the third application of this particular discipline. Consumer behaviour helps us design the marketing strategy. We have been speaking about the interplay – cognition, affect and behaviour; the psychographic components as well as the sociographic components all working together. We have said earlier that, there exists an interrelatedness between the consumer and the environment and the market strategy. Why do we say there is an interrelatedness? Because a consumer operates in an environment; and, to get the best out of the consumer in an environment, it is very important that you design or define your 4 Ps such that the consumer is in sync with them; he jells with them. And, how do you do that?

You basically do it through formulating a strategy or through formulating your 4 Ps. We speak about the interrelatedness between the consumer, his needs, his wants, the interplay of cognition, affect and behaviour. We speak of the environment, the uncertainty in the environment, the forces in the environment, the complexity and dynamism in the environment. We will also speak about the marketing strategies, that is, setting the goals and achieving them. How do we set goals and achieve them? We set goals and achieve them through design of proper marketing mix or proper design of the 4 Ps.

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The Marketing Strategy should be designed to influence consumers (Cognition, Affect and Behavior) and be influenced by them.

- The Marketing Strategy should be flexible and ever evolving with

- (i) changes in the customer needs and wants; as well as,
- (ii) changes in the environment in which it operates.

- The knowledge of consumer behavior can be applied to develop a "best fit" between:

- (i) consumer needs and wants;
- (ii) the environment in which the firm operates; and,
- (iii) the firms' goals and objectives.



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Here when we are speaking about designing the marketing strategy, the marketing strategy should be designed to influence consumers; that means, the influence consumers in what way? It means influence consumers in terms of the interplay or the interaction between cognition, affect and behaviour. So, the marketing strategy should be designed to influence this interplay between cognition, affect and behaviour. And, marketing strategy also should be designed to influence consumers and be influenced by them. In other words, it is not one way; it is a two-way traffic; marketing strategy would affect a consumer; and, consumer reaction would again affect the marketing strategy. So, a marketer's job does not just end at understanding a consumer and designing his 4 Ps or his marketing mix and formulating a strategy.

As and when he is kind of implementing his marketing efforts, so as to be able to reach the goals, he will immediately be confronted with the marketing mark with the consumer reaction or a reaction from the market place. And, he would immediately have to bring about a change in or adaptation in his marketing mix; that means, the consumer reaction is not only impacted by a marketed strategy, but also impacts it. For example, a particular marketer may feel that, it would be keeping in mind that, most kinds of snacks in the market in terms of biscuits for example, most biscuits are available at 12 rupees or 14 rupees packet. So, if he thinks that he should be able to price his product at 14 or at 15 and he prices it accordingly and finally, at say 15; there would be a reaction in the market; some people would buy it, some people would not. He for example, anticipated

immediate consumer acceptance and demand. But, because the product is priced at 15, which is slightly higher than other brands of biscuits that are available, he may have to come in and kind of re-price himself again. So, because the customer reacted in a manner that, yes, they did not patronize his product, because it was little expensive than the others, the other brands or other brand evaluators, brand available or the alternative brands that are available were priced anywhere between 12 and 13.

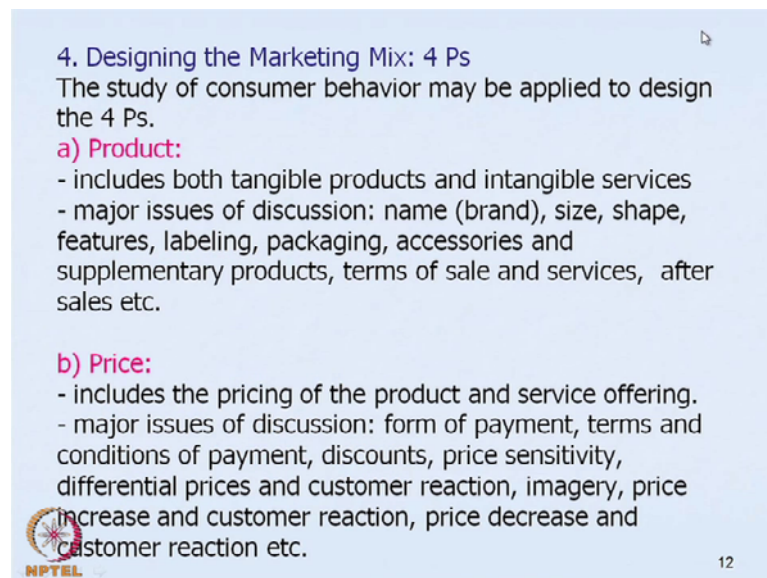
And, here we have a biscuit packet, which is at 15; the consumer reaction may not be very positive. And so, a marketer may have to kind of re-invent himself and re-price or change the price of the product, so as to be able to gain greater consumer acceptance. Similarly, a many a times, we find, there is a reaction to a particular advertisement that is featured or that is aired by a marketer. They brings in a lot of ill-will or kind of a lot of negative reaction. For example, there was a brand of a soap, which owed a very... it was a female soap and it showed male star using that particular soap. So, there was a lot of reaction immediately, because it went against customer expectations. So, when something like this happens, male starring feature for a female soap; although the star may be a very famous star, but immediately, this particular company had to withdraw that particular advertisement. So, they would have bring about the change in the fourth P, which is promotion.

We also have cases, where we have been speaking about for example, water filters; and, we started with the normal filter; then, it moved to UV; then, it moved to RO. Now, because the market realizes, customer is becoming very intelligent and he understands the advantages and disadvantages of a UV filter as well as an advantages and disadvantages of an RO plant. So, what do they do? They wanted something which was better than the others available. So, now, companies have moved further with newer technology and come up with combination of both UV, RO and others. So, why does that happens? Because whatever your strategy was with respect to the product; its attributes, its features, there was a kind of a customer reaction, which was not very welcoming. And so, you have to rephrase yourself or redesign yourself. So, what we are trying to say is that, marketing strategy has to be designed to influence consumers, but it is also influenced by it.

Moving further, we have to see marketing strategy should be flexible and it should also be evolving. Why should it be evolving? Because we just said that, the environment in

which a consumer operates is highly dynamic; in which a marketer operates is highly dynamic; it is very complex. So, because of the complexity in the environment; because of the dynamism in the environment, it is very important that, you keep changing your 4 Ps or adapting your 4 Ps or your marketing mix; and, your marketing strategy keeps changing. It should be very flexible to keep in mind changes in consumer needs, consumer wants as well as changes in the environment in which it operates. So, marketing strategy should be flexible and should ever evolving in changing with customer needs and wants as well as with changes in the environment. The knowledge of consumer behaviour can be basically used to develop best fit between the customer needs and wants, between the environment in which it operates, and the firm's goals and objectives. So, here when we speak of this particular discipline, this consumer behaviour, it will help us to develop a best fit between customer needs and wants, between the environment in which the organization operates as well as the objectives and goals of the company. So, here is designing of the marketing strategy will be impacted by the knowledge of consumer behaviour.

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4. Designing the Marketing Mix: 4 Ps
The study of consumer behavior may be applied to design the 4 Ps.

a) Product:

- includes both tangible products and intangible services
- major issues of discussion: name (brand), size, shape, features, labeling, packaging, accessories and supplementary products, terms of sale and services, after sales etc.

b) Price:

- includes the pricing of the product and service offering.
- major issues of discussion: form of payment, terms and conditions of payment, discounts, price sensitivity, differential prices and customer reaction, imagery, price increase and customer reaction, price decrease and customer reaction etc.

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Now, more specifically, the knowledge of consumer behaviour will also help us design the 4 Ps. When it is the strategy, it is more broad; and, when we are speaking about the 4 Ps, it is a little narrow in focus and a little narrow in approach. So, the study of consumer behaviour helps us design the marketing strategy, because this strategy will help the customer meet his need and want better; this strategy will help a firm achieve its

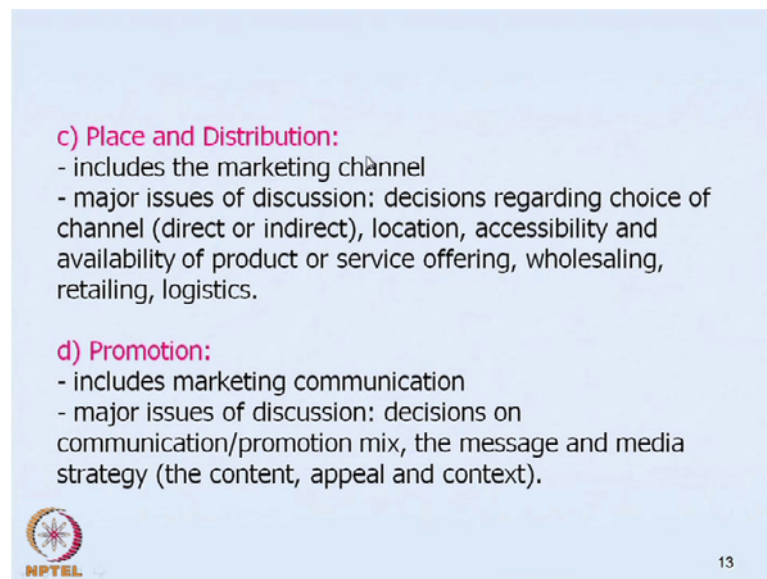
objectives in a better manner; this strategy will also help a company survive in an environment, which is very complex and very dynamic. But, how do we put this strategy actually into practice? We will be putting this strategy into practice through the marketing mix or through the 4Ps. So, study of consumer behaviour will be basically used to design the 4Ps and to implement them.

Now, let us talk of the 4Ps, the product for example. Our product here includes both tangible products and intangible services. Major issues of discussion with respect to product include the name or the brand, the size, the shape, the features, the labeling, the packaging, the accessories and supplementary products, terms of sales and services, after sales; even issues like say warranties or guaranties. All of these basically are included in this first P, which is product. So, a knowledge of consumer behaviour will tell you basically about what kind of product, what kind of attributes, benefits, features; what would be suitable for the segment; what should be labeling like; what should be the packaged size; what should be warranty, guaranty schemes; what should be your after sales services; what should be your terms of sales and services; what could be your supplementary products or supplementary services that you provide. So, all of these will be included in the first P, which is product.

The knowledge of consumer behaviour will also help you device or decide on the second P, which is price. When we talk about price, we are talking about pricing of the product or services offering. Here the major issues of consideration are in terms of the form of payment, the terms of and conditions of payments, discounts, price sensitivity, differential prices, customer reaction; very important. How do we go in for differential pricing. And, if we go for it at all, what is going to be the customer reaction? Does the customer feel that, price determination is justified or is it not justified? Imagery, price increase, price decrease, customer reaction, competitor reaction – all of these basically will be included in price. So, when we talk about price, through knowledge consumer behaviour, will tell us basically, what should be price like; should it be towards the higher side or the lower side; is the market price sensitive; should we go in for lower pricing or can afford to have higher pricing; what would be customer reaction if prices are increased; what would be customer reaction if prices are reduced; increased or decreased, how will the competitor react; how will the customer react to this increase or decrease, does he remain loyal with you or does he move away to the competitor; what

should be the conditions of payments, if cash down or if it should be on EMI; if it is EMI, what should be the terms of payment; what should be the discounts. So, all of these will come within the ambit of the second P, which is price. And, the knowledge of consumer behaviour will be able to help us device particular strategy with respect to price.

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c) Place and Distribution:

- includes the marketing channel
- major issues of discussion: decisions regarding choice of channel (direct or indirect), location, accessibility and availability of product or service offering, wholesaling, retailing, logistics.

d) Promotion:

- includes marketing communication
- major issues of discussion: decisions on communication/promotion mix, the message and media strategy (the content, appeal and context).

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Third – the particular knowledge of consumer behaviour will also help us basically device our third P, which is the place and distribution. When we talk of a place, when we talk of distribution, we are actually talking of the marketing channel. So, marketing channel basically implies the large number of intermediaries, who exists between the marketer and the consumer; the marketers seldom sells directly. Of course today, with the internet, with the advancements in technology, lot many companies have begun dealing directly with their customers; nevertheless, the traditional mode is in terms of a number of intermediaries, who are in fact, referred to as channel partners or channel members. So, decision with respect to a distribution channel or with channel members also comes in from study of consumer behaviour.

Issues of discussion here with the choice of the channel – should we sell directly or should we sell indirectly; should we sell directly company to customer or should we prefer to have intermediaries in between. If we prefer to have intermediaries in between, what should be the length of channel; should it be long; should it be short. Decisions

with regard to location of these store – should it be very conveniently located, accessible to customers; or, could it be located in farther of places, where the (()) would the customers put in effort to reach the farther of places or should they be stored or should they be placed in shops, which are very accessible, very conveniently located to the... Issues with respect to whole selling, stocking, retailing, logistics, transportation, whole-selling, warehousing – all of these also is included in this particular third P.

And, the knowledge of consumer behaviour will help you basically decide, what should be your length of channel; who should be your channel members; whom should you use as dealers; we should there be shop or store or the outlet be located; should we go for an intensive distribution, make our product available at as many places as possible or should we go in for exclusive distribution and make our product or service very selectively located in very special places or very specific, very few number of outlets. All of these are questions; the answers of which will come from the study of consumer behaviour.

Consumer behaviour also help us design the fourth P, which is promotion. A marketing communication is very important. And, it is very important that, a marketer uses his promotion, makes and tries to achieve some of the objectives of communication like make the consumer aware of the product or service; create an interest in him to buy the product or service; create a desire in him; create an interest him to more about it; create a desire in him to buy it; elicit an action on his part; ultimately, provide satisfaction to him. So, the marketing communication objectives could be many and they are often achieved through their promotion makes, which includes advertising, sales promotion, personal selling, direct marketing, publicity, public relations, so forth. So, decisions with respect to the promotion makes – how should the advertisement be; what should be the content of the ad, the context of the ad; whether it should be in print or whether it should be audio-visual; what should be the message and media strategy in terms of (()) the channel to be used is the media strategy; the message to be add is the message strategy in terms of the contents of the message, the context of the message, the appeal used in the message. So, all of these is the answer to which you will get from consumer behaviour.

First, if you speak about advertising, what should be the message both in terms of content and context and appeal; who should be the you know spokesperson in the particular advertisement; where should that advertisement be add – should it be in print media or should it be a broad cast over audio-visual means; what is the timing; what


should be the reach or what should be the frequency of such advertisements. So, this is one when we speak about advertising. When we speak about sales promotion, issues with respect to how frequent sales promotion program should be; will customers actually get attracted through them. So, that is again something which the study of the market will tell you, because sometimes people are very deal-prone; they love to take advantage of such offs or discounts or deals.

In other cases, in some culture especially, such deals are looked upon as something where the marketer tries to leave out the customer into buying either because he is wants to get rid of the stocks or because the product is dying or the brand is facing off. So, the customers would begin to feel that, it is not just out of goodness that the marketers actually brought down his prices; there must definitely an ulterior motive there. So, how will people react to such sales promotion campaign? Should they be very frequent or should they be very occasional? And, what would be the customer reaction to it? With respect to direct marketing, would do customers prefer direct marketing? Will they prefer personal selling? What kind of personal selling would they prefer. If you see certain kinds of selling situations especially B to B; personal selling is a very effective tool. So, the kind of customer, the kind of market segment or the kind of market you are catering to will also tell you which of these tools to use and how. So, decision with respect to the promotion mix or the communication mix and the fourth P, which is promotion, also derives itself from the study of consumer behaviour. So, this is how the study of consumer behaviour will help us design the 4 Ps.

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5. Application in Governmental and Non-profit Organizations and Social Marketing:

- the knowledge of consumer behavior finds relevance even in Governmental and Non-profit Organizations and Social Marketing.
- **Governmental and Non-profit Organizations** have the **society as its customers** and need to understand them so as to be able to serve them better.
- **Social marketing involves propagation of ideas**; attempts at such circulation and spread of ideas for moral and social upliftment can be more successful if there is a proper understanding of these consumers (i.e., the public and society)



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Now, the study of consumer behaviour has broad applications in governmental and non-profit organizations and even for social marketing. The knowledge of consumer behaviour finds relevance both in government marketing, both in non-profitable business organizations and in social marketing. Now, government and non-profit organizations have the society as its customers. So, when we talk about the government or when we talk about non-profitable organizations, kind of services they provide us are for example, electricity and power or medical services or water supply or social benefits. So, here the customer is the society. So, these government organizations and non-profit organizations have to understand the society; have to understand the customers; it is customers, which is the society's better, so as to be able to give them the desired offering in a better manner; so as to serve them better.

Similarly, social marketing involves propagation of ideas; whether it is with respect to prevention of AIDS or is it with respect to cancer; educating people on cancer; or, is it with respect to polio eradication or child labor or being more concerned and more conscious about the environment in terms of not using polythene bags and using recyclable products, etcetera. So, attempts at such circulation is spread of ideas both for moral and social upliftment will be very successful if you understand the consumers in a better manner; if you understand the public and the society in a better manner. For example, if you want to tell people that, vaccinate your child against disease called rotavirus or something like polio. So, you instead of using a direct fear appeal, which

probably would not be given much attention. And, when we do perception, we will see that, it may just phase off as selective attention, because any... or there may be a perceptual blocking in the mind of the consumer. And, as a part of the perceptual defense, he may just turn off the television or turn away the pages, which shows depiction of such consequences of rotavirus or AIDS. So, people – they would kind of repel such stimuli.

On the other hand, if you use not only the fear appeal, but you blend it with the emotional appeal that, how your child could suffer or how the family will suffer if you do not give vaccine to your child, which prevents a polio or which prevents rotavirus. People would be more acceptable to such ideas and such ideas. Similarly, if you speak about cigarette smoking and tobacco and its relatedness to cancer; if you directly tell a smoker or a person who choose tobacco that, he will die of cancer, people are going to just immediately repel and say no; or, they will just try and block of a stimuli or say turn off the stimuli by either surfing their television channel or by switching it off, because nobody wants to hear that, he or she will die because of cancer.

On the other hand, if you try and bring in an emotional element that, yes, if you smoke, your family gets affected; your wife gets affected or your child gets affected. That is something which works better. Similarly, you have lot of commercials or advertisement campaigns, which talk about child education, a girl education to be more specific. Over there, if you see that, if you know your consumers better, if you know your segments – segment here meaning the society and the public; consumers for a government organization or a NGO are basically the society at large. So, if you address the social concerns in this particular manner, it would be much better. So, the study of consumer behaviour will help you understand the society better, the public better and you will be able to design your strategies accordingly.

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1.4 Why Study Consumer Behavior?

- The subject of Consumer Behavior is viewed as the *edifice of the marketing concept*, an important orientation in marketing management.
- The knowledge of Consumer Behavior helps the marketer *understand and predict* the consumption patterns and consumption behaviors of people.

Helps them gain insights as to why:

- a consumer behaves differently to another consumer
- a consumer behaves differently in different times and buying situations

Helps them understand the internal (individual determinants) and external (environmental factors) forces that impel people to act out different consumption patterns and behaviors.



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Now, let us come to the next topic here that, why should we be studying consumer behaviour? The study or the subject of consumer behaviour is viewed as the edifice of the marketing concept. And, the knowledge of consumer behaviour will help a marketer understand and predict consumption behaviour and consumption patterns in people. So, what does the study help us? It helps in understand why number 1 – why does the consumer behave differently from other consumers? Why is he so different? For example, two siblings: two brothers and sisters – they also behave differently in a market place. So, why does a person differ from another person? Second, it will also tell us, why does the same person behave differently in different buying situations. Sometimes you are very careful while buying certain products and services; sometimes because of lack of time or due to other resource constraints, you are just in a hurry and you just want to move away quickly while buying. So, the last time you visited a store, you were very particular to check on the expiry date of a medicine; but, today, here there is an emergency and you do not have time. So, you just take that medicine, pay the money and just rush away from the counter. So, why did you react differently the previous time?

Similarly, the same person buys a pink T-shirt once and says that, he does not like black; and, after say two years, he comes back and says he wants a black one, which he never liked earlier. So, the same consumer will behave differently in different times. And, why does he behave differently in different times? The study of consumer behaviour also able to help us understand this. So, the study of consumer behaviour helps you understand the

internal environment or the individualistic factors, individual determinants as well as the external environment. It basically tells us how these factors pose people to act out different consumption behaviours and different consumption patterns.

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-the study **helps the marketer** in:

- a) Analyzing the environment: identifying opportunities and fighting threats.
- b) Segmenting, targeting and positioning
- c) Designing the marketing-mix
- d) Designing the marketing strategy
- e) Governmental and Non-profit Organization and Social Marketing

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Study of consumer behaviour will help us in analyzing the environment: identifying opportunities and threats; segmenting, targeting and positioning; designing the marketing-mix; designing the 4 Ps; as well as, it will help us in governmental and non-profit and social marketing. So, this is how the study of consumer behaviour helps us.

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1.5 Evolution of Consumer Behavior as a Field Of Study and its relationship with Marketing Behavioral Dimension:

- the discipline is **rooted in the marketing concept**.
- an **interdisciplinary** subject, it emerged as a separate field of study in the 1960s.

Initial focus:

- marketers wanted to study the causes of consumer behavior;
- the assumption was that if they could identify the reasons behind consumption behavior, they would be able to predict it; and if they could **predict** consumer behavior, they could **influence** it.
- emphasis: **predict** consumer behavior: approach was known as '**positivism**'.

Gradually, the focus changed:

- marketers wanted to **understand** the customer better.
- approach is known as '**interpretivism**'.

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Now, we will going to come to the evolution of consumer behaviour as a field of study and its relationship with the marketing behavioural dimension. As we have said, understanding consumer better; providing them the desired satisfaction in the form of a product or a service, which is actually valuable for him; and, provide him this value in a better manner more efficiently and effectively than the competitor, is actually what is the objective of consumer behaviour. This is also the edifice of the marketing concept, which is an important orientation in the conduct of business. So, this study of consumer behaviour is basically rooted in the marketing concept itself.

As a field of study, emerged in the 1960s, which heavily borrowed from a number of social sciences, which we studied in the previous session. Initial focus of researchers and academicians, who were talking of consumer behaviour was, that people wanted to... marketers wanted to study consumer behaviour; they wanted to study the causes of consumer behaviour. And, they felt that, if they would be able to identify the reasons behind consumer behaviour, they will be able to predict it. And, if they could predict it, they could influence it. So, the emphasis was predicting consumption behaviour, predicting consumer behaviour. And, this particular approach came to be known as positivism. So, the initial focus of this particular discipline, initial orientation with which this discipline began was basically to study the causes of behaviour. They said if they study the causes or if they could understand the reasons behind nature of consumption behaviour, the nature of consumer behaviour; if they could identify the reasons, why consumers act as they do, they would be able to understand him better. If they understood the consumer better, they will be able to predict his consumption patterns better. And, if they could be able to predict the consumption pattern better, they would be able to control them better and influence them. So, that was the basic reason. This approach came to be known as the positivist approach.

A basic focus was understand the consumer to predict his consumption patterns and influence such consumption patterns. But, later on, the focus totally changed and here the customer wanted to not predict him, but understand him. So, the focus here changed from understanding the reasons why he behaves? No, not understand the reason, but you understand the consumer himself; why does the customer behave as he does; the objective changed. In the positivist approach if you see, they were talking about understanding the reasons behind consumer behaviour; if you understood the reason, you

will be able to predict his behaviour; if you predict his behaviour, you will be able to influence him. But, here in the interpretivist view, which was very radically different from the positivist view, the focus entirely changed. Today, what we speak of is the interpretivist view, where we are not concerned with understanding only the reasons of his behaviour, but basically understanding the customer himself – why is one customer different from another; why is this same customer behave differently in different times. So, this is how and that is how this entire focus has changed and the discipline has evolved from one of positivism to one of interpretivism.

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1.6 The Interdisciplinary Nature of Consumer Behavior:

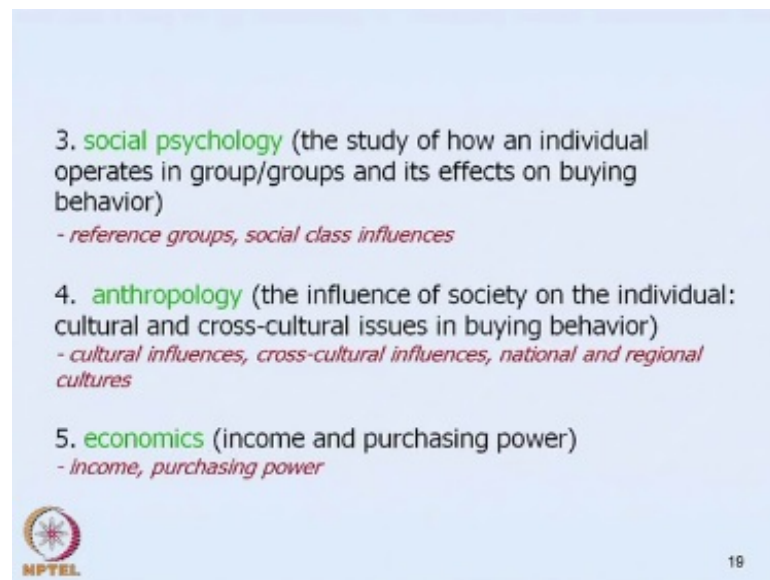
An interdisciplinary area of study, borrowed heavily from:

1. **psychology** (the study of the individual: individual determinants in buying behavior)
- perception, learning and memory, attitudes, self-concept and personality, motivation and involvement, decision making.
2. **sociology** (the study of groups: group dynamics in buying behavior)
- family influences, lifestyles and values, social group influences

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Now, coming to the end of it, we will now speak about the interdisciplinary nature of consumer behaviour. We have already discussed that as an interdisciplinary area of study; it is borrowed heavily from psychology. So, the study of the individual and individual determinants in buying behaviour; motivation, need, want, emotion, moods, perception, learning, attitudes, memory, personality, self image, self concept, communication and decision making. Then, we speak about a sociology, which is the study of groups or the group dynamics and we speak about family influences, lifestyle influences, social group influences.


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3. **social psychology** (the study of how an individual operates in group/groups and its effects on buying behavior)
- reference groups, social class influences

4. **anthropology** (the influence of society on the individual: cultural and cross-cultural issues in buying behavior)
- cultural influences, cross-cultural influences, national and regional cultures

5. **economics** (income and purchasing power)
- income, purchasing power

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The study also borrows from social psychology; where, we speak about how individuals operate in groups; when they operate in groups, the groups impact their buying patterns. So, we study the role played by reference group; we study the role played by social class influences and opinion leaders. Study also borrows from anthropology, where we speak about the influences on society, culture and cross-cultural issues. So, culture, cross-culture, sub culture, national, regional, cultures – all of these as a part of social; also, part of anthropology. And finally, we also speak about economics, because that is a big role to play; that is, in terms of the money income, the savings, the disposable income and the manner in which needs and wants are prioritized keeping in mind the resources, which one has.

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References for Further Reading:

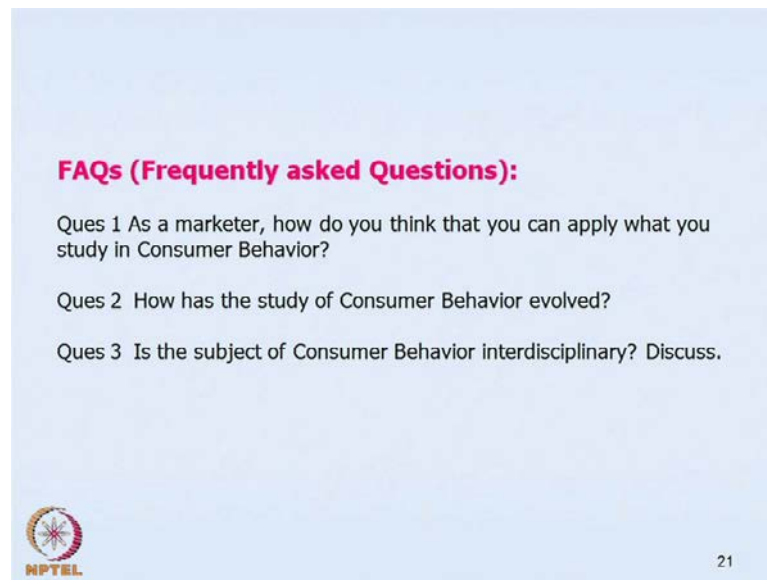
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Now, this brings us to an end of session two and as it is also the end of module one. Before I conclude, I would like to give you some references for further reading and we will also discuss some frequently asked questions and some questions for self evaluation. As far as the references for further reading are concerned, we have Engel, Blackwell and Miniard, Paul – their book on Consumer Behaviour. Then, we have another book by Loudon and Della Bitta, which is Consumer Behaviour from Tata McGraw-Hill. We have Peter and Olson – Consumer Behaviour and Marketing Strategy from McGraw-Hill Higher Education. Then, there is a book by Schiffman and Kanuk, which is Consumer Behaviour, Prentice Hall. And finally, we have Wells and Prenskey – Consumer Behaviour, John Wiley. So, these are a few of the books, which you could basically go through for further reading and further understanding.

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FAQs (Frequently asked Questions):

Ques 1 As a marketer, how do you think that you can apply what you study in Consumer Behavior?

Ques 2 How has the study of Consumer Behavior evolved?

Ques 3 Is the subject of Consumer Behavior interdisciplinary? Discuss.

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Speak about some questions – frequently asked questions. As a marketer, how do you think... The first question, which can be asked is that, as a marketer, how do you think that you can apply the study of consumer behaviour? Basically, you speak about the application of consumer behaviour. Question 2 – how has the study of consumer behaviour evolved? So, you speak about the marketing concept, the edifice to consumer behaviour; we speak about how it is evolved and moved from one which was highly positivist to one which is highly interpretivist. Then, we speak about... The question number 3 – is the subject of consumer behaviour interdisciplinary? Here we speak about how it is borrowed extensively from the various social sciences, psychology, sociology, social psychology, anthropology and economics.

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Self Evaluation Tests/Quizzes:

Section A True/false:

1. The study of consumer behavior is viewed as the edifice of the selling concept.
2. The knowledge of consumer behavior does not find relevance in Governmental and Non-profit Organizations and Social Marketing.




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Now, let us come to some self evaluation tests and quizzes. We will start with two statements, which are true and false statements. Let us say start. The study of consumer behaviour is viewed as the edifice of the selling concept. Is it true or is it false? The answer to this is false; it is viewed as the edifice of the marketing concept and not the selling concept. Question 2 – the knowledge of consumer behaviour does not find relevance in social marketing or in governmental and non-profit organizations. The answer to this is again false; it does find relevance both in government and non-profit organizations as well as in social marketing.

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Section B Fill up the blanks:


1. The _____ concept believes in "make what you can sell" approach rather than "sell what you make" approach.
2. Environmental uncertainty is a function of _____ and dynamism.
3. There exists interrelatedness between the Consumer, the _____ and the Marketing strategy.
4. During the evolution of the discipline, marketers realized that there was a need to understand the customer better. This approach came to be known as _____.



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Then, we come to the section B: fill in the blanks. The first question, which can be asked is, the dash concept believes in what you can sell approach rather than sell what you make approach. The answer to this is the marketing concept. The marketing concept basically believes in what you can sell approach rather than what you can make approach. Question number 2 – environmental uncertainty is a function of dash and dynamism. The answer to this is environmental uncertainty is a function of complexity and dynamism. So, environmental uncertainty is a function of complexity and dynamism. The third question – there exists interrelatedness between the consumer, the dash and the marketing strategy. Actually, the answer to this will be there exists interrelatedness between the consumer, the environment and the marketing strategy. Question number 4 – during the evolution of the discipline, marketers realized that there was a need to understand the customer better. This approach came to be known as? This approach came to be known as interpretivism, where the basic objective was to understand the customer better. So, the answer to this is interpretivism.

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Section C Short answers:

1. What is the Marketing Concept?
2. Mention the attributes which make a segment viable?
3. List out how the knowledge of Consumer Behavior helps a marketer in Designing the 4 Ps? Mention only issues.
4. What do you understand by the term "complexity" in the environment?

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Now, let us come to the short answers. What is the marketing concept? If you want to speak of the marketing concept, the answer to this is, according to the marketing concept, the marketer should be able to determine needs and wants of the target segment; provide the product and service offerings more effectively and efficiently than the competitor. So, it is a highly customer-centered philosophy; understand the customer needs and wants; make the right product and service, and the right customer satisfaction. So, make

what you can sell rather than sell what you can make. Question number 2 – mention the attributes which make a segment viable. The various attributes which make a segment viable are measurability, accessibility, substantiability, distinctiveness and actionability. So, these are the various attributes, which make a segment viable.

Question number 3 – list out how the knowledge of consumer behaviour helps a marketer in designing the 4 Ps. Mention only the issues. We have just discussed how the knowledge of consumer behaviour helps a marketer device his 4 Ps. So, if it is the product, he has to think about the product, the brand, the name of the product, the brand, features, attributes, benefits, supplementary services, accessories, labeling, packaging, warranties and after sales services, etcetera. So, those are issues with respect to the first P, which is product. The second P is price. Issues to address here are setting up of price whether a higher price or a lower price; what happens when prices increased or prices decreased; what is the customer reaction. Issues with respect to terms of payment: cash down or EMI, credit or discounts or allowances – all of these will be addressed in the second P, which is price.

The third P will speak of in terms of the place. So, should we have a direct channel or an indirect channel; how many intermediary should we have in between; should we have an exclusive distribution or an intensive distribution; should stores be large or small; should it be located in a convenient places or should it be easily accessible or should they be located in farther of places; what should be the format – should it be a stores or should it be a part of the malls, etcetera. So, these are with respect... what should be the transportation; what should be the whole-selling, retailing, stocking or warehousing decisions. All of these will come into the third P. And finally, we have the fourth P, which is in terms of promotion. So, decisions with respect to your promotion mix or your communication mix – advertising, sales promotion, personal selling and publicity, public relations, direct marketing. All of these are issues to be addressed in the fourth P, which is promotion.

Last question – what do you understand by the term complexity of the environment? The term complexity actually refers to the strength, the number and interrelatedness of a large number of environmental forces that a company has to deal with. All put together actually comprise what we call the complexity. So, the strength of the forces, the intensity of the forces, the interrelatedness of all these environmental forces – strength,

intensity and interrelatedness of environmental forces, which impact an organization actually constitute what we call as the complexity of the environment. So, this brings us to the end of session two and also to the end of module one. I hope you have benefited with the inputs that have been given. You could also go in for further reading, look up books, which I have mentioned for further reference and further reading.

Thank you.