

## Notes on Consumer Behaviour

### 1. What is Consumer Behaviour?

Consumer behaviour refers to the **psychological, social and physical behaviour** of an individual, which **influences his buying decision** and buying style.

It can be defined as that behaviour which the consumer displays during his search for, purchase, consumption, evaluation and disposal of goods and services which he procures for satisfying his wants and needs.

As per **American Marketing Association (AMA)**, "Consumer Behaviour is the decision-making process and physical activity involved in acquiring, evaluating, using and disposing of goods and services".

### 2. Nature or Characteristics of Consumer Behaviour – is determined by the behavioural characteristics of the consumers. The basic characteristics of consumer behaviour are:

1. **It is a process** of decision making by which the consumer evaluates why, whether, how, when, where and from whom to buy.
2. It comprises both **mental and physical activities** of the consumer.
3. It covers both **visible and invisible activities** of the consumer.
4. It is **complex in nature** as it is influenced by many factors – social, cultural, psychological, economic and demographic.
5. It is **dynamic** – consumer behaves differently in different situations.
6. It is influenced by **internal and external factors**.
7. It is an **integral part** of human behaviour as it is an internal cognition of a person.
8. It is **heterogenous or variable** – different consumers could behave differently in the same situation or even the same consumer could behave differently in different cases.
9. It is **experience based** – past experiences influence future behaviour.
10. It is **related to the standard of living** – the more a consumer buys, better will be his standard of living.

### 3. Importance of Study of Consumer Behaviour:

The success of a marketer depends on consumer satisfaction. A marketer who can understand consumer behaviour can easily satisfy his customers. The study of consumer behaviour helps a marketer to understand the following:

- **What** does a consumer buy?
- **When** does he buy?
- **How** does he buy?
- **Where** does he buy?
- **Why** does he buy?

**Understand Likes &  
Dislikes of Consumer**

Besides, a study of consumer behaviour can help the marketer in the following:

- I. Forecasting **Sales**
- II. Formulation of **Production Policies**
- III. Achieving **Organisational Goals** – increase revenue and profits

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- IV. Deciding **Price Policies / Price Fixation**
- V. Determining **Distribution Policies**
- VI. Planning **Consumer Differentiation**
- VII. Doing **Competitive Analysis**
- VIII. Deciding **Sales Promotion Policies** and/or **Advertising Programs**
- IX. Predicting and Responding to **Marketing trends**
- X. Exploiting **Marketing opportunities** – deciding the Product Mix
- XI. Developing appropriate **Marketing strategies** – Brand restructuring etc.

### 4. Factors influencing Consumer Buying Behaviour:

These are –

I. Personal	–	• Age, • Occupation, • Life-style, • Income [Personal, Family, Future Income Expectation, Discretionary, Consumer credit], • Situational [Physical conditions, Time, Purpose, Past-purchase experience].
II. Social	–	• Family, • Reference Group [Primary, Secondary, Aspirational, Dissociative], • Opinion Leaders, • Roles and status
III. Cultural	–	• Culture, • Sub-culture, • Social Class & Caste
IV. Psychological	–	• Motivation, • Perception [Selective Exposure, Selective Attention, Selective Distortion, Selective Retention], • Learning, • Attitudes, • Personality, • Self-concept / Image, • Risk and uncertainty

- (i) **Personal Factors** that influence consumer buying behaviour are:
- a. **Age** – influences buying behaviour. People at different ages demand different products.
  - b. **Occupation** – determines what a person will buy. A doctor demands different products compared to an artist.
  - c. **Life-style** – is determined collectively by the pattern in which people live and spend time and money. The nature of life-style influences the products or brand a person will buy to sustain the same.
  - d. **Income** – determines purchasing power and this in turn influences the buying decision. Income influences can be based on –
    - i. **Personal Income** – this is considered to be most important.
    - ii. **Family Income** – in the Indian context is very important as it impacts ability to spend and save.
    - iii. **Future Income expectation** – Future expectation of income influences degree of current spending or saving.
    - iv. **Discretionary Income** – This is disposable income left in the consumer's hands after meeting basic needs of food, clothing and shelter.
    - v. **Consumer Credit** – Easy availability of credit positively influences consumer buying patterns.
  - e. **Situational** – There are a number of situational factors that influence buying behaviour. These are broadly of the following types:

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- i. **Physical conditions** – like weather influence what a person wears or buys.
  - ii. **Time** – required to make a decision influences behaviour. For example, purchasing a car requires more time than purchasing off-the-shelf groceries.
  - iii. **Purpose** – determines what a person buys. For example, specifications for personal purchase differ from that for institutional purchase.
  - iv. **Past-purchase experience** – often determines the product choice – a customer may re-purchase a product earlier bought or may buy a completely new product.
- (ii) **Social Factors** influencing consumer behaviour are categorised based on social influences arising from:
  - a. **Family** – Needs of family members determine purchase decisions, e.g., monthly groceries, books etc.
  - b. **Reference Groups** – A reference group is any group that influences a person's attitudes, values and behaviour, either directly or indirectly. These groups are of the following categories:
    - i. **Primary groups** – are those with which regular formal or informal interaction takes place, e.g., family members, classmates etc.
    - ii. **Secondary groups** – Only occasional interaction occurs in this case and their opinions are not considered as very important, e.g., religious groups, professional groups, unions etc.
    - iii. **Aspirational groups** – are those groups to which a person desires to be elevated into. Their opinions are considered important, e.g., clubs, political parties, music group, sports team etc.
    - iv. **Dissociative groups** – are groups that a person does not want to be associated with and their opinions and choices influences what a person does not want to buy.
  - c. **Opinion Leaders** – and role models also impact consumer choices and purchase behaviour.
  - d. **Roles and Status** – often determines what a person buys. Every individual buys a product for playing a specific role and while buying the product considers his social status.
- (iii) **Cultural Factors**: that influence buying behaviour are:
  - a. **Culture** – is a set of learned beliefs, values, attitudes, customs and behavioural forms that are shared by people from a society and transmitted through generations within that society. Culture determines the consumption pattern which in turn influences the buying behaviour of consumers. Example – food acceptable for consumption in one society may be taboo in another.
  - b. **Sub-culture** – is a group within a larger culture. The buying behaviour has the same characteristics as in culture. For example, within a larger culture, there are sub-cultures that have different choices of food and clothing.
  - c. **Social class & caste** – There are three social classes mainly – Upper, Middle and Lower class. Product choice or attributes like preference for product quality

vary depending on the social class or people. Caste also plays a key role in making product/service choices.

- (iv) **Psychological Factors** – influence consumer behaviour. These factors can be classified into the following:
- a. **Motivation** – is the driving force that impels a person to take action to satisfy his needs. Needs are of various types – Physiological, Safety, Social, Esteem or Self-Actualisation (ref. *Maslow's Hierarchy of Needs*) and these needs determine what a person buys,
  - b. **Perception** – can be defined as *a process by which individuals select, organise, learn and interpret stimuli on the basis of their prior experiences into a meaningful and coherent picture of the world*. Perception of different people to the same situation may be different and this is the reason why given the same set of circumstances, different people buy different products at the same point in time.
    - i. **Selective Exposure** – e.g., in the case of advertisements only those stimuli which satisfy the current needs of the consumer are focused on.
    - ii. **Selective Attention** – e.g., consumer pays attention to only those advertisements that satisfy his current needs and excludes others.
    - iii. **Selective Distortion** – this means that advertisers will have to understand the mind-set of the consumers which will affect information provided on sales as well as interpretation of advertising. This is because consumers tend to perceive advertisements in their own way and distort the message to suit their current needs.
    - iv. **Selective Retention** – Consumers retain only that marketing information which matches their attitudes and beliefs.
  - c. **Learning** – Consumers learn about products through information received from advertisements, sales people, friends, relatives etc. What a person learns from such influences, determines his choices in terms of products or services.
  - d. **Attitudes** – determine what a person buys. If a person is negatively inclined to a product, he may not buy it and also advise others against buying it.
  - e. **Personality** – of a person impacts his buying choices.
  - f. **Self-concept / Image** – means what a person feels/perceives about himself. For example, a person who thinks himself to be very dashy and fast may like to buy a sports car.
  - g. **Risk and uncertainty** – determine what a person will buy. For example, during the Corona pandemic, people are only buying essentials and not luxury goods.
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2<sup>nd</sup> Semester .

Unit 1

Subject - Marketing management.

Question pattern - MCQ.

Marketing is a social and managerial process by which individuals obtain what they require and want through creating, offering and exchanging products and services of value with others. ( Philip Kotler )

Market is a place where transactions take place between producer and consumer.

Market can be Real or Virtual

Real market is a place where customers can visit physically and transactions take place through cash or cheque or other shopping card (stored value card) Eg : Lake Mall near lake market, Pantaloons are examples of Real market.

In Virtual markets producers produce the products to meet the requirements of the customers through single (solution) window - example Amazon.com.

NATURE OF MARKETING

1. Marketing is an Economic function
2. Marketing is consumer oriented
3. Marketing is a dynamic function



4. Marketing is foundation of business
5. Marketing brings about transfer of ownership.
6. Marketing is delivery of value.
7. Marketing is network of relationships.

### SCOPE OF MARKETING

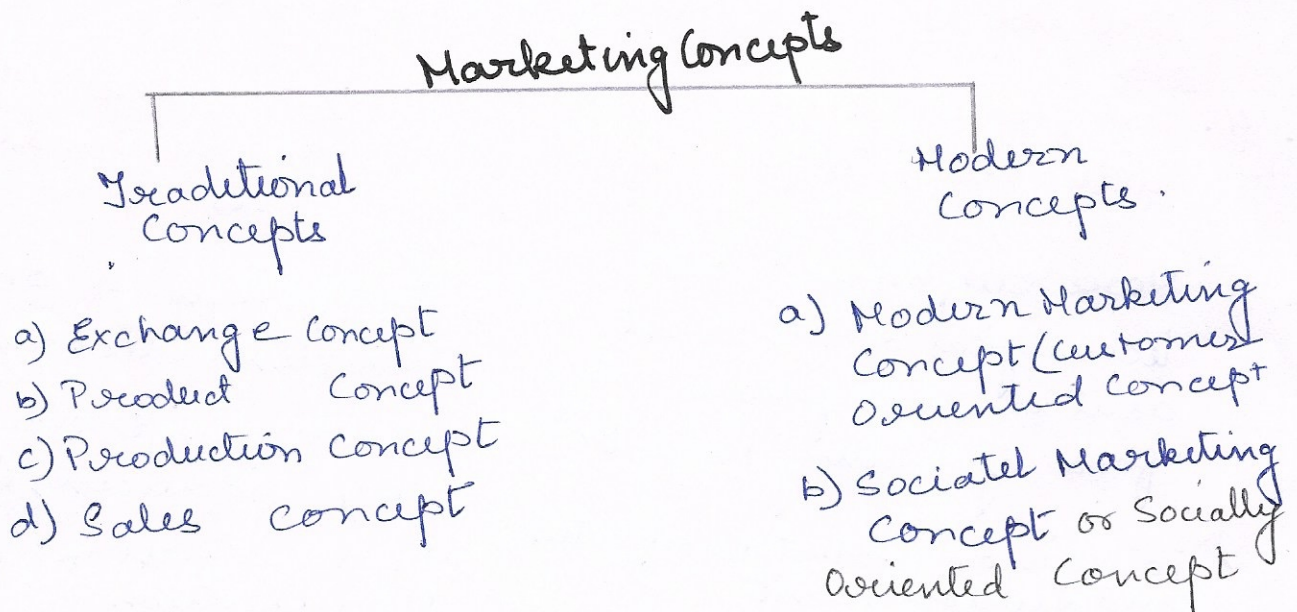
- a) Study of Customer's need and wants (Market Research)
- b) Market Oriented
- c) Study of Consumer behaviour
- d) Starts and ends with customers
- e) Production planning and development
- f) Pricing Policies
- g) Distribution
- h) Cost reduction
- i) Promotion
- j) Finance
- k) After sales services.



# Importance of Marketing:-

1. Creation of demand for goods and services.
2. Equilibrium between demand and supply
3. Provides livelihood
4. Marketing assures selling
5. It improves sales of an organisation
6. It increases the risk bearing capacity of the enterprises
7. It builds a company's brand value.
8. It creates healthy competition
9. Marketing creates time, place, possession and form utilities
10. Modern marketing innovates new product, new services, new channels of distribution and sales promotion.

# Marketing Concepts:-





Modern Marketing concept's tagline:-

"Customer is the King"

Societal Marketing concept's tagline

"Customer welfare"

Marketing Versus Selling

Marketing

1. Focuses on consumers need
2. Broad concept consists of product, pricing, promotion, selling and distribution
3. Marketing is consumer oriented
4. Integrated approach with long term benefits
5. More emphasis is on technological advancement as it is the dynamic force of existing market
6. Focus is on product modification and development
7. Price is determined by the market

Selling

1. Focuses on seller's need.
2. Selling is a part of marketing.
3. Selling is product oriented
4. Fragmented approach to get immediate benefits.
5. Emphasis is on existing technology and improve profits by reducing costs.
6. Focus is less on product modification
7. Price determined by cost of production.



**Marketing Mix:-** Marketing mix is a fundamental model of marketing which refers to the set of activities, or strategies, through which company promotes its brand or product in a market. The 4P's make up a typical marketing mix. The 4P's of marketing mix are, Product, Price, Promotion and Place.

**Product** - A product refers to the item which is given to the customer in exchange of price.

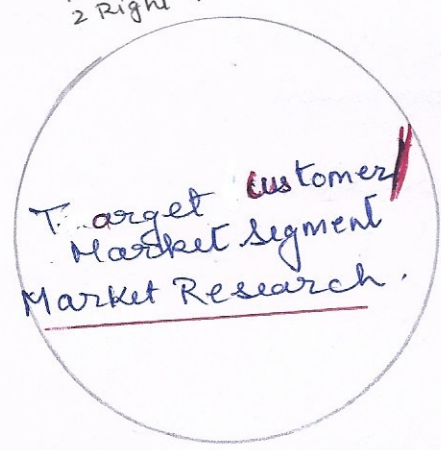
**Price** - Price refers to the amount of money that a customer pays in exchange of product and services.

**Promotion** - It consists of various means of communicating persuasively with the target consumer.

**Place** - refers to the activities which are used to transfer the ownership to the consumer and to place the products, services and ideas at the right time and place.

**Price:**  
 1. Price Margin  
 2. Right Price

**Product:**  
 1. Introduce new Product  
 2. Packaging  
 3. Design  
 4. Branding



**Promotion:**  
 1. Advertising  
 2. Sales Promotion  
 3. Salesmanship  
 4. Public Relation

**Place:**  
 1. Selection and distribution Channel.  
 2. Logistics of distribution.

**4P's of Marketing Mix**



# Marketing Environment.

Marketing Environment refers to external and internal factors and forces of environment that influences the ability of the company to develop and maintain successful relationship with target customers.

Internal Environment

External environment  
1) Macro environment  
2) Micro environment.

**Internal Environment** of business includes all factors within the organisation which has impact on marketing operations. The components are grouped under 5 M's of the business namely **men, money, materials, machinery, markets**. Internal environment is controlled by marketer and can be changed with external environment. This environment includes sales, marketing, manufacturing and human resource department etc.

**External Environment** are external to the business and where and where the marketer has no control on the workings of factors <sup>but</sup> these factors ~~are~~ affect the workings of the company. External factors consists of two types of environment viz **Macro environment** and **Micro environment**.

A **Macro Factors**:- Macro environment constitutes of external factors which influence the industry as well as society as a whole. The major macro factors are

1. Demography (scientific study of human population)
  - age distribution
  - Occupational status
  - Family Income
  - Educational Background
  - Birth, Death and marriage Rates and
  - Gender Mix

2. Economic Environment
  - Interest Rates
  - Money Supply
  - Price level
  - consumer credits etc



3. Social and Cultural environment :-

- changes in our life style social values .
- Major social problems
- Growing consumerism
- Social responsibility of business

4. Political and legal Forces :-

- Monetary and Fiscal policies of the government
- Import - export policies
- Custom duties
- Anti - pollution laws etc

5. Science and Technology

6. Physical Forces (Natural environment)

B Micro factors: Micro factors to company's immediate or internal environment. The factors affect the activities of the organization directly. Major factors of micro environment are :-

1. Competition: Competition considerable influence choice the company's choice of marketing strategy in relation to

- selection of target markets
- Suppliers
- Marketing channels
- Product mix
- Price mix and
- Promotion mix .

2. Public is those who are interested in the affairs of the company. It includes

- customer
- Government
- Investors
- Media
- Employees .



### 3 Marketing intermediaries:

- retailers
- wholesalers
- facilitating organisations

4) Customers includes target group of the organisation

5) Suppliers include people who provide resources to the organisation

6) Business Partners -

- Market research organisation
- advertising organisation
- banking companies etc

### Marketing mix (continued)

Concept of 4Ps and 4Cs.

Neil H Borden popularised the concept of Marketing mix in the year 1964.

E. Jerome McCarthy put forward the 4Ps of Marketing Mix. According to McCarthy these 4 controllable elements are

1. Product 2. Price 3. Promotion and 4. Place or distribution. The 4Ps is probably known as the Seller's perspective.

Another marketing mix approach was given by Robert Lauterborn in the year 1993 which is known as 4Cs which presents the elements of marketing mix from the buyer's point of view. It is made of

1) customer need 2) Cost (Price) 3) convenience (place) and 4) communication (promotion)



## Junction of Modern Marketing

1. Buying and assembling
2. Selling and distribution
3. Banking
- 4) Labelling
- 5) Grading
- 6) Standardization
- 7) Product planning and development
- 8) Risk bearing
- 9) Storage and ~~warehousing~~ warehousing
- 10) Transportation
- 11) Pricing
- 12) Packaging
- 13) Branding
- 14) ~~Marketing~~, Advertisement and Sales Promotion
- 15) Salesmanship and Public Relations
- 16) Market Research.

**Marketing Management:** - Marketing Management is such a functional area of business management through which managerial efforts are applied for movement of products and services from producer to consumer.

## Aims / objectives of Marketing Management .

1. Collection and analysis of data relating to Marketing
2. Preparation of product planning and innovation of distribution process .
3. Pricing of products and its promotion and distribution
4. Increase of profit through cost reduction
5. Evaluation of performance .

## Growing relevance of Marketing in India

- 1) Ever-growing population
- 2) Mis match of demand and supply
- 3) Increase in standard of living
- 4) Creation of employment opportunities
- 5) Effects of western culture .