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SCHOOL OF SCIENCE AND HUMANITIES
DEPARTMENT OF PSYCHOLOGY

UNIT – I -CONSUMER BEHAVIOUR AND ANALYTICS –SPSY1603

MARKETING

INTRODUCTION

Consider a typical day in one’s life. We start our day with consumption of different sorts of products from the moment we wake up in the morning to the time we go to bed. Most of the times we start our day by taking a bath with the soap and the shampoo that we use. The breakfast we take might be a parantha, bread, butter, milk, tea or juice. The cloth we drape in. We may be using public and private transport for commuting to go to schools or workplace. The use of gadgets throughout the day, the television shows we watch for entertainment, the books and newspaper or information material we read, the bed mattress we sleep on and the list of products we use are endless. The entire day we consume different sorts of products. Have we ever thought of where do these products come from? Who does manufacture them? How does the product reach us and how have we come to know about the product?

There are three classes involved in the complete process of consumption i.e, the manufacturer or producer, marketer and the end user. A manufacturer is someone who makes products in a factory; anything from a needle to a plane. A producer is someone who makes the product but not in a factory. For example, a farmer is a producer of fruits and vegetables. On the other hand, marketer is someone who performs various activities to facilitate exchange of goods and services between the producers or manufacturers and users (consumer) of the product. End user is a person who ultimately uses or intends to use the product also known as consumer.

For example 'Fiama Di Wills soap', ‘Engage deo’,‘Aashirvaadaata’, ‘Sunfeast biscuits’, ‘Bingo snacks’, ‘Yippee noodles’, ‘B Natural juices’, ‘John player’ and ‘Miss player cloths’ are manufactured by Indian Tobacco Company (ITC) and marketed by ITC too. But there can be different set of manufacturers and marketers like ‘Good Day Crunches’ is manufactured by J.B.Manghram Food Pvt. Ltd but marketed by Britania. Similarly ‘Polo mint candy’ brand with a hole in the middle is manufactured by Makson Pharmaceuticals but marketed by Nestle India. Thus, Britania and Nestle are marketer’s but not manufacturers of the products. These firms undertake various activities to stimulate the demand of their products and earn profit by meeting customers’ needs and wants. These firms perform various activities by the marketers to facilitate exchange of goods and services between the producer and consumer 5 called marketing activities. We as consumers might know the marketer's name as that is what is popularly known.:

Concept and Definition Of Marketing The term marketing has been described by different people in different ways. For some it is a fun activity of 'shopping', for some it is shopping along with entertainment. There are others who question, does marketing mean selling? Some of us believe marketing starts after selling; they believe 'selling' is merely where a salesman is required to sell. However, selling is a part of marketing, selling includes selling of goods, services and ideas. Marketing is a broader term and selling is one of the functions of marketing. Some people question does marketing mean advertising? Marketing undoubtedly includes advertising; the main role of advertising is to 'communicate'. But marketing is much bigger than advertising. Does marketing mean distribution? The answer is same as in the above two cases thus the product that reaches us is another function of the marketer i.e. distribution function, but marketing is much bigger than this too. Some even believe that marketing is a post-production activity. Marketing involves various activities that take place even before the products are produced.

The term marketing mean: Marketing refers to the process of ascertaining consumer needs, converting them into products and services, and then moving the product or service to the final consumer segment with emphasis on profitability and customer satisfaction, ensure ng the optimum use of the resources available to the organization. Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individuals and organizational objectives. As per Philip Kotler, the marketing guru, marketing is a social and managerial process by which individuals and groups obtain what they need and want through creating and 6 exchanging products and value with others. The author has considered marketing as a social process where interaction of people is an essential component of it. Through this interaction the persuasion for selling the products or services begins. Thus marketing is purely purchase decision of the customer but through continuous marketing initiatives at different stages. Marketing starts before the production of the goods and continues even after the selling of the products. So we say marketing is a continuous process. Where activities pertaining to identification of the needs, wants and demands of the customer, then designing of a suitable product to meet the needs, giving name to the product and converting it to a brand by communicating it to the customers.

Let’s understand few Marketing Concepts that are a part of the definitions: Need(s), Want(s) and Demand(s)

Need(s) Marketing is a continuous process. Our marketers are individuals who enter in the market and have understanding of the activities of the marketing. For understanding the activities properly, understanding the needs and wants of customers becomes essential. Thus, 7 marketing is satisfaction of the needs and wants of the customer. Needs are the state of being deprived of something. Needs can be physical like hunger, clothing, shelter and sex. If unsatisfied it leaves a person unhappy and uncomfortable. For example, when we are fasting and didn’t have food since morning the moment a person names our favourite food it is tough for us to resist. Needs can also be social like love and belongingness, self-esteem like status and self-actualization needs. These needs are not invented by marketer rather the widely known academic model of needs was proposed by psychologist Abraham Maslow. Although this model is prominently used in motivational studies but can also be applied for studying customers’ needs. Customer needs are the problems that customers plan to solve with the purchase of goods or services. A marketer can’t create needs. Marketers have the option of identifying, analyzing, anticipating and fulfilling the needs only.

Want(s) Wants are the form taken by human needs as they are shaped by culture and individual personality. These are essentially dependent upon needs. For example, a person in North India would satisfy his hunger with rajma and chawal while a person from South India would like to have fish curry and rice. Demand(s) 8 We may want to dine out in a five star hotel. But the question is do we have money to dine at Taj? If yes, then it will become demand. Wants backed by willingness and purchasing power is known as demand. The top marketing companies like HUL, Idea and Airtel etc. first understand needs and wants of customers and then fulfil the needs, wants and demands by conducting consumer research and get regular feedback from their salesmen in the market about unfulfilled customer needs. For example : Big Bazaar a retail store of Future group, shop floor managers regularly mingle with customers on the shop floor and try to satisfy every customer. Objectives of Marketing A company must be clear with its marketing objectives and it these objectives must fit in with the overall business objectives for formulation of proper business strategy.

The objectives of marketing the company must take care are:

1. Creation of Demand: The marketing management's first objective is to create demand through various means. A conscious attempt is made to find out the preferences and tastes of the consumers by the company. Demand for the products and services are created by informing the customers their utility. According the products and services are produced to satisfy the needs of the customers.

2. Customer Satisfaction: The first and foremost marketing manager must study the demands of customers before offering any product or services. Marketing begins and ends with the customer. Satisfaction of the customers is outcome of understanding of needs and meeting them successfully.

3. Market Share: Every business aims at increasing its market share. It is the ratio of its sales to the total sales in the economy. For instance, both Pepsi and Coke compete with each other to increase their market share. For this, they have adopted innovative strategies. These strategies can be adopted in marketing, advertising, sales promotion activities and even through innovative packaging, etc.

4. Generation of Profits: The marketing department is the only department which generates revenue for the business. Sufficient profits must be earned as a result of sale of want-satisfying products. If the firm is not earning profits, it will not be able to survive in the market. Moreover, profits are also needed for the growth and diversification of the firm.

5. Public Image: To build up the public image of a firm over a period is another objective of marketing. Goodwill of company is created over a period of time with regular emphasis on customer satisfaction through continuous improvement in product and services. The marketing department provides quality products to customers at reasonable prices and thus creates its impact on the customers.

CREATE A MARKET OFFERING

Why do we purchase or own anything? Many of us own iPods. We own one because we want to hear music. Or we own one because we have been influenced to buy one. AfteriPod's were introduced, few purchased the device because the image it had was they were "cool". Owning an iPod became a cool fashion statement. But now iPods have become quite common but the impact that iPods had on the music and entertainment industry has been huge because the product was a revolution in the entertainment industry which replaced walkman a device used earlier.People buy things to solve needs. In the case of the iPod, the need is to have better access to music or to look cool, or both. ‘Market Offerings’ are products and services designed to deliver value to customers—either to fulfill their needs, satisfy their “wants,” or both. Market offering refers to a complete offer for a product or service. The product or service that is sold into the marketplace is called as a market offering.

PRODUCT

Needs and wants can be satisfied with products and services offered to the market. A product is not limited to physical objects or tangible items i.e they can be touched, seen and felt rather it is anything that satisfies a need is called a product. Product also includes services which are intangible along with tangible goods. A product can be a person, place, organisation, activities and even ideas. There are thousands of examples of products like food products, TV, Laptop, Mobile Phones, and Clothes etc.

SERVICES

Services are deeds, processes and performances coproduced/provided by one person for another person. Services are intangible products which can’t be touched, seen and felt. As economy grows, the service sector also starts flourishing. The same can be seen in Indian scenario here services contribute more than 55% to the GDP. Service sector includes banking, insurance, teaching, advertising, consultancy etc.

Services Customer Value As discussed in the example of buying an iPod, we buy an iPod because it not only gives good music output (benefit) but also the cool fashion statement associated with it. Imagine one buying a product? When we buy a product, aren’t we thinking of the benefits the product brings to you. It’s not only benefit it is rather the bundle of benefits associated with the product in the form of product quality, after-sales services, warranty, repairs costs, free home delivery, user friendliness etc. Customers are smart and they evaluate between benefits they are acquiring and price they are paying for those benefits. Customer value is difference between the values benefits the customer gains from owning a product and cost of obtaining 11 the product. The cost of product is not limited to price but also time and energy spent shopping. Customer value can be shown as an equation as below:

Customer Value = Total Customer Benefits – Total Customer Costs

Thus the marketer's role is to add more value to product in terms of benefits so that customer prefers the product in relation to competitor's product.

CUSTOMER SATISFACTION

Customer satisfaction is the measure of success of an organization. A Customer is said to be satisfied if their expectations match with the actual performance of the product. Customer satisfaction is the match between customer expectations of the product and the product's actual performance. Customer satisfaction differs from one person to another; it's an experience which is different for different individuals. A proper evaluation of a product or service can only be done by experiencing it. So, customer satisfaction is a postpurchase phenomenon. Satisfaction can only be measured by comparing pre-purchase expectation and post-purchase experience. The equation used to determine the level of a customer's satisfaction is:

Customer Satisfaction=Experience – Expectation

Customer satisfaction is only obtained once the customer has experienced a product or service. It is always a post purchase phenomenon which is quite emotional in nature.

EXCHANGE PROCESS

Exchange is the act of obtaining a desired object from someone by offering something in return. Marketing works through exchange. Exchange process is simply when an individual or an organisation obtain and satisfy a need or want by offering some money in exchange of products or services. For example we go get a haircut at a salon, we pay for the hair cut. The money paid in lieu of the service taken is an exchange process.This exchange process extends into relationship marketing and we enter into exchange relationships all the time. With relationship marketing the purpose is to build a long-term relationship with the customer. In 12 the above example if we are satisfied by the haircut service we may intend to take more services from the same saloon and intend to become a permanent customer with the salon. By delivering value to customers, a relationship with customers is developed. So marketing is earning profit by building relationship with customer through satisfying his needs and wants. The same can be applicable for a product too.

SCOPE AND IMPORTANCE OF MARKETING

Gone are the days when marketing was confined only to goods and services. Now the scope of marketing has increased and one can also market people, ideas, experience, events, places, 13 properties, organisations and information and not just confined to goods or services. In other words anything that is of value to others can be marketed. The scope of marketing are explained as under:

Goods: A tangible item which can be an article, commodity, material, merchandise, supply, wares produced from agricultural, construction, manufacturing or mining activities.

Services: Products that have intangible properties such as banking, consultancy, education, insurance, accounting, expertise, medical treatment or transportation.

Experience: Marketers can create stage and market experiences to the customers. For example Water Park, and theme parks provide experience marketing. Another different real life experience is been enjoyed by customers at modern retail outlets. Now retailing is not an activity involved in just selling goods to the customers, it has now become an experience. Shopping in a mall where the delightful experience comprises of not only shopping but also, spending time with family and friends, eating out, watching movie and enjoying the complete day. People Marketing can help people to market themselves. Politicians are the most suitable and common example of people marketing. Politicians market themselves to the customers (voters) by promising them certain bundle of benefits. Cricketers, film stars, authors, painters, musicians and sportsperson market themselves. Some of the well-known personalities are Amitabh Bachchan, Sachin Tendulkar, Salmaan Khan etc. These people are not only successful in marketing themselves but also they lent their names to products like perfumes 14 (Shilpa Shetty), retail stores by the name of true blue (Sachin Tendulkar), and cloths and accessories by Salman Khan with the name of ‘Being Human’.

Places Cities, state and nation can be marketed to the consumers. Place marketers include real estate developers, commercial banks, businesses etc. One can’t forget the incredible India campaign by Indian government to market India as tourist spot. In India, Bangalore is known as the silicon valley of India. Kerala is known as God’s own country. Madhya Pradesh is known as “Heart of incredible India”. A campaign by Amithabh Bachan for Khushoo Gujratki Organizations Organizations market themselves to create and boost their image in customers mind. They try to create a unique and favourable image in the eyes of customers that can give organizations an edge over others in the market place. 'Tata group'comprising of multiple brands, stands for trust and quality globally. Philips promises its customers products which are technologically advance and hassle free. So its marketing campaign is based on sense and simplicity platform.

Property Properties, whether tangible like real estate or intangibles like stocks can be marketed to the customers. Properties are bought and sold and this exchange process seeks the role of marketing. Real estate developers (DLF, Unitech, and Supertech) develop property and seek buyers for the same. Same is the case with any investment company that wishes to sell its securities to individuals as well as institutions.

Events Marketers promote different events from time totime their customers. These events can be for individuals or organizations. Sports events like Commonwealth games, Cricket world cup series, Musical Concert, Awards, and Fashion shows, etc are events Information Information is basically produced and marketed and distributed by universities, schools, colleges, newspapers, magazines, books etc to the customers at a price. The customers here might be parents, students and communities. For example

Ideas Every marketer offers some idea. Some offer it for money others do it for society in general. Marketers make profit from society and they shall also give back to the society. Social marketing comprises of creating awareness on few ideas like Family Planning, AIDS awareness, discouraging-smoking, child labour, domestic violence, wearing of helmet while driving, blood and eye donation etc.

What is a market? Market originates from Latin word 'MARCUTUS' which means a place where buyer and sellers meet for business. Earlier in our country buyer and seller gathered at a specific place called 'haats'or 'melas'. But with passage of time buyers and sellers need not to meet face to 19 face for transaction, they can meet virtually through e-commerce platforms. On the basis of end use, market can be of different types: Consumer Markets (FMCG-Fast moving consumer goods, consumer durables, soft goods), industrial markets (finished goods, components and services), intermediate markets (wholesale and retail markets), geographical location (local, national, global/international markets, rural and urban market), and Non-profit and

Governmental Markets (companies selling to non-profit organizations with limited purchasing power need to be price careful). The Importance of Marketing Earlier finance was considered backbone for any business but gradually marketing gained importance and was considered more important than other functions of business i.e. Finance, Production and Human resources. Later it was realized that to run business profitably companies need to market their products if they want to gain more profits. As for every business the leading factor for success is the customer. Thus with the customer as a controller, marketing becomes a major integrative function of the organization. However, Marketing cannot be kept apart and the Product, Pricing, Placement and promotions of the product ultimately depends on the marketing function. Currently marketing is a core business discipline since it contributes greatly to the success of the organization. It's also essential to appreciate the concept of marketing as the cost of marketing amounts to forty to sixty percent of the total cost. Production and distribution depend largely on marketing. Marketing covers advertising, promotion, public relations, and sales. It is the process of introducing and promoting the quality product or service into the market. If the company targets more of customer's needs, they will come back again and again and even bring along other customers. On the other hand, if the company push more on the product and ignore customer's needs and wants, they will in no time lose their customers. Marketing plays an important role to the marketer, customers and society.

IMPORTANCE TO THE MARKETERS

1. Marketing Promotes Product Awareness to the Public The primary task of marketing is to get the product or service recognized by the market. It is important that public awareness of product and company information is spread to the buying public, this is possible if heavy advertising, sales promotion, personal selling, direct 20 marketing is done for creating awareness. There is no fixed rule for all butobviously the use of a particular technique depends upon the nature of product, market and the financial conditions of the company

2. Marketing Helps In Enhancing Product Sales Apart from public awareness about a company's products and services, marketing helps boost sales and revenue growth. Once the public learns the your product through TV advertisements, radio

commercials, newspaper ads, online ads etc, it will generate sales. More the people know a productor a service; more interested they would be in buying the products.

3. Marketing Builds Company Reputation Marketers continuously aim to create an image of the company in general public eyes. They tend to create brand name recognition. This is done so that consumers can easily associate the brand name with the images, logo, or caption that they hear and see in the advertisements. For example, McDonalds is known for its arch design which attracts people and identifies the image as McDonalds. With an established name in the industry, a business continues to grow and expand because more and more customers will purchase the products from a trustworthy and reputed company.

IMPORTANCE TO CUSTOMERS

1. Marketing creates Utilities: Marketing creates different types of utilities, form utility – from a plumber to furniture, place utility- product moving from the factory to the customer, time utility- product available when needed, information utility- ingredients of the product and even how to use the product, and possession utility- transfer of ownership from retailer to customer.

2. Large number of choices available: Marketers create needs and wants and try to satisfy that through offering variety of product choices. If one wantssoap, there are n numbers of brands available. For example Lux, Pears, Rexona, Dove are range of soaps offered by HUL.

3. More platforms available: With the advent of technology, the marketers are offering customers both offline and online platforms to purchase. Now marketers are serving more number of customers through different ways, reminders of sales comes through sms, e-mail, 21 facebook, whatsap, Even customers have become smarter, they search for information from different online platforms and buy the best deal.

IMPORTANCE TO THE SOCIETY

1. Source of Employment: Marketing offers a great range of wide and exciting career opportunities. Marketing offers employment in the field of personal selling, packaging, and advertising, marketing research, consultancy, distribution and channel sales.

2. Welfare of Customers and Stakeholders: Though profit maximisation is main motive of every business but many marketers have taken up corporate social responsibility in order to give back to society. Different forms For example, HUL's – Behaviour Change Program where washing hands with soap before a mother touches

her baby is proven to prevent many of infant deaths in villages. Where, over 40% of child deaths under the age of 5 happen in the first 28 days of life. Washing hands with soap before a mother touches her baby is proven to prevent many of these deaths. This campaign is to help teach mothers this lifesaving habit and 'Help A Child Reach 5'.

MARKET ORIENTATION - DEFINITION AND MEANING

Market orientation is a business philosophy where the focus is on identifying customer needs or wants and meeting them. When a company has a market orientation approach, it focuses on designing and selling goods and services that satisfy customer needs in order to be profitable. The successful market oriented company discovers and meets the desires and needs of its customers through its product mix.

Market orientation works in the opposite direction to past marketing strategies – product orientation – where the focus was on establishing selling points for existing goods. Rather than trying to get your customers to like or become aware of the benefits of your products or services, with the marketing orientation approach you tailor them to meet the demands of customers.Many marketing gurus define market orientation as a coordinated marketing campaign between a supplier and its buyers.

The main disadvantage with a market orientation approach is lack of innovation. If you spend all your time satisfying customer needs, you may lose sight of what potential technical breakthroughs there might be. Product oriented companies, on the other hand, tend to be more technically or scientifically innovative, but lose out because they have less knowledge about what the consumer wants.

Social Fish defines market orientation as follows:

"A business philosophy that focuses on identifying customer wants or needs and then meeting them."

In a recent interview, Marketing Strategist and Keynote Speaker True Tamplin said this about market orientation:

"Market orientation is absolutely essential in today's saturated world. Focusing on the customers' needs and creating organic brand loyalty is the foundation for lasting, consistent growth."

MARKET ORIENTATION – A CULTURE

Market orientation is more of a culture than an individual process. It is the mindsets, values, beliefs, norms and behaviors of companies, together with the systems, structure and control of the organization.

Market oriented commercial enterprises define their activities as service activities aimed at satisfying their customers. What drives them are customer needs – they are listed as their main objective.

If a product-oriented company focuses more on its product than the market, and a market-oriented one concentrates more on the market and what customers want, what type of business is smartphone and computer maker Apple Inc.? Doesn't it focus on both?

What is market orientation? Definition and stages - Market Business News

In order to survive in the marketplace, companies must be more sensitive to the needs and demands of customers. If they are not, and their competitors are, those businesses are doomed.

Gone are the days in the automobile market, for example, when manufacturers could create a new product and promote its features to a gleeful public.

We now live in a global economy, where consumers have a virtually limitless range of choice. In order to remain competitive, companies must follow the market orientation approach religiously.

"A large body of research has shown that market-oriented businesses achieve superior new-product success, sales growth, and profitability."

Becoming a market oriented company is no easy task. Sometimes it means completely transforming the way the business is organized – from head to toe. In order to be able to do this successfully, the top management needs to be fully committed.

THE 4 STAGES TO MARKET ORIENTATION

According to a study carried out by Gary F. Gebhardt, Gregory Carpenter and John F Sherry Jr. – Market Orientation: The Construct, Research Propositions, and Managerial Implications – and published in the Journal of Marketing, there are four stages to creating a market orientation: 1. Initiation. 2. Reconstitution. 3. Institutionalization. 4. Maintenance.

– **Initiation:** in this stage, executives and other important stakeholders first identify an external threat to the business, such as failing to meet its financial performance targets. They then identify specific initiatives that need to be implemented as part of the transformation process.

In their study, which examined seven companies that were just starting to adopt greater market orientation, the authors identified one business that had been losing millions of dollars in revenue. Senior management responded by outlining a new set of values expected of all employees – respect for others, empathy, collaboration, etc. – and listed process-focused change initiatives, including information technology, continuous improvement, and communication systems.

– **Reconstitution:** the plan is presented to all employees simultaneously. It must include a description of the values that have been identified and adopted to guide the company's behavior, as well as the specific changes that are going to take place.

Following the presentation of the plan to the entire organization, the company can explain to everybody how cultural values affect its ability to meet the needs of the market by sending teams of people from different departments and functions to meet with key stakeholders, including customers.

Employees who are not willing to embrace this new culture need to be replaced with individuals who are. As soon as every single employee agrees on a definition of the market, and which of its needs remain unmet, all can collaborate to develop a strategy to meet those needs.

– **Institutionalization:** only when a market-oriented culture is fully incorporated within the company, has it reached this stage.

Employees are rewarded as the business' performance in the marketplace improves. Cultural values are reinforced with seminars and other training programs. All members of the company become involved in its decision-making process.

The number of ideas for resolving problems and challenges is much greater if everybody has the opportunity to contribute, rather than just the top management – the company is more likely to find an effective solution.

– **Maintenance:** the aim here is to prevent any deterioration in the organization's market orientation approach.

Job applicants are carefully screened to make sure they fit the restructured image, workers become involved in activities that remind them of the company's process of cultural change.

Employees from different departments are involved in field visits and research.

This image offers a simplistic view of the components required to implement a market oriented culture. For multinational corporations, fully-implementing this culture across the whole company is extremely complex and time consuming

MARKET ORIENTATION VS. PRODUCT ORIENTATION

In the world of business, companies can develop new products and services based on either the product orientated or market orientated approach.

With a product oriented approach, the company develops goods and services based on what it does well, rather than what the consumer wants.

This is risky, because if you make something new, regardless of how good you are at creating it, what happens if the customer does not want or need it?

A product oriented company makes unsuccessful products significantly more frequently than a market oriented business, which reacts to what customers want.

“In essence, market-oriented businesses generate intelligence about customers, competitors, and other key influencers; share that intelligence broadly throughout the company; integrate and achieve a shared interpretation of the meaning of the market intelligence; and take coordinated action based on that shared interpretation.”

DIGITAL MARKETING

Digital marketing is often confused with online marketing. Digital marketing is the process of promoting a brand, service or product on the internet. Put simply, Digital marketing differs from traditional marketing in that it involves the use of online channels and methods that enable businesses and organisations to monitor the success of their marketing campaigns often in real time, to better understand what does and doesn’t work.

The 21st century has witnessed the developing a web presence in most companies. E-mail was commonplace and there was technology allowing people to manage this fairly easily. Customer relationship management (CRM) systems had been in place for some time to manage databases. Some companies were placing banners on websites with a similar approach to press advertising. Forward- thinking companies were working on their search engine strategy and even working with some affiliates. All of this was online marketing and,

in time, online marketing teams and specialists would begin to appear. (Kingsnorth, 2016).

The most common form of digital marketing is the website of the organisation and the epicentre of all its online activities. In order to drive qualified traffic to a website, or encourage repeat visitors and sales, savvy marketers include a combination of email marketing, search engine optimisation (SEO), pay-per-click (PPC) advertising and social media in their strategy.

DIGITAL MARKETING

The first approaches to digital marketing defined it as a projection of conventional marketing, its tool and strategies, on Internet (Otero and Rolan, 2016). Satya (2015) defined it as ‘online marketing’, ‘web marketing’ or ‘internet marketing’. The term digital marketing became popular overtime, especially in certain countries. In the USA online marketing is still prevalent, in Italy is referred as web marketing but, in the UK, and worldwide, digital marketing has become the most common term, especially after the year 2013. Digital marketing is an umbrella term for the marketing of products or services using digital technologies, mostly on the Internet, but also including mobile phones, display advertising and any other digital terms

DEFINITION OF DIGITAL MARKETING

Digital marketing is basically applying all marketing techniques to digital channels. Different sources can be used to promote services and products like SMS, search engines, email, websites, social media and mobile devices. The digital nature of this marketing method makes it a cost-effective means of promoting one's business. (Kingsnorth, 2016)

The use of digital marketing depends on the organisation's marketing objective. It could be that the organisation wants to generate more leads, build their brands, increase sales or improve brand engagement. Digital marketing means more than just having a website. The website needs to be aesthetically pleasing and easy to navigate, and also needs to have quality content to reflect the nature of the business.

Search engine optimization (SEO) is an important factor as well. Search engines need to read and index the website properly. There are content and SEO specialists who can help organisations to design websites which are responsive and accessed through all devices. Digital marketing also involves managing the organisation's social media presence and interacting with fans as well as marketing the business across major social media channels.

HISTORY AND EVOLUTION OF DIGITAL MARKETING

Digital marketing first appeared as a term in the 1990s but, as mentioned above, it was very different world then; Web 1.0 was primarily static content with very little interaction and no real communities. The first banner advertising started in 1993 and the first web crawler (called WebCrawler) was created in 1994 – this was the beginning of search engine optimization (SEO) as we know it (Kingsnorth, 2016).

Once Google started to grow at pace and Blogger was launched in 1999 the modern internet age began. Blackberry, a brand not connected with innovation any more, launched mobile email and MySpace appeared. MySpace was the true beginning of social media as we define it today, but it was not as successful as it could have been from a user experience perspective and ultimately that is what led to its downfall.

Google's introduction of Adwords was their real platform for growth and remains a key revenue stream for them to this day. Their innovation, simple interface and accurate algorithms continue to remain. Cookies have been a key development in delivering relevant comments and therefore personalising user experience**.**

"One of the technologies which really brought information revolution in the society is Internet Technology and is rightly regarded as the third wave of revolution after agricultural and industrial revolution" (Gangeshwer, 2013)

The first search engine started in 1991 with a network protocol called Gopher for query and search. In 1993, the first clickable banner went live, after which HotWired purchased a few banners ads for their advertising. This marked the beginning of a new era, the digital era of marketing. Because of this gradual shift, the year 1994 saw new technologies entering the digital marketplace. The very same year, Yahoo was launched.

1998 saw the birth of Google. Microsoft launched the MSN search engine and Yahoo brought to the market Yahoo web search. In 2000, the internet bubble burst and all the smaller search engines were either left behind or wiped out leaving place for the giants. Then in 2006, digital marketing world saw its first steep surge. At that time, search engine traffic already grown to about 6.4 billion in a single month.

Soon, Google began to expand and along with this social networking sites began to emerge. Myspace was the first social networking site followed by Facebook. With this, companies realized that all these new sites are opening new doors of opportunity for them to market their products and brands.

Products marketed digitally are now available to customers at all times. Statistics collected by the Marketingtechblog for 2014 show that posting on social media is the top online activity in the US. The average American spends 37 minutes a day on social media. 99% of digital marketers use Facebook to market, 97% use Twitter, 70% use Google+, 69% use Pinterest and 59% use Instagram. 70% of B2C marketers have acquired customers through Facebook. 67% of Twitter users are far more likely to buy from brands that they follow on Twitter. 83.8% of luxury brands have a presence on Pinterest. The top three social networking sites
used by marketers are LinkedIn, Twitter, and Facebook. **Figure 1.2** illustrates the history and evolution of Digital Marketing as a field of marketing

DIFFERENCE BETWEEN TRADITIONAL MARKETING AND DIGITAL MARKETING

Many small businesses struggle with deciding which kind of marketing to do, because their budget will only stretch to one or the other, not both. The decisions that must be made are not easy: which method of marketing will give me the most amount of sales and profits? How do I know if my marketing is working? Who should I trust with my marketing? Should I do it myself? To clarify the terms, the use of print ads on newspapers and magazines is a simple example of **traditional marketing**. Other examples include flyers that are put in mailboxes, commercials both on TV and radio and billboards. On the other hand, when a business invests on building a website, advertising the brand name through different social media such as Facebook, Twitter and YouTube, this kind strategy is called **digital marketing**. (Cave, 2016)

BENEFITS OF TRADITIONAL MARKETING

You can easily reach your target local audience. For example, a radio ad might play in one location: your city or region. Or mailbox flyers will go to households in a select number of suburbs.
The materials can be kept. The audience can have a hard copy of materials of which they can read or browse through over and over again.
It's easy to understand. It can be easily understood by most people because they are already exposed to this kind of strategy.

THE DOWNSIDE TO TRADITIONAL MARKETING

There is very little interaction between the medium used and the customers. It is more of providing information to the public that the brand exists with the hope of these people patronising the brand. **Print or radio advertisements can be very costly**. Printing materials can be expensive and you need to hire people to distribute these. **Results on this marketing strategy cannot easily be measured**. Was the campaign successful?

Benefits of Digital Marketing

You can target a local audience, but also an international one. Further, you can tailor a campaign to specific audience demographics, such as gender, location, age and interests. This means your campaign will be more effective.

Your audience can choose how they want to receive your content. While one person likes to read a blog post, another person likes to watch a YouTube video. Traditional marketing doesn't give the audience a choice. Most people hate receiving sales flyers in their mailbox or phone calls at inconvenient times on stuff that they have little interest in. Online people get the choice to opt in or out of communications and often it is relevant because they were the ones searching for it in the first place

Interaction with your audience is possible with the use of social media networks. In fact, interaction is encouraged. Traditional marketing methods don't allow for audience interaction. You can encourage your prospects, clients and followers to take action, visit your website, read about your products and services, rate them, buy them and provide feedback which is visible to your market.

Digital marketing is cost-efficient. Though some invest on paid ads online; however, the cost is still cheaper compared to traditional marketing.

Data and results are easily recorded. With Google Analytics and the insights tools offered by most social media channels, you can check on your campaigns at any time. Unlike traditional marketing methods, you can see in real time what is or is not working for your business online and you can adapt very quickly to improve your results.

Level playing field: Any business can compete with any competitor regardless of size with a solid digital marketing strategy. Traditionally a smaller retailer would struggle to match the finesse of the fixtures and fittings of its larger competitors. Online, a crisp well thought out site with a smooth customer journey and fantastic service is king – not size.

Real time results: you don't have to wait weeks for a boost to your business like you would have to waiting for a fax or form to be returned. You can see the numbers of visitors to your site and its subscribers increase, peak trading times, conversion rates and much more at the touch of a button.

Brand Development: A well maintained website with quality content targeting the needs and adding value to your target audience can provide significant value and lead generation opportunities. The same can be said for utilising social media channels and personalised email marketing.

Viral: how often do your sales flyers get passed around instantly by your customers and prospects? Online, using social media share buttons on your website, email and social media channels enables your message to be shared incredibly quickly. If you consider the average Facebook user has 190 friends of which an average of 12% see their liked posts – your one message has actually been seen by 15 new prospects. Now imagine a number of them also like and share your message and their friends do the same? That's why high-quality content is so important.

So which kind of marketing is better?

It is recommended to use both traditional (physical) marketing and digital marketing materials on the following grounds:

 Physical material is more "real" to the brain. It has a meaning, and a place. It is better connected to memory because it engages with its spatial memory networks.

 Physical material involves more emotional processing, which is important for memory and brand associations.

 Physical materials produced more brain responses connected with internal feelings, suggesting greater "internalisation" of the ads.

DIGITAL & TRADITIONAL MARKETING

The traditional marketing methods must support the organisation's digital marketing efforts. The two do not operate in exclusion from each other. Only hard copy marketing materials can be used to further strengthen a relationship with a contact, referral partner or client e.g brochures to someone who is interested in the organisation's services.

Rather than taking an all or nothing approach, it appears that a multi-channel approach that leverages the unique benefits of paper with the convenience and accessibility of digital will perform best. **Table 1.1** below outline the main differences between traditional marketing and digital marketing.

TRADITIONAL MARKETING DIGITAL MARKETING

Traditional marketing .	**Digital marketing**
Communication is unidirectional. Meaning, a business communicates about its products or services with a group of people	Communication is bidirectional. The customer can also ask questions or make suggestions about the business products and services.
Medium of communication is generally phone calls, letters and emails.	Medium of communication is mainly through social media, chat, websites and emails.
Campaigning takes more time for designing, preparing and launching.	There is always a fast way to develop an online campaign and carry out changes along its development. With digital tools, campaigning is easier.
It is carried out for a specific audience throughout from generating campaign ideas up to selling a product or a service.	The content is available for general public. It is then made to reach the specific audience by employing search engine techniques.
It is a conventional way of marketing; best It is best for reaching global audience	It is the best.for reaching local audience.
It is difficult to measure the effectiveness of a campaign.	It is easier to measure the effectiveness of a campaign through analytics.

TYPES OF DIGITAL MARKETING APPROACHES – PULL AND PUSH DIGITAL MARKETING

There are two types of digital marketing and one of these is **pull digital marketing**. It aims to encourage consumers to come to you by visiting your business or making a call to action. Some of the common examples of *pull digital marketing are* websites and other internet based mediums. Pull marketing is often called **inbound marketing**.

Another type of digital marketing is **push digital marketing**. *It pushes the* marketing information directly to your customers. Common examples include SMS, email and RSS that target the customer with a customized message. Push marketing can also be called **outboundmarketing.**

DIGITAL MARKETING - IMPORTANT

Digital marketing offers the ability to reach and engage target audiences in ways which were never before possible. A strong digital marketing strategy can deliver a far higher return on investment (ROI) than traditional marketing methods.

People are consuming digital content at a never seen before rate. More than half of the planet now has regular access to the internet, spending an average of 6 hours online per day, presenting massive opportunities for brands and businesses. Such trend will not slow down, as the number of internet-connected portable devices is on the rise. Gartner reported that smartphones surpassed the sales of feature phones for the first time in 2013, while the 2014 Q3 report from Globalwebindex reports that consumers are now spending more time with online media than they are with traditional forms of media. However, the particularities of the digital world and its appropriation for marketing have fostered the development of channels, formats and languages that have led to tools and strategies that are unthinkable offline.Today, Digital Marketing has become a new phenomenon that brings together customisation and mass distribution to accomplish marketing goals. The development of Digital Marketing strategies offer much potential for brands and organisations. Otero and Rolan (2016) put forward some of them are:

Branding: platform is a great opportunity to build a brand image on the Web due to their scope, presence and constant updates.

 Completeness: the advantages of assembling information through links offer customers the chance to approach the organisation in a wider and customis ed way.

 Usability: simple and user-friendly platforms are available for all to improve user experience and allow for their activities.

 Interactivity: internet offers the possibility of having a conversation and therefore generating a positive experience with the brand.

 Visual communication: with digital marketing, marketers have different image and
video-based tools. This helps to reach audiences and get them involved in your activities.

 Community connection: internet offers the opportunity for business to connect with their audience.

TYPES OF ONLINE PRESENCE

When assessing the relevance and potential of digital marketing for a business, remember that different business types offer different opportunities and challenges. Chaffey and Ellis Chadwick (2015) identify five main types of online presence or components possible as part of as site:

1. *Transactional e-commerce site.* Online retailers, travel, financial services providers or manufacturers make their products available for online purchase. The main business
contribution is through sale of these products. The sites also support the business by providing information for customers who prefer to purchase products offline.

2. *Services-oriented relationship building or lead-generation web site.* Provides information to stimulate purchase and build relationships. Products are not typically available for purchase online. Information is provided through the web site, along

with email marketing, to inform purchasing decisions. The main business contribution is through encouraging offline sales and generating enquiries or leads from potential customers. Such sites also help by adding value for existing customers by providing them with information of interest.
Examples: B2B examples are management consultants such as PricewaterhouseCoopers (www.pwc.com) and Accenture (www.accenture.com). Most car manufacturers' sites may be services-oriented rather than transactional.
3. *Brand-building site.* Provides an experience to support the brand and current campaigns. Products are not typically available for online purchase, although merchandise may be. The main focus is to support the brand by developing an online experience of the brand through content marketing integrated with social media outposts. They are typical for low-value, high-volume, fast-moving consumer goods (FMCG brands).
Examples: Lynx (www.lynxeffect.com) and Guinness (www.guinness.com).
4. *Portal or media site.* The main purpose of these types of intermediaries or publishers
is to provide information and content. The term portal refers to a gateway to information or a range of services such as search engine, directories, news, blog content, shopping comparisons, etc. This is information both on the site and via links through to other sites. Online publishers have a diversity of options for generating revenue, including advertising, commission-based sales (affiliate marketing) and selling access to content through subscription or pay-per-view.
Examples: Yahoo! (www.yahoo.com), the *financial Times* Online (www.ft.com) or TripAdvisor (www.tripadvisor.com).
5. *Social network or community site.* A site enabling community interactions between different consumers (C2C model). Typical interactions including posting comments and replies to comments, sending messages, rating content and tagging content in particular categories. Well-known examples include Facebook and LinkedIn, but there are many less well-known niche communities that may be important within a market. In addition to distinct social network sites, social interactions can be integrated into other site types through plugins or *application programming interfaces (APIs)*. The facebook APIs are very important in integrating Facebook 'Like' buttons and content into sites through services such as the Facebook social plug-in
Remember that these are not clear-cut categories of web sites, since many businesses will have sites which blend these elements, but with different emphasis depending on the market in which they operate.
To engage their audience and so increase advertising revenue, social networking sites are also looking to provide many of these services through *social network company brand pages,* sometimes called 'social outposts' for short.

CONSUMER BEHAVIOUR AND CONSUMER MOVEMENT AND SOCIETY

TYPES OF SOCIAL MOVEMENTS

We know that social movements can occur on the local, national, or even global stage. Are there other patterns or classifications that can help us understand them? Sociologist David Aberle (1966) addresses this question by developing categories that distinguish among social movements by considering 1) what it is the movement wants to change and 2) how much change they want. He described four types of social movements, including: alternative, redemptive, reformative, and revolutionary social movements.

- **Alternative movements** are typically focused on self-improvement and limited, specific changes to individual beliefs and behavior. These include things like Alcoholics Anonymous, Mothers Against Drunk Driving (MADD), and Planned Parenthood.
- **Redemptive movements** (sometimes called religions movements) are "meaning seeking," are focused on a specific segment of the population, and their goal is to provoke inner change or spiritual growth in individuals. Some sects fit in this category.
- **Reformative social movements** seek to change something specific about the social structure. They may seek a more limited change, but are targeted at the entire population. Environmental movements, the women's suffrage movement, or the more contemporary "Buy Nothing Day", which protests the rampant consumerism of Black Friday, are examples of reformative movements.
- **Revolutionary movements** seek to completely change every aspect of society—their goal is to change all of society in a dramatic way. Examples include the Civil Rights Movement or the political movements, such as a push for communism.

Other helpful categories that are helpful for sociologists to describe and distinguish between types of social movements include:

- Scope: A movement can be either reform or radical. A reform movement advocates changing some norms or laws while a radical movement is dedicated to changing value systems in some fundamental way. A reform movement might be a green movement advocating a sect of ecological laws, or a movement against pornography, while the American Civil Rights movement is an example of a radical movement.
- Type of Change: A movement might seek change that is either innovative or conservative. An innovative movement wants to introduce or change norms and values, like moving towards self-driving cars, while a conservative movement seeks to preserve existing norms and values, such as a group opposed to genetically modified foods.
- Targets: Group-focused movements focus on influencing groups or society in general; for example, attempting to change the political system from a monarchy to a democracy. An individual-focused movement seeks to affect individuals.
- Methods of Work: Peaceful movements utilize techniques such as nonviolent resistance and civil disobedience. Violent movements resort to violence when seeking social change. In extreme cases, violent movements may take the form of paramilitary or terrorist organizations.
- Range: Global movements, such as communism in the early 20th century, have transnational objectives. Local movements are focused on local or regional objectives such as preserving anhistoric building or protecting a natural habitat.

STAGES OF SOCIAL MOVEMENTS

Sociologists have studied the lifecycle of social movements—how they emerge, grow, and in some cases, die out. Blumer (1969) and Tilly (1978) outlined a four-stage process through which social movements develop.

1. In the *preliminary stage*, people become aware of an issue, and leaders emerge.
2. This is followed by the *coalescence stage* when people join together and organize in order to publicize the issue and raise awareness.
3. In the *institutionalization stage*, the movement no longer requires grassroots volunteerism: it is an established organization, typically with a paid staff.
4. When people fall away and adopt a new movement, the movement successfully brings about the change it sought, or when people no longer take the issue seriously, the movement falls into the *decline stage*.

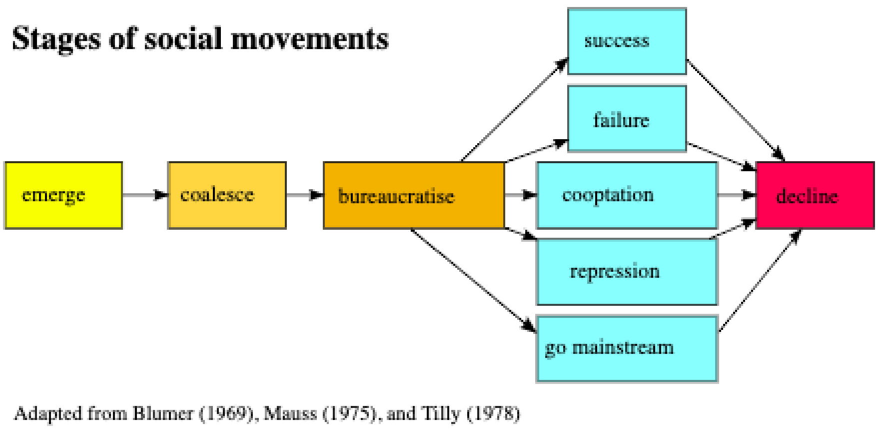

Figure 1. As social movements grow, they typically become increasingly organized and bureacratized, add members, which either leads to success or failure as a movement.

SOCIAL MOVEMENT STAGES, MEDIA, AND BLACK LIVES MATTER

Chances are you have been asked to tweet, friend, like, or donate online for a cause. Nowadays, social movements are woven throughout our social media activities. After all, social movements start by activating people.

Considering the ideal type stages discussed above, you can see that social media has the potential to dramatically transform how people get involved. Look at stage one, the *preliminary stage*: people become aware of an issue, and leaders emerge. Imagine how social media speeds up this step. Suddenly, a shrewd user of Twitter can alert his thousands of followers about an emerging cause or an issue on his mind. Issue awareness can spread at the speed of a click, with thousands of people across the globe becoming informed at the same time. In a similar vein, those who are savvy and engaged with social media emerge as leaders. Suddenly, you don't need to be a powerful public speaker. You don't even need to leave your house. You can build an audience through social media without ever meeting the people you are inspiring.

This is what happened in the case of Black Lives Matter movement. The movement was co-founded in 2013 by three Black community organizers: Alicia Garza, Patrisse Cullors, and Opal Tometi. Garza, Cullors and Tometi met through “Black Organizing for Leadership & Dignity” (BOLD), a national organization that trains community organizers. They began to question how they were going to respond to what they saw as the devaluation of Black lives after George Zimmerman’s acquittal in the shooting death of African-American teen Trayvon Martin in February 2012. Garza wrote a Facebook post titled “A Love Note to Black People” in which she said: “Our Lives Matter, Black Lives Matter”. Cullors replied: “#BlackLivesMatter”. Tometi then added her support, and Black Lives Matter was born as an online campaign.

This emergence stage quickly escalated to coalescence, as the movement became nationally recognized for its street demonstrations following the 2014 deaths of two African Americans: Michael Brown—resulting in protests and unrest in Ferguson—and Eric Garner in New York City. Since the Ferguson protests, participants in the movement have demonstrated against the deaths of numerous other African Americans by police actions or while in police custody. In the summer of 2015, Black Lives Matter activists became involved in the 2016 United States presidential election.

Social media is immensely helpful during the coalescence stage. Coalescence is the point when people join together to publicize the issue and get organized. President Obama’s 2008 campaign was essentially a case study in organizing and publicizing through social media. Using Twitter and other online tools, the campaign engaged volunteers who had typically not bothered with politics and empowered those who were more active to generate still more activity. It is no coincidence that Obama’s earlier work experience included grassroots community organizing. In 2009, when student protests erupted in Tehran, social media was considered so important to the organizing effort that the U.S. State Department actually asked Twitter to suspend scheduled maintenance so that a vital tool would not be disabled during the demonstrations.

The next stage of the development of a social movement is institutionalization, when it becomes more organized. In the case of Black Lives Matter, the movement grew into a national network of over 30 local chapters between 2014 and 2016. The overall Black Lives Matter movement, however, is a decentralized network and has no formal hierarchy. The movement still has a strong presence and has even joined forces with other, more systematically organized groups, such as the Movement for Black Lives (M4BL). The is a coalition of groups across the United States which represent the interests of Black communities. It was formed in 2014 as a response to sustained and increasingly visible violence against Black communities, with the purpose of creating a united front and establishing a political platform. The collective, also known as a social movement sector, is made up of more than 150 organizations, with members such as the Black Lives Matter Network, the National Conference of Black Lawyers, and the Ella Baker Center for Human Rights.

QUESTIONS

1. Discuss in details the objectives , Scope and Importance of Marketing.
2. What is market orientation? Explain the four stages of Market Orientation.
3. Anayse the history and evalution of digital marketing.
4. Distinguish the traditional marketing and Digital marketing.
5. How the external forces making an influence on a business - Explain in detail.

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SCHOOL OF SCIENCE AND HUMANITIES
DEPARTMENT OF PSYCHOLOGY

UNIT – II -CONSUMER BEHAVIOUR AND ANALYTICS –SPSY1603

MARKETING ENVIRONMENT

INTRODUCTION:

Marketing is an art of winning hearts of customersand persuading them to buy the firm's products and services.It creates value for customers and in return captures value/ profit from the customers.A company's ability to develop and maintain successful relations with its target customers, in fact,determines its growth. No business operates in a vacuum. The exchange process between the firm and its customers depends uponbusiness decisions taken bythe firm, and these decisions again, are affected by the marketing environment. Marketing environment consists of numerousfactors and forces close to company which affect its ability to serve and satisfy its customers for their needs and requirements. The mix of these internal and external factors affect the way a firm operates. Firms need to understand the marketing environment so that they can make the most of positive factors and manage the impact of negative factors. Sincea successful relationship with customers and stakeholders results into growth of business, now a dayalmost all the firms engaged in production and marketing, tend to identify, monitor and analyse these forces before taking decisions for the firm.

In production process, right from the productconceptualization tillfinal production, every single person, group entity, event or factor- internal/ external,makes a specific impact on firm's choices. Similarly individuals or organizations, in capacity ofcustomers, suppliers, competitors, even governments are also affected by the firm's activities. As these directly or indirectly give some input into marketing decisions taken by the firm.A firm plans productionkeeping in view the customers' needs,market characteristics, competing rivals, behaviour of suppliers and distributorsfor its product. It also gives due consideration to the legislative, social and cultural framework.By producing goods and services for people, the firm is committed to provide satisfaction to individuals and to increase the welfare of society. It is, in fact, the economic and social organ of society, so it must achieve its economic goal also.

According to M. Weimer, "Business environment is the climate or set of conditions - i.e., economic, social, legal, technological and political situations in which business activities are conducted". In the words of Keith Davis, "Business environment is the aggregate of all conditions, events and influences that surround and affect it." Philip

Kotlerdefines "A company's marketing environment consists of the actors and forces outside marketing that affect its management's ability to build and maintain successful relationships with target customers."

There are few examples of external forces making an influence on a business:

i. Fast technological changes as in the mobile industry or computer industry- introduction of new models and software and Apps

ii. Uncertainty in political scenario, e.g., changing governments, change of finance minister or minister of concerned industries etc.

iii. Changes in government's economic policies, e.g., licensing policy, taxation policy, inter-state or foreign trade policy.

iv. Social changes, e.g., demand for reservation in jobs for minorities and women.

v. Changes in fashion and tastes of consumers, e.g., preference for organic products ordemand for Khadi clothes in place of synthetic clothes by the customers etc.

vi. Industrial conflicts caused by labour unrest- labour demanding higher wages and bonus and better working conditions, etc.

vii. Globalization and Liberalization resulting in increased competition in the market with the entry of multinational corporations or start-ups

The environmental forces, at times, do not show any significant change.The environment of a business enterprise then is termed as stable or static environment. But modern organizations now a day are observing frequent changes, both internally as well as externally. The nature and degree of change is unpredictable. There are new products and designs being introduced to the market every day, invention of new techniques of production, new competitors, changes in ministries in the Government, changes in policies related to industry, taxation or banking that bring irregularity in the environment for the marketers. Such factors

creatinginstability make the business environment volatile and it is called a dynamic environment.The firm has to deal with the changes taking place 'within' and 'around' it. There are certain forces that can be controlled to a large extent by the management of a company. These are calledinternal environment factors, which are generally related to product design, volume of production, procurement of raw material, employment of labour, doses of financial investment and expansion plans of the firm. These changes can be introduced as per desire of the company's management. Besides this, the four P's of marketing i.e., product, price, place and promotion are also controllable. For example, if the customers expect some variations in the product offered by the firm, or price is high/ low for the target customers or the current medium of advertisement is not effective enough, the firm is quite free switch over to required changes. These factors are a part of controllable environment making an impact on approach and success of its operations.

Another type of marketing environment, which generally cannot be guarded by the management of a company, is called uncontrollable environment. This also affects marketing policies and strategies of the firm to a great extent. The external uncontrollable environment consists of factors and forces at two levels namely- micro environment, and macro environment. Micro environment consists of the elements or forces that influence marketing and business directly. It includes suppliers, customers, intermediaries, competitors and the general public. Macro environment includes demographics, economic forces, political andlegal forces, socio-cultural and technological forces, which arebeyond the control of firm and affect business indirectly. The firm analyzes these environmental forces also,while taking various decisions in marketing.

ENVIRONMENTAL SCANNING

The firmsurvives and contrives inan uncertain dynamic environment.An environmental scanning by the firm for recognizing potential opportunities and threats outside are very essential. It is, in fact, key to business success. The management has to systematically monitor the external forces to make strategy for the firm in the future. Through environmental analysis, the management can develop an Environmental Threat and Opportunity Profile (ETOP) which gauges the impact of various environmental forces on the firm.Threat may be like emergence of strong competition in the market by new firms and substitute products, and opportunity may occur in the form of path breaking new technology that may help to reduce cost and improve product quality of the firm.Environmental scanning is a process of scrutinizing and weighing up changes and trends in marketing environment by the firm. Before production and launching the product in the market the management has to make a good market research to explore various aspects like-

a) **Nature of target customers-** Identifyingthe size of family, job profile, purchasing power and buying motive of the customer etc. For example before introducing Tata Nano to the automobile market these factors were ensured by the company.

b) **The market trends**-Observing the position of company's previous products and services in the market, whether demand is likely to remain static, decrease or increase.

c) **Economic, social and political trends**- Scanning the economic, social and political trends affecting productionnamely monetary policy, social changes, anti-pollution or energy conservation laws e.g., Tata Nano project faced strong opposition in Singur (West Bengal) both socially and politically.

d) **Technology trends-** Anticipation oftechnological changes, i.e. whether new productmay become popular or what type of technology advancements are about to take place.

e) **Competition in the market**- Analyzing the upcoming or existing competitors and what are their strengths and weaknesses.

IMPORTANCE OF ENVIRONMENTAL SCANNING

The business environment is multifaceted, complex, and dynamic in nature and has a far- reaching impact on the survival and growth of the business.There is a close and continuous interaction between the business and its environment. An environmental scanningbecomes very crucial as it enables a management to identify present and future opportunities which it can exploit,orthreats and constraints which have tobe tackled. The observations made of the relevant aspects of the external environment provide the backdrop for internal strategies as well as forecasting of sales and profit trends.It is important for the management of a company to be fully aware of its external environment and develop plans and strategies to deal with the environmental forces. If a company is able to adapt to its environment, it would succeed in the long-run. But if it fails to become accustomed to its environment, it might fail in the long- run. For instance, bike producers of UK failed as they could not cope with the changes in the environment. On the contraryJapanese producers succeeded as they could evolve strategies and techniques to deal with changes in technological, economic, social and other environmental factors.In these competitive times marketing managers have to besmart and should have a proactive approach, i.e. planning for the future. They cannot afford to sit back waiting for the environment to change, and react to changes as they happen. Rather they have to identify and foresee changes in the environment, and plan their responses before the changes happen. Some of the organizations go even beyond and manage the environment in their own interests, as was the case of Ford, IBM, Sony, McDonalds and Microsoft.

Environmental scanning is very significant for the organizations as it helps in-

1. **Determining Opportunities-**

The interaction between the business and its environment identifies opportunities and helps in getting 'First Mover Advantage' out of it successfully. Opportunities mean the positive or favourable external forces that are likely to help a firm increase its business. The changes in the external environment indicate businessopportunities and help the firm in designing strategies to capitalize on them.For instance, by learning that the demand for bikes is going to increase, a bike producing company can take steps to increase production and introduce new models of motorbikes to lure new customers. This is what Hero Honda did in the 1990s to establish its leading position in the Indian bike market. By doing so, the company got the firstmover advantage. Another example could be of MarutiUdyog, which was the first company to identify a demand for small, economic cars in India in the 1980s.

2. **Identification of Threats**:

Threats refer to the negative or unfavourable external factors that create hurdles for a firm. Environmental scanning helps toidentify possible threats in futureand give warning signals to the firms. For instance, an Indian firm finds that an MNC isentering the Indian market with new substitutes. This should workas awarning signal for the Indian firm. Based on this information, the Indian firm can improve the quality of its products, reduce cost of production, engage in aggressive advertising, etc. The proposal of Tata Motors to bring out a small economy car by 2008 was awarning signal for Maruti Suzuki to cut its costs or introduce economy models.

3. **Sensitization of Management to Cope with Rapid Changes:**

The knowledge of environmental changes sensitizes the management to make strategy to cope with the emerging problems. A keen watch on the trends in the environment would help to sensitisethe firm's management to the changing technology, competition, government policies and changing needs of the customers, for example, Reliance Industries has always kept pace with the external environment and formulated strategies to avail opportunities in emerging high-tech areas.

4. **Formulation of Strategies and Policies:**

Environmental analysis helps in identifying threats and opportunities in the market. They can serve as the basis of formulation of strategies to counter threats and capitalise on opportunities in the market. Leading companies like Reliance, Airtel, Tata Motors, Bajaj Auto and ITC have engaged the services of experts to monitor trends in the external environment. Theinputs provided by the experts are used in making strategies.

5. **Image Building:**

If a firm is sensitive to the external environment, it will come out with new products and services to meet the requirements of the customers. This would build the image or reputation of the firm in the eyes of the customers and the general public. Because of sensitivity to Indian consumer's requirements, LG was able to enhance its brand image in the Indian market in a short span of time. SimilarlyG.E. divested its computer and air- conditioning business because they could not attain 1st or 2nd position in the business as per their policy.

6. **Continuous Learning**: Strategy formulation is a continuous process that involves keeping in touch with the external environment. Thus, managers continueto understand environmental changes and act on the basis of such information. Search of alternatives and choice of strategy to deal with the environment are parts of the learning process.

7. **Giving Direction for Growth:** The interaction with the environment leads to opening up new frontiers of growth for the business firms. It enables the business to identify the areas for growth and expansion of their activities.

8. **Identifying Firm’s Strength and Weakness:** Business environment helps to identify the individual strengths and weaknesses in view of thetechnological and global developments.It activates management to move accordingly.

9. **Basis of strategy:** Strategists can gather qualitative information regarding business environment and utilize it in formulating effective plants. For example: ITC Hotels foresaw bright opportunities in the travel and tourism industry and started building hotels in India and abroad. Similar is the case withOYO room services or Snapdeal and Amazon web portals.

10. **Intellectual stimulation:** Knowledge of environment changes provides intellectual stimulation toplanners and decision-making authorities. They can do it by paying more attention to people by listening to their problems and suggestion. They can also eliminate procedure complexities in a visible way. The drastic and dynamic steps will definitely keepthe company better placed.

Marketing system of a business organization is surrounded by many kinds of environments with which it interacts.The Firm's marketing activity depends uponits business planning by looking outside at what its customers require, rather than deciding inwardly at what it would prefer to produce. The firm has to be aware of what is going on in its marketing environment and appreciate how environmentalchange can lead to change indemand pattern for its products. Just as the human body may have problems, if it fails to adjust to environmental change;a business may also fail if it does not adapt to external changes such as new sources of competition or changes in consumers' preferences.

Macroenvironment and micro environment are very crucial for the firm in spite of being much apart from firm's internal settings. The macro-environment refers to external forces that are part of the larger society andso are beyond the control of firm's management. These forces do not concern the immediate environment of the firm but make an effect on firm's ability to market its productseffectively. By studying these factors firmscan only prepare themselves for the changes taking place in environment.

The macro environmental factors/ forceswhich affect organization's marketing decisions and activities are as follows:

i. Demographic forces
ii. Politico-legal forces
iii. Economic forces

iv. Natural or physical forces
v. Technological forces
vi. Socio-cultural forces

Demographic forces:

A firm must gather demographic environmental information first of all, even before setting up the business.Demography refers to studying human population in terms of size, density, location, age, gender, race, literacy and occupation. The demographic environment is of great interest to the marketers because these factorsconstitute potential market for company's products. If the total population consists more of children,there will be more demand for toys, baby foods, children accessories and diapers. With more of elderly people in a locality/city, there will be more demand for medicines, wellness products, and walking sticks etc. On the contraryif there ismore of young population, the producers will producevariety of cosmetics, personality improvement products, designer fashionable clothes and lifestyle goods to meet their demand. The changing habits, tastes and life styles of the population also give directions to the marketers, e.g.,in metropolitan cities there is moredemand for fast foods, electronic home appliances and crèches etc. So demography is a very important factor to study for marketers as it helps to divide the population into market segments and target markets.

POLITICAL AND LEGALFORCES

Federal, State and Local bodies generally set rules or restrictions on the conduct of businesses. The political environment includes all laws, government agencies and constitutional provisions affecting or limiting businessorganizations within a society. It is essential for marketers to be aware ofsuch provisions,incentives,Government'sinterventionand restrictions in business as these factors make great influence on business decisions.The viability of a business depends upon firm's ability to meet the challenges arising out of the politico-legal environment.

Following are the important components of the politico-legal environment:

i. The constitutional framework-directive principles, fundamental rights of citizens, and division of legislative powers between central and state governments.

ii. Political institutions like government and allied agencies

iii. The extent and nature of government intervention in business

iv. Commercial and economic laws and government policies under the laws relating to licensing, monopolies, foreign investment, etc.

v. Government policies related to imports and exports

vi. Government policies related to small scale industries, sick industries, consumer protection, control of environmental pollution, etc.

vii. Government policies related to pricing and distribution of essential commodities.

viii. Court decisions for the protection of consumers, environment and ecological balance.

If Government policy of liberalisation with an objective of inflow of foreign capital and technology into the country has encouraged multinational companies to enter into Indian marketson the one hand, ithas created new challenges for the Indian businesson the other. Some products are regulated by both state and federal laws. For example ban on sale of 'Maggi' by the Government was a big blow to Nestle company. There are even restrictions for some products as to who the target market may be,so subliminal messages have to be indicated. For example,' Cigarettes should not be marketed to younger children' or *'Smoking is injurious to health'* is denoted on packets by the cigarette companies. As laws and regulations change often, this is a very important aspect for a marketer to monitor.

Marketing decisions cannot be taken without taking into account the developments in political and legal field. Government agencies, political parties, pressure groups and laws create tremendous pressures and constraints for marketing management. Laws affect product design, pricing, and promotion. Irrespective of the political ideologies, intervention in the marketing process has almost become common in every nation.The marketing managers are required to have adequate knowledge and understanding of political and legal forces for accomplishing their tasks.

(ii) Economic Forces

Another aspect of the macro-environment is the economic environment.The marketing managers every day face a bout of economic factors, assess its impact and change their action plan accordingly. Sometimes economic news spreads optimism; like Improvement in growth rate, higher demand, low interest rates and declining unemployment. On other times it may cause nervousness indicating industrial recession, price rise, increase in taxation, declining employment and demand etc. Naturally, business thrives when the economy is growing, prices are stable, and people have employment as well as high purchasing power creating demand. Marketing products is easier, when consumers are willing to buy, but is very difficult when people have less money to spend. Inflation is a sustained rise in the prices of goods and services. As a result, the purchasing power of rupee or real value of money gets reduced. For the same quantity and quality of goods, people are forced to pay higher prices. Inflation of mild dose is good for the economy but wild rise is bad for the society particularly middle and poor classes. The consumers would spend less and less on luxuries and would concentrate on basic necessities of life. Thus inflation poses a great problem in managing marketing programmes. To check price rise interest rates are pushed upwards which affects expansion plan of the organizations. The tax rate, exchange rate, foreign trade policy or industrial policy etc., all have tremendous impact on business decision making.

(iii) Natural or physical forces

The natural environment is another important factor of the macro-environment. This includes the natural resources that a company uses as inputs that affect their marketing activities. The concern in this area is the shortages of raw materials, increasedair pollution, noise pollution, land pollution, water pollution, and so on. As raw materials become increasingly scarcer, the ability to create a company's product gets much harder. Also, pollutioncauses huge social cost, i.e. deterioration of the environment around us.The ecologists and sociologistsassess social cost whichnegatively affects a company's reputation if they are known for damaging the physicalenvironment.A marketer also has to calculate social net profitability (social benefit minus social cost) of its business activity. He has to consider the physical environmental factors such as the quantity and quality of existing forest wealth, possibility of artificial rain, the exploitation of sea products like fish, the health hazards due to pollution, etc. The Indian government has introducedthe concept of ‘corporate social responsibility of business’ as well as “Eco mark" for marketing eco-friendly products.

To maintain ‘ecological balance’ the marketing managers are expected to:

i. Control the environmental consequences of the product adopting green production processes and bio-degradable packaging.

ii. Follow the environmental criteria while deciding on product ingredients, design and packaging;

iii. Respond to the issues raised by the environmentalists and consumerists

(iv) Technological forces:

The technological environment is one of the fastest changing factors in the macro- environment. Technological environment refers to the state of technology in the areas of manufacturing, mining, construction, materials handling, transportation and information technology. Advancements in technology leads to greater productivity, higher quality and lower cost of production for the business. However, introduction of advanced technology requires higher capital investment. It may also lead to unemployment in some cases where machines replace jobs. That is why, labour unions generally oppose the introduction of new technology. Now a day technological changes are taking place at a fast pace and are affecting investment decisions undertaken by business firms. Introduction of automatic and semi-automatic machinery in industry requires higher capital investment on the one hand but leads to savings in labour costs as there will be fall in the number of workers required. So will be the impact of new information technology which has sped up communication between business houses and customers. There is now an increasing trend towards e- commerce because of easier availability of information technology throughout the world.The marketers must constantly watch changes in technology for keeping track of competition and customer wants. In any country, the state of technology plays an important role in determining the type and quality of goods and services to be produced and the type of plants and equipment to be used. Early adoption of new technology helps in new improved products and increases the competitive advantage of the business firm.

(v) Socio-cultural forces:

The final aspect of the macro-environment is the socio-cultural forces which consists of institutions and basic values and beliefs of a group of people.The socio-cultural environment of a country determines the value system of the society which in turn affects the marketing of products. Sociological factors such as caste structure, mobility of labour, customs, cultural heritage, view towards scientific methods etc. might have a far-reaching impact on business. For instance, the nature of goods and services in demand depends upon people's attitudes, customs, socio-cultural values, etc. In India, the attitudes of people have changed with respect to food and clothing. As a result of industrialisation, employment of women in factories and offices has increased and it has also increased the level of education. This has resulted in the growth of food processing and garment manufacturing units.

Socio-cultural environment determines the code of conduct the business should follow. If a business follows unethical practices, various social groups and Government will intervene to discipline it. For instance, if an industrial unit is not paying fair wages to workers, trade unions and Government will intervene. If it is indulging in adulteration, hoarding or black marketing, there are consumer forums and several government agencies to take action against it.

Some of the socio-cultural factors which have the potential of influencing marketing decisions include the following:

- Caste and occupational structure
- Family structure- joint v/s nuclear family
- Increasing number of women in the workforce
- Population shifts from rural to urban areas
- Educational system and literacy rates
- Changing consumption habits of the populationfor enhancement of quality of life

- Exposure to western modern culture

This macro environment is also known as PEST, that is, Political Environment, Economic Environment, Social Environment, Technological Environment, Environmental forces (Natural) and Legal Environmental study by an organization.

MICRO ENVIRONMENT FACTORS

Micro environment indicates the factors and forces in the immediate area of operation of the firm which affect the marketing manager's ability to serve the customers. It includes both internal as well as external forces. Internal forces include the company's top management and its various departments like purchasing department, research and developmentdepartment, productiondepartment, financedepartmentand personnel department.All departments within an organization have the potential to positively or negatively impact firm's objectives. These factors are generally under control of the firm as these have to co-ordinate with each other, but external factors cannot be governed by the firm. External micro-environment includes the–

1. Suppliers
2. Marketing intermediaries
3. Competitors
4. Customers
5. General public.

1. Suppliers:

The suppliers comprise all the business firms or individuals who provide raw materials, components and semi-finished goods to be used in production or even sell finished products of the organization. A Firmdepends on numerous suppliers either in capacity of a buyer of inputs or aproducer to whole-sellers and retailers. The buyer-supplier relationship is one of mutual economic interdependence, as both parties rely on one another for their commercial well-being. Although both parties are seeking stability and security from their relationship, factors in the supplier environment are subject to change.For instance,shortage of raw material or sudden increase in raw material prices forces suppliers to raise the prices, or anindustrial dispute may affect delivery of materials to the buying company. Any unexpected development in the supplier environment can have an immediate and potentially serious effect on the firm's commercial operations and production. It is crucial for a firm to monitor potential changes in the supplier environment and have contingency plans ready to deal with adverse developments hampering production activity.

2. Marketing Intermediaries:

Marketing intermediaries are the independent individuals or organisations that directly help in the free flow of goods and services between marketing organisations and the customers. Generally these are of two types, namely 'merchant' and 'agent'. Merchant middlemen can be wholesalers and retailers. Agent middlemen arean important part of the distribution network and renderimportant services in different capacities.Organizations typically rely on banks, venture capitalists and other sources to finance their operations; warehouses and transportation companies to distribute goods; and advertising, market research firms and public-relations firms to market their products. Each intermediary can potentially increase or decrease production and customer satisfaction

3. Customers:

A customer may be an individual or household, an organization that purchases a product for use in the production of other products, or an organization that purchases a product for resale at a profit. This customer factor of a marketing microenvironment has great influence on marketing decisions. Marketing specialists, or marketers, develop and market messages to appeal to a company's individual customers' needs. Target may be grouped as follows:

i. **Consumer market-** individuals and households buying the product for consumption.

ii. **Industrial market**-organizations buying for producing other goods and services for the purpose of either earning profits or fulfilling other objectives or both.

iii. **Reseller market**-organizations buying goods and services with a view to sell them to others for a profit. These may be selling intermediaries and retailers.

iv. **Government and other non-profit market**- the institutions buying goods and services in order to produce public services. They transfer these goods and services to those who need them for consumption in most of the cases.

v. **International market-** individuals and organizations ofothercountries buying for their consumption or industrial use or both. They may be foreign consumers, producers, resellers and governments.

4. Competitors:

Competitors are the rival business firms in the effort to satisfy the markets and consumers' demand. Since these are competing with each-other, the marketing decisions of one firm not only influence consumer responses in the marketplace but also affect the marketing strategies of other competitors. So marketers have to continuously monitor the rival firm's marketing activities, their products, distribution channels, prices and promotional efforts to design its marketing strategy. They must also gain strategic advantage by positioning their products and services strongly against those of their competitors, in the minds of the consumers.

There are three types of competition:

a) **Competition from similar products-**The most direct form of competition occurs amongst marketers of similar products. For example, competitors in electronic home appliances are LG,Samsung or Philips etc.

b) **Competition from substitute products-**The second type of competition involves products that can be substituted for one-another. For example, in air transport industry, Indigo competes with Jet airlines. The increase in fares of one airline increases demand for other airline services.

c) **Competition amongst all firms-**The final type of competition occurs among all organizations that compete for the consumer's purchases. In other words, modern marketers accept the argument that all firms compete for a limited amount of market share.

5. Publics:

The company's micro environment also includes various publics, i.e. groups of people. A '*public'* means any group that has an actual or potential interest in or impact on the company's ability to achieve its objectives. A public can contribute to a marketing program through positive word of mouth or may hinder marketing activities through negative word-of-mouth. Kotler and Armstrong have described seven types of publics as follows-

1. **Financial publics**- They groups influence the company's ability to obtain funds. The examples of major financial publics are- banks, investment houses and shareholders.
2. **Media publics**- They consist of those mechanisms or devices that carry news, features and editorial opinion. They include- newspapers, magazines, radio and television stations.
3. **Government publics**- Management must take government developments into account. Marketers must often consult the company's lawyers on issues of product safety, truth-in-advertising and other matters.
4. **Citizen-action publics**- A company's marketing decisions may be questioned by consumer organizations, environmental groups, minority groups and others. Its public relations department can help it stay in touch with consumer and citizen groups.
5. **Local publics-** Every company has local publics, such as neighbourhood residents and community organizations.
6. **General publics-** A company needs to be concerned about the general public's attitude towards its products and activities. The public's image of the company affects its buying.

Internal publics- A company's internal publics include its workers, managers, and board of directors. Large companies use newsletters and other means to inform and motivate their internal publics. When employees feel good about their company, this positive attitude spills over to external publics.

SEGMENTATION

All customers in a broadly defined market don't have the same needs. But successful marketers decide about the products to offer and the markets to be serviced. One size doesn't fit everyone very well. "One cannot be everything to everyone, but can be everything to a selected few" and that no two individuals can be the same. These are the foundations for segmentation. For this purpose market segmentation is core to marketing. Various firms have achieved leadership positions through effective segmentation and targeting."Once you discover the most useful ways of segmenting a market, you have produced the beginnings of sound marketing strategy". To create differentiation, marketers use segmentation, targeting, and positioning, or STP. Consumers buy benefits, and products that BEST address their

SPECIFIC need. Segmentation Analysis can help determine where customer needs products to address consumer needs. Segmenting the market, Targeting the user, and Positioning the products are three pillars of modern marketing strategy.W. Smith (1956)is considered to be father of market segmentation, who provided market segmentation as an alternative to differentiation. Yet it was Wind, whose review of the status of marketing segmentation that made segmentation at the heart of marketing.

MEANING OF SEGMENTATION

`Segmentation process consists of three stages: Segmenting, targeting, and positioning.[4] The three are popularly known as STP in marketing. .

Market segmentation is the process of dividing a heterogeneous market (aggregated) into homogeneous sub unit (segregated). Market segmentation is the identification of portions of the market that are different from one another or share a similar set of needs. Thus, market segmentation is the process of grouping similar consumers or business customers together in a market segment, in which the consumers or business customers exhibit similar requirements and buying characteristics. According to Professor Nirmalya Kumar, "Customers within any market have similar needs and expectations. To uncover the various segments into which customers fall, the segmentation process identifies variables that will maximise the differences between segments while simultaneously minimising the differences within each segment."

IMPORTANCE OF SEGMENTATION

No market is totally homogeneous and to create meaningful segments, marketers must understand different purchase combinations that satisfy the need.In the 1980s, we looked for the customer in each individual, today we look for individual in each customer. An organisation benefits from the process of segmentation in number of ways. Even buyer needs segmentation for generating new product ideas and providing some insights for advertising.Mercedes produces worldwide the same cars, but it advertises the cars as "quality" cars in Germany, but as "prestige" cars in India.

- **Improved Customer Relations:** Segmentation will enable the buyer to find the products most fitting to their physical or/and psychological needs. Customers finding products more tailored to their needs, would be more loyal to the firm (s).

Since segmentation helps to meet the customer needs, expectations, aspirations and share of wallet, market segmentation is customer-oriented.

 Perfect-like Marketing Mix: Since market segmentation assists in defining shopping habits (when, how much and how many times), price sensitivity and the benefits required. This helps in making marketing mix more accurate.

 Better Resource Allocation: Since Segmentation's objective is to serve customers better and earn more profits, the firm would like to allocate resources more efficiently. Segmentation reveals who not to target and which customer groups will be best recipients of resources. Thus, market segmentation will lead to better marketing. **Competitor Analysis:** To compete better in the market one must have complete knowledge of the competitors, the segments being served by them, and their working practices. It enables to know the segment which our organisation can serve better. If this kind of information is overlooked we may find ourselves in head-on collision with large competitors. Especially, the medium-sized firms can grow rapidly through strong positions in specialised market segments. By insightful segmenting and targeting, companies set the stage both for serving customers well and minimising the impact of competition. Thus, segmentation is a source of competitive advantage and enhances awareness of external market trends and competition.

 Taking care of Dynamic Environment: Customer segments, which are likely to frequent changes due to changing environment, can be taken care of in strategic marketing planning. In fact, large companies with resources at command are leaving mass marketing.

BASES OF MARKET SEGMENTATION

It is a mirror through which the population of customers in an industry are divided. Thus it is an art. The variables on which segmentation can be done are numerous. To define customers who they are, they are segmented on the basis of demography; to define where they are, they are segmented on the basis of geography; and how they behave, they are segmented on the basis of behaviour; and to segment differently we have to go in for innovative segmentation.

Types of Segmentation:

1.**Geographic/ Demographics Segmentation.** Geography and Demographics, if clubbed it is known as geo demographics. It consists of defining customers according to:

(a) Their **country of birth** and their **location**, dividing a country into regions, states. Location does not mean that all consumers in a location will behave the same way, but the approach helps identify certain general patterns.

(b) Important variables according to Geography may be **global, global regional, national, National regional, city/state,**[i] **neighbourhood/ local, topography,** and **climate**.

(c) In case of large companies these regions may be further subdivided into sizes –**small, medium, and large.**

(d) In case of international marketing or global business **different countries might be taken up as different market segments.**

(e) Another basis may be **geographical density – urban, suburban, and rural**. It may be a good basis as the low-density markets require different price, promotion and distribution strategies. India's urban population may be further divided on the basis of cities - Tier I (8 cities: 8% India's population), Tier II (26 cities: 4% of India's population), Tier III (33 cities: 7% population), and Tier IV (5094 cities: 11% population). The rest 70% is the rural population residing in India's 6,38,000 villages across India.

(f) Next basis may be **climate – warm, cold, and rainy**.

(g) The next base may be locality.

In case of Indian Railways, they have Northern Railway, Southern Railway, Eastern Railway, Western Railway, North-Eastern Railway, and Central Railway and so on and so forth. **Customers in different regions** may have **different cultures** and may require marketing differently. India is a country of diversities. In terms of types of commerce (Tourist, local worker, residents, businesses), retail establishments (downtown shopping districts, shopping malls), competition (underdeveloped, saturated), legislation (stringent, lax), and cost of living /operation (low/moderate/high) are the other bases of geographical demographics).

Demographic segmentation is good to guide the media plan and help the creative agencies to understand how to bring the segment to life.

1. **Personal Demographics segmentation.** Populations are often broken down into categories on the basis of age, gender, ethnic origin, education, income, occupation, Religion, Family size, Stage of family life cycle, social status/class, etc. In Demographic segmentation, market is divided into segments on the basis of readily observable personal characteristics such as age, gender, ethnicity, etc. It offers a wide variety of bases for segmentation.

2. **Age:** Today virtually every age band from life to death is the focus of a marketing campaign. The requirements are different in different age groups. In case of readymade garments, it may be for new borne babies, children, teens, youth, middle age people, old people. All of them have different needs. Young people like to make use of credit cards. Older people use cash. Children consume more of carbonated drinks. That is why – Youngistan and 'YehDil Mange More". People at 50 and above are referred to 'grey' market or 'third age' group. The 'grey' market is itself categorised further according to lifestyle and other criteria. This market offers opportunities to personal care (hair dying, anti-ageing creams), pharmacy, telemarketing, nursing industries. Indian Clothing League Private Ltd. , manufacturing clothes for pre-teen children aged 6 to 18, is now targeting to tap infants from 0-2 under brand name 'Baby League' to fuel its growth strategy.

3. **Segmentation by age can be done like**- School age children and College going children, Preteens and Teens, Generation X, Generation Y, Baby boomers, and seniors.Generation Y or the millennial generation, generally defined as people born after 1980, has an approach towards life that is distinct - much different from what we have witnessed till now. They are also a generation that is not afraid to embraces change, and that puts them at an advantage, given the dynamic environment we are working in. This is also a generation that has grown up with information at its fingertips, and isn't afraid to use - or share - it, to influence and be influenced on where to direct their spending. According to a recent report by IBM, the millennial workforce is slated to represent 50 per cent of the global workforce by 2015, and about 76 per cent by 2020. It is, therefore, imperative to understand this

generation's approach as they redefine businesses and organisational structures. As individuals, millennials are increasingly relying on technology to engage and serve them better as they look for solutions that help and broadcast who they are.

In 2013, Star India is planning to launch a new English general entertainment channel, Star World Premiere, to cater to the 20-35-year-olds.

Gender: In case of clothes, it may be male and female, In case of fashionable clothes the two segments vary a lot. Women prefer scooties, and boys use motorcycles. By 2015, India will have 80 million working women in the age group of 18-44 year age band. The roles are changing because of womenfolk joining working groups. Now males do many jobs earlier performed by women folk, thus blurring the lines.

There are products where targeting may be at women, but we Indian males, being not individualists, use soaps, shampoos, talcs, skin creams and moisturisers targeted largely at women. Thus, Indian males act as surrogate users. At the same time, a section of women are using male deodorants. Hindustan Unilever Limited has Axe for male and Lux deodorants for women.

Family Structure: The family life cycle concept charts the progress of family development from birth to death. People at different stages of different life cycle have needs different from each other.A family may be in bachelor stage (young and single people), newly married couple -marriage alters the needs. Married couples need white goods and durable goods to begin with, Full Nest I (young married couple with dependent children - once a child is born, they would require baby food, baby clothes, toys, etc.), Full Nest II (older married couples with dependent children), Empty Nest (older married couples with no children living with them) and solitary survivor (older single People). Wells and Gubar (1996) have put forward an internationally recognised classification.

Race: The ethnic background is a good base for segmentation. Hindus celebrate Diwali, and Chinese celebrate their New Year differently and the two are good segments.

Politics: Different political party members have their liking for different members and commodities. For example Congress party members in India prefer white caps, Samajwadi Party goes for red cap, BSP members want a blue cap, whereas BJP members wear a saffron colour cap.

Family Size – Two segments may be small family and the large family segments. Smaller the family small size packs would be preferred, and larger the family larger packs would be needed.

The Psychological Life cycle: Here the chronological age may not necessarily be the factor of greatest importance in determining consumption patterns. Rather it is the transformation of attitudes and expectations that becomes a more important factor. The emergence of' **'kid adults'**, and **old younsters** represent the **psychological lives**.

Segacity: It is a refinement of the family life cycle grouping system, showing different behavioural patterns and aspirations to people as they proceed through life. These stages may be Dependent, Pre-family, Family, and Late. The family and late may be further classified into Better off and worse off and these two bases may be further classified on the basis of occupation as White Collar and Blue Collar.

Type of neighbourhood and dwelling: Geo demography may also be used for segmentation by focusing on local neighbourhood geography. The proposition is that the neighbourhood area in which a consumer lives will be reflected in one's professional status, income, life- stage and behaviour. People living in different localities or different types of dwellings have different needs, but in one kind of dwelling situated in one locality they have similarity of needs. This basis of segmentation uses the house or locality as the basis of segmentation, rather than the individuals. It is popularly known as ACORN (A Classification of Residential Neighbourhood).

According to Indicus Analytics, top three neighbourhoods in Delhi include Greater Kailash I, Greater Kailash II, and PreetVihar; in Mumbai – Ward D-Grant Road-Walkeshwar, Ward-H- West Bandra Jetty; and in U.P. – Sector 19, 27 of Noida.

1. Socioeconomic: The populations are broken down according to income, employment, education, social class, home/car ownership, etc.

2. **Income:** Segmenting by income is very popular, especially for cars, luggage, vacations and fashion goods. There may be people belonging to lower class, middle class and high **net worth individuals.**

3. Volvo in India targets on the 5% high net worth individuals. The housing boards offer low- income houses, middle income houses and high income houses. The base for segmentation is income. It may be skill as well, like skilled workers, semi-skilled

workers, unskilled workers, and subsistence workers (those living on state pension, casual or lowest grade workers), rich and poor.

4. A German statistician, Ernst Engel, has made the following observations about what happens when household income increases:

1. Smaller percentage of expenditure goes for food.
2. The percentage spent on housing, household operations, and clothing remains constant.
3. The percentage spent on other items (recreation, vacation, education) increases. **Education:** College-going students have different demands than the people who after good higher education join the companies as executives, and those who are illiterates.
4. **Occupation:** The requirements for executives and a school teacher would altogether be different. The executive class would require Armani suit, whereas the other one would require a suit of any brand which is cheaper.
5. **Social Class:** Social class indicates one's social position, and is objectified through income, occupation, and location of residence. A policeman might be earning more than a college professor, off course through accepting under the table challans, but he belongs to a social class lower than that of a professor. The social class of professor will demand purchases of items and place of purchases different from that of a policeman.
6. **Behavioural Segmentation**. David Kurtz likes to call it as Product-related segmentation. Emphasis is placed on differences in peoples' values and not on differences in socio-demographic profiles. It takes into consideration the purchasing behaviour as the starting point, how frequently they buy, how loyal they are, what benefits they seek, when they buy, etc. These are:
7. **Usage status:** The segmentation may be done on the basis of 'light', 'medium', and 'heavy' users of a product. The other way can be non-users, first-time users and regular users. Airlines 'frequent flyer' schemes are based on this philosophy.
8. **Brand Loyalty Levels**: The segments may be made on the basis of 'Hard Core Loyals' (same brand every time), 'Soft Core Loyals' (loyalty divided between two or

more brands), ‘Shifting Loyals’ (Brand switchers), and ‘Switchers (no particular preference).

9. **Benefit sought**: The kind of benefit one wants to seek. Benefit segmentation depends on benefit sought is identifiable, using these benefits , marketers must be able to divide the customers into recognisable segments, and one or more of the resulting segments must be accessible to the firm. For Example in case of baking soda one may be using for bakery products, where the other one may be using as deodorant in the fridge. In case of baby wool, it may be used for baby care, child care and cosmetic use. These are the benefits received from using. The other benefit seekers purpose might only be possessing the goods. In case of gold, silver, and precious stones this segment is as important as the actual users or wearers e.

10. **Occasions for Purchase:** Some of the products are purchased only on certain occasions. These occasions may be used as the basis for segmentation. Gifts are normally exchanged on Diwali, - but colours are purchased only on Holi. Demand for dates increase during the month of Ramadan. On the occasion of wedding lot of things are purchased including Lehenga and Choli. The segmentation may be done not only on the basis of culture, but also the subculture (religion, race, Nationality). Occasion can thus be an event. An event may be routine or emergency. Muslims do not eat pork and drink alcohol on Friday, but European Catholics do eat fish on Friday. Valentine’s Day, Mother’s Day, and Father’s Day are the critical events used by Greeting Card companies and the chocolate companies.

11. **Frequency of purchasing:** People may buy for the whole year, or for one quarter or one month or one week. In India there are some households who buy rice at the time of harvesting for the whole year. They buy in 35 or 50 kg. Bags, Those who buy only for a month buy 5kg. Bags. Thus, frequency of purchasing is a good basis for segmentation.

12. **Willingness to buy:** A few people might not know the product, a few know it but never used, and some people know it and have used it. Each one of these segments requires a different marketing strategy.

13. **Season:** In India, we have three seasons- summer, rainy, and winter seasons. For each season we have different requirements. Air conditioner is purchased only for

summers. But gone are the days when players in the air conditioner (AC) segment would market their products only during summers. Now, with erratic weather conditions, AC sales take place throughout the year.

14. **Tribal:** It is segmentation based upon social groups or cultures with which customers identify. The BBC started a programme for tribes in society 9 such as young, independent women) or the Indian TV channels starting 'SasBahu serials keeping in view the social structure.

Behavioural segmentation is straightforward, easy for everyone in the organisation to understand, and easy to find in the database. In case of watch markets, different segments may comprise economy segment, prestige and quality segment, fashion segment, and symbolic segment (gold or diamond case). However, its limitations are that the heaviest users are often the most price - consciousand very little information is provided about the unique problems of each segment that a marketer might solve.

Focus Marketing Communication: Segmentation establishes commitment and single-mindedness with the organisation: one vision, one voice, harmonised messages. Segmentation allows an organisation to identify media channels competent to reach the target group. Young women interested in fashion are more likely to read 'Famina'. Thus marketer can select this medium instead of going in for mass media.

Measurement: To measure the market share, growth, specification of target customers, recognition of relevant competitors, to formulate marketing objectives and strategies, segmentation is essential.

Psychographic Segmentation: Psychographic segmentation examines mental characteristics and predispositions connected with purchasing habits. It is related with similarity of values and lifestyles. It is concerned with the interests, activities and opinions of consumers, and is often related to life styles. Consumers buy things because of the personality, lifestyle and the consumer values they hold. People who think about the world in a similar way will respond similarly to the marketing mix.

Personality Characteristics: Advertising agency, Young & Rubicam has classified customers into Mainstreamers (not to stand out of crowd), Reformers (creative and caring, many doing charities, and buying private labels), Aspirers (young, ambitious, and keen to get on, and buy latest designs and models), and success achievers (achieved in life, feel no need for status symbols or bother for what people will say). Companies marketing cigarettes, liquor, cosmetics and high priced watches create a personality for the brand to match it with the personality of the customer.

Briggs and Myres have developed four personality dimensions:

- Extrovert/introvert
- Sensitive/intuitive
- Thinking/feeling
- Judging/perceptive

There are two problems associated with personality characteristics. One, It is not possible to measure such traits in general population. And two, there is no medium to access people with a personality trait. But companies do target people through their ads. L'Oreal ad says "Because I'm worth it" and Hallmark Greeting Card ad says, "When you care enough to send the very best."

Lifestyle: Lifestyle and consumption are closely related, and therefore, marketers adopt it for segmentation. Lifestyle means approach to life. AIO (Activities, interests, and opinions) reflect lifestyles of people. People are grouped on the basis of how they spend their time, the importance of things in their surrounding, beliefs about themselves and broad issues and some demographic characteristics, such as income and education. The most popular consumer lifestyle framework is a survey from SRI Consulting Business Intelligence. It classifies customers into eight groups – Innovators, Thinkers, Achievers, Experiencers, Believers, Strivers, Makers, and Survivors. A detailed profile of customers is necessary for developing effective advertising campaigns.

Values: Values reflect the realities of life. Researchers at Survey Research Centre at University of Michigan have identified nine basic values: Self Respect, security, Excitement, Fun and enjoyment in life, having warm relationships, Self-fulfilment, Sense of belonging, Sense of accomplishment, Motives/hobbies, Knowledge and being well respected.

QUESTIONS

1. How the external forces making an influence on a business - Explain in detail.
2. Illustrate the Importance of Environmental Scanning.
3. which affect organization's marketing decisions and activities of macro environment?
4. which are the Micro factors affect the marketing manager's ability to serve the customers?

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SCHOOL OF SCIENCE AND HUMANITIES
DEPARTMENT OF PSYCHOLOGY

UNIT – III -CONSUMER BEHAVIOUR AND ANALYTICS –SPSY1603

CONSUMER BEHAVIOUR AND CONSUMER PSYCHOLOGY

INTRODUCTION

Consumer behavior is the study of consumers' action during searching for, purchasing, using, evaluating and disposing of products and services they expect will satisfy their need. It helps marketers in understanding consumer decision-making process.
Consumer behaviour can be defined as "activities people undertake when obtaining, consuming, and disposing of products and services" is provided and detailed.

- Obtaining "activities leading up to and including the purchase or receipt of a product".
- Consuming "how, where, when, and under what circumstances consumers use products".
- Disposing "how consumers get rid of products and packaging".

The term consumer behaviour, individual buyer behaviour, end user behaviour and consumer buying behaviour all stands for the same. Consumer behaviour is the study of how individuals, groups and Organisation select buy, use and dispose of goods and services, ideas or experiences to satisfy their needs and wants.

Consumer behaviour may be defined as the decision process and physical activity individuals engage in when evaluating, acquiring, using or disposing of goods and services.

According to Belch and Belch **"**consumer behaviour is the process and activities people engage in when searching for, selecting,purchasing, using, evaluating and disposing of products and services so as to satisfy their needs and desires**".**

CONSUMER BEHAVIOUR DEFINITION

Consumer behavior is the process whereby individuals decide what, when, where, how and from whom to purchase goods and services.

Walters and Paul

Consumer behaviour as "The dynamic interaction of cognition, behaviour and environmental events by which human beings conduct the exchange aspect of their lives.

American Marketing Association (AMA)

Consumer behaviour refers to the actions and decision processes of people who purchase goods and services for personal consumption.

Peter D. Bennett, ed. Dictionary of Marketing Terms, 2nd ed. 1995

Consumer behaviour refers to "the mental and emotional processes and the observable behaviour of consumers during searching for, purchasing and post consumption of a product or service.

James F. Engel, Roger D. Blackwell and Paul W. Miniard, "Consumer Behaviour" (1990)

CONSUMER BEHAVIOUR MEANING

The "**consumer**" more generally refers to anyone engaging in any of the activities (evaluating, acquiring, using or disposing of goods and services) used in the definition of consumer behaviour.

Consumer behaviour is a decision process and physical activity individuals engage in when evaluating, acquiring, using or disposing of goods and services.

SCOPE OF CONSUMER BEHAVIOUR:

1) Consumer behaviour and marketing management : Effective business managers realise the importance of marketing to the success of their firm. A sound understanding of consumer behaviour is essential to the long run success of any marketing program. In fact, it is seen as a comerstone of the Marketing concept, an important orientation of philosophy of many marketing managers. The essence of the Marketing concept is captured in three interrelated orientations consumers needs and wants, company integrated strategy.

2) Consumer behaviour and non profit and social marketing : In today's world even the non-profit organisations like government agencies, religious sects, universities and charitable institutions have to market their services for ideas to the "target group of consumers or institution." At other times these groups are required to appeal to the general public for support of certain causes or ideas. Also they make their contribution towards eradication of the problems of the society. Thus a clear understanding of the consumer behaviour and decision making process will assist these efforts.

3) Consumer behaviour and government decision making : In recent years the relevance of consumer behaviour principles to government decision making. Two major areas of activities have been affected:
i) Government services: It is increasingly and that government provision of public services can benefit significantly from an understanding of the consumers, or users, of these services.

ii) consumer protection: Many Agencies at all levels of government are involved with regulating business practices for the purpose of protecting consumers welfare.

4) Consumer behaviour and demarketing: It has become increasingly clear that consumers are entering an era of scarcity in terms of some natural gas and water. These scarcities have led to promotions stressing conservation rather than consumption. In other circumstances, consumers have been encouraged to decrease or stop their use of particular goods believed to have harmful effects. Programs designed to reduce drug abuse, gambling, and similar types of conception examples. These actions have been undertaken by government agencies non profit organisations, and other private groups. The term "demarketing" refers to all such efforts to encourage consumers to reduce their consumption of a particular product or services.

5) Consumer behaviour and consumer education: Consumer also stands to benefit directly from orderly investigations of their own behaviour. This can occur on an individual basis or as part of more formal educational programs. For example, when consumers learn that a large proportion of the billions spend annually on grocery products is used for impulse purchases and not spend according to pre planned shopping list, consumers may be more willing to plan effort to save money. In general, as marketers that can influence consumers' purchases, consumers have the opportunity to understand better how they affect their own behaviour.

IMPORTANCE OF CONSUMER BEHAVIOUR:

1) production policies: The study of consumer behaviour effects production policies of enterprise. Consumer behaviour discovers the habits, tastes and preferences of consumers and such discovery enables and enterprise to plan and develop its products according to these specifications. It is necessary for an enterprise to be in continuous touch with the changes in consumer behaviour so that necessary changes in products may be made.

2) Price policies: The buyer behaviour is equally important in having price policies. The buyers of some products purchase only because particular articles are cheaper than the competitive articles available in the market.

3) Decision regarding channels of distribution: The goods, which are sold and solely on the basis of low price mast and economical distribution channels. In case of those articles, which week T.V. sets, refrigerators etc. Must have different channels of distribution. Thus, decisions regarding channels of distribution are taken on the basis of consumer behaviour.

4) Decision regarding sales promotion: Study of consumer behaviour is also vital in making decisions regarding sales promotion. It enables the producer to know what motive prompt consumer to make purchase and the same are utilised in promotional campaigns to awaken desire to purchase.

5) Exploiting marketing opportunities: Study of consumer behaviour helps the marketers to understand the consumers needs, aspirations, expectations, problems etc. This knowledge will be useful to the marketers in exploiting marketing opportunities and meeting the challenges of the market.

6) Consumer do not always act or react predictably: The consumers of the past used to react to price levels as if price and quality had positive relation. Today, week value for money, lesser price but with superior features. The consumers response indicates that the shift had occurred.

7) Highly diversified consumer preferences: This shift has occurred due to availability of more choice now. Thus study of consumer behaviour is important to understand the changes.

8) Rapid introduction of new products: Rapid introduction of new product with technological advancement has made the job of studying consumer behaviour more imperative. For example, the information Technologies are changing very fast in personal computer industry.

9) Implementing the "Marketing concept": This calls for studying the consumer behaviour, all customers need have to be given priority. Thus identification of target market before production becomes essential to deliver the desired customer satisfaction and delight.

TYPES OF BUYING DECISION BEHAVIOR

Different consumers follow different steps in making their choice of products and services.

There is a substantial degree of variation in the choice processes depending upon two key factors, namely the level of *involvement* and *degree of the perceived difference* between different alternatives in the market.

There are basically 4 **types of buying decision behavior** which is discussed below:

1. Dissonance Reducing Buying Behaviour
2. Complex Buying Behaviour
3. Variety Seeking Buying Behaviour
4. Habitual buying Behaviour

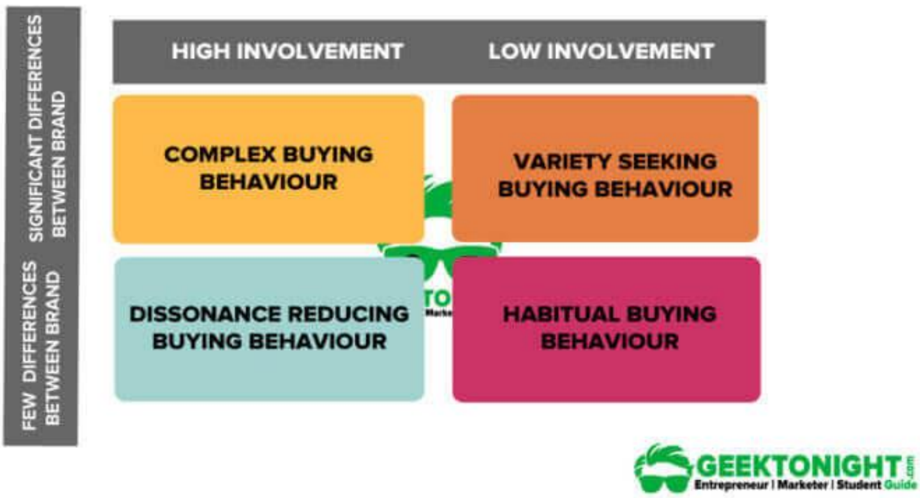


Fig.1

TYPES OF BUYING DECISION BEHAVIOR

Dissonance Reducing Buying Behaviour

Customer involvement in the purchase activity is high and customers cannot find a substantial differentiation among the alternatives.

The consumer is highly involved and sees little difference among brand alternatives. The consumer is highly involved and sees little difference among brand alternatives.

Complex Buying Behaviour

Consumer is highly involved but he finds a substantial difference among the available brands.

In this case, the buyer develops beliefs about the product or service, then he develops a set of attitude towards the product and finally, he makes a deliberate choice. This is a case when products are expensive, bought infrequently, risky and highly self-expressive.

Variety Seeking Buying Behaviour

This kind of behaviour is shown in some situations where the consumer shows low involvement behaviour but there is a significant brand difference.

Consumers show a high level of brand switching behaviour.

Habitual buying Behaviour

This kind of behaviour is shown in some situations where the consumer shows low involvement behaviour but there is no/few significant brand difference.

CONSUMER BUYING PROCESS

In **consumer buying process**, generally, the purchaser passes through five distinct **stages in consumer buying process** namely need or problem recognition, information search, alternative evaluation, purchase decision and post-purchase behaviour.

1. Stage of Problem Recognition
2. Stage of Information Search
3. Stage of Alternative Evaluation
4. Stage of Purchase Decision
5. Stage of Post Purchase Behaviour

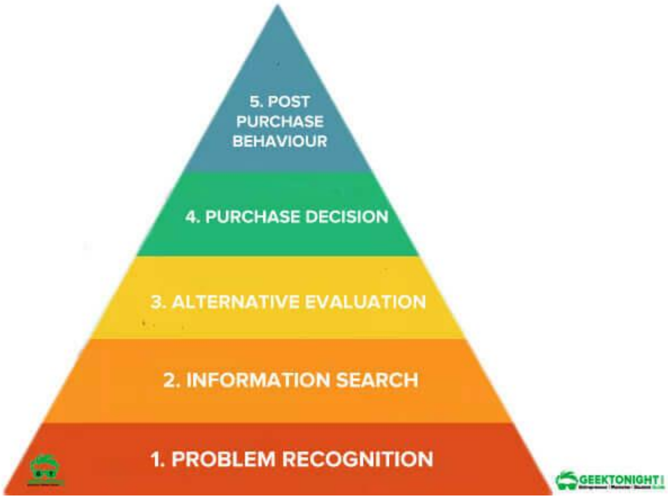


Fig.2

CONSUMER BUYING PROCESS

Stage of Problem Recognition

The recognition of a need is likely to occur when a consumer is faced with a 'problem'. A buying process starts when a consumer recognises that there is a substantial discrepancy between his current state of satisfaction and expectations in a consumption situation.

Stage of Information Search

After need arousal, the behaviour of the consumer leads towards a collection of available information about various stimuli i.e. products and services in this case from various sources (personal, public, commercial, experiential) for further processing and decision-making.

STAGE OF ALTERNATIVE EVALUATION

Once interest in a product(s) is aroused, a consumer enters the subsequent stage of evaluation of alternatives.

When evaluating potential alternatives, consumers tend to use two types of information:

1. a list of brands (or models) from which they plan to make their selection (the evoked set)
2. the criteria they will use to evaluate each brand (or model).

Cognitive evaluation: When the consumer uses objective choice criteria.
Affective evaluation: Using emotional reasons for evaluating the alternatives.

STAGE OF PURCHASE DECISION

Finally, the consumer arrives at a purchase decision. Purchase decisions can be one of the three viz. no buying, buying later and buy now.

No buying takes the consumer to the problem recognition stage. A postponement of buying can be due to a lesser motivation or evolving personal and economic situation. If positive attitudes are formed towards the decided alternative, the consumer will make a purchase.

There are three more important considerations in taking the buying decision:

- Attitude of others such as wife, relatives and friends.
- Anticipated situational factors such as expected family income, expected total cost of the product and the expected benefits from the product.
- Unanticipated situational factors, like accidents, illness etc.

STAGE OF POST PURCHASE BEHAVIOUR

Post-purchase behaviour refers to the behaviour of a consumer after his commitment to a product has been made.

So post-purchase behaviour leads to three situations, namely customer is satisfied; customer is delighted and the customer is dissatisfied.

Cognitive dissonance: Buyer discomfort caused by postpurchase conflict.

7 O's Framework of Consumer Behaviour

A framework is developed to understand consumer behaviour by addressing various issues involved in consumer behaviour. This framework is popularly known as 7 O's Framework and is used for a basic understanding of consumer behaviour

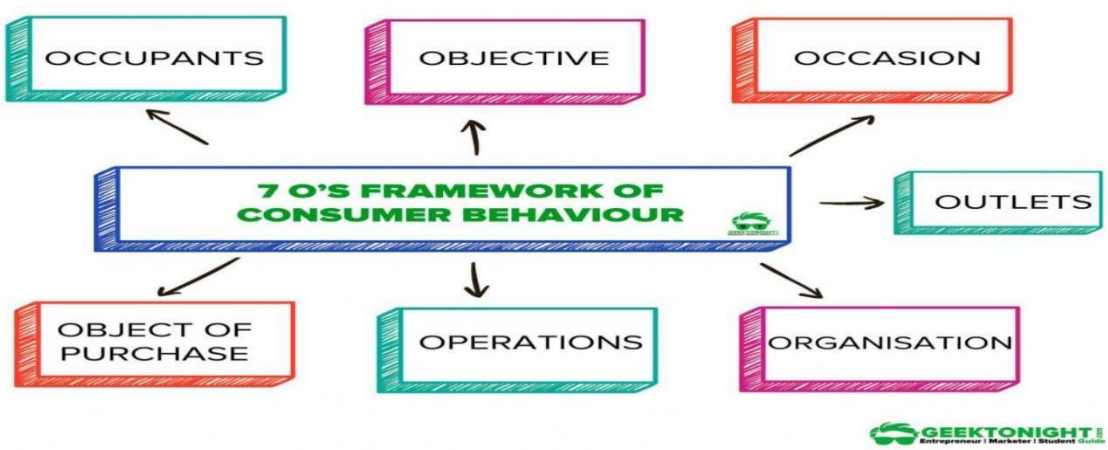


Fig.3

7 Os Framework of Consumer Behaviou

1. **Occupants:** Who is the Consumer
2. **Object of Purchase:** What does the Consumer Buy
3. **Objective:** Why is the Consumer Buying
4. **Occasion:** When do they Buy or How Often do they Buy and Use
5. **Outlets:** Where do they Buy
6. **Operations:** How do they Buy
7. **Organisation:** Who is Involved

FACTORS INFLUENCING CONSUMER BEHAVIOUR

The consumer decision process explains the internal process as well as individual behaviour for making product or service decisions.

1. Cultural Factors
2. Social Factors
3. Personal Factors
4. Psychological Factors
5. Economic Factors

Fig.4

FACTORS INFLUENCING CONSUMER BEHAVIOUR
Cultural Factors

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

Consumers live in a complex social and cultural environment. The types of products and services they buy can be influenced by the overall cultural context in which they grow up to become individuals.

Below are some of the important cultural factors given:

- Culture
- Subculture
- Social Class

Social Factors

Social factors, in turn, reflect a constant and dynamic influx through which individuals learn different consumption meanings. Below are some of the important social factors given:

- Family
- Reference Groups
- Roles and status

Personal Factors

A person's consumption behaviour is shaped by his personal characteristics. Below are some of the important personal Factors given:

- Age
- Income
- Personality
- Self-concept
- Occupation
- Lifestyle
- Gender

Psychological Factors

Psychological factors also influenced consumers. Internal psychological factors also direct the decision-making process. These factors influence the reason or 'why' of buying.

Below are some of the important psychological factors given:

- Motivation
- Learning
- Attitudes and Beliefs
- Perception

Economic Factors

Economic factor also has a significant influence on buying decision of consumer behavior.
Below are some of the important economic factors given:

- Personal and Family Income
- Income Expectations
- Consumer Credit
- Liquid Assets

IMPORTANCE OF CONSUMER BEHAVIOUR

It is important for marketers to study consumer behaviour. This helps marketers to investigate and understand the way in which consumers behave.

Below are some of the **importance of consumer behaviour** is given below:

1. Manufacturing policies
2. Price policies
3. Decision regarding channels of distribution
4. Decision regarding sales promotion
5. Exploiting marketing opportunities
6. Highly diversified consumer preferences
7. New Technological product

MANUFACTURING POLICIES

The study of consumer behaviour affects the manufacturing policies of the organisation. Consumer behaviour helps an organisation to plan and develop its products according to consumer need and preference.

Price policies

Consumer behaviour helps the marketer to set the price in the market. Consumer prefers optimal solution combine with production policies.

Decision regarding channels of distribution

Consumer prefers difference channel of purchase which is influenced by many factors.

Decision regarding sales promotion

consumer behaviour enables the marketer to know what motive prompt consumer to make a purchase and the same are used in overall marketing strategy.

Exploiting marketing opportunities

Consumer behaviour guide the marketers to understand the consumer's problem, needs, want and expectations and according to exploiting marketing opportunities.

Highly diversified consumer preferences

Availability of more choice now has diversified consumer preference. Therefore study of consumer behaviour is a crucial and challenging task for marketers.

New Technological product

Rapid introduction of a new product with technological advancement has made the job of studying consumer behaviour more imperative.

Application of Consumer Behaviour in Marketing

Application of consumer behaviour in marketing are:

1. Analyzing market opportunity
2. Selecting target market
3. Marketing mix decisions
4. Use in Social and Non-profits Marketing

Analyzing market opportunity

Consumer behaviour study helps in identifying the unfulfilled needs and wants of consumers. This requires examining the trends and conditions operating in the marketplace, consumers' lifestyles and income levels. This may reveal some of the unsatisfied needs and wants of the consumers.

The trend towards increasing number of dual income household and greater emphasis on convenience and leisure have led to emerging needs for household gadgets such as washing machine,mixer grinder, vacuum cleaner and childcare centres etc.

Selecting target market

A review of market opportunities often helps in identifying distinct consumer segments with distinct and unique wants and needs. Identifying these groups, learning how they behave and how theymake purchase decision enables the marketer to design and market products or services particularly suited to their wants and needs.

For example, consumer studies have revealed that many existing and potential shampoo users did not want to buy bigger shampoo packs and would rather prefer a low-priced sachet containing enough quantity for one or two washes. This finding led companies to introduce the shampoo sachet, which became good seller.

Marketing mix decisions

Once unsatisfied needs and wants are identified, themarketer has to determine the right mix of product, price, distribution and promotion. Here too consumer behaviour study is very helpful in finding answers to many perplexing questions. The answers to these questions are obtained by consumer behaviour research.

Use in Social and Non-profits Marketing

Consumer behaviour studies are useful to design marketing strategies by social, governmental and not-for-profit organisations to make their programmesmore effective such as family planning, pulse polio, safe driving etc.

Consumer Behavior and Marketing

Following changes can be observed in the approach of marketers towards consumers. Marketing oriented firms are focusing on customer satisfaction and retention.

- **Shifting from supply to demand**: This shows the change in focus from the supply products to creatind demand for the product. Producer determine what consumer will purchase before making changes and/or adding a product from its offerings.

- **From manufacturing to selling**: It shows the change in focus from "how to manufacture goods" to "how to sell" goods. It becomes practical in nature when production increased more quickly than products were purchased.

- **From selling to marketing**: It shows the change in focus from "selling products" to the "marketing of products". It discusses the change from a position of scarcity following World War II to a change by the 1950s causing the marketing era when selling to consumers became vital to the company. The point is made that Wal-Mart is in the business of "buying what people need to consume", not in selling things.

Segmentation, Targeting, and Positioning

Segmentation, targeting, and positioning together comprise a three stage process. We first (1) determine which kinds of customers exist, then (2) select which ones we are best off trying to serve and, finally, (3) implement our segmentation by optimizing our products/services for that segment and communicating that we have made the choice to distinguish ourselves that way.

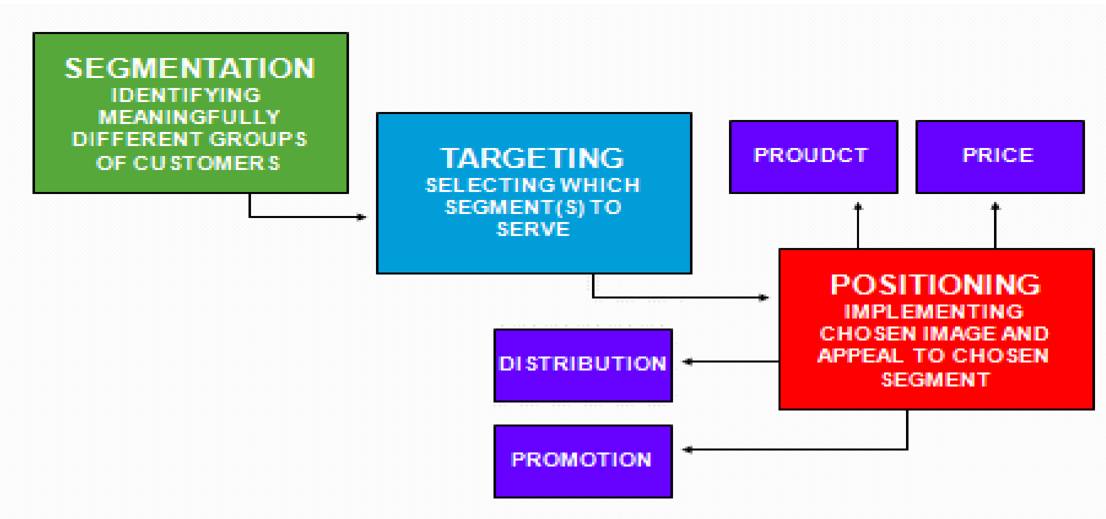


Fig.5

Segmentation involves finding out what kinds of consumers with different needs exist. In the auto market, for example, some consumers demand speed and performance, while others are much more concerned about roominess and safety. In general, it holds true that "You can't be all things to all people," and experience has demonstrated that firms that specialize in meeting the needs of one group of consumers over another tend to be more profitable.

Generically, there are three approaches to marketing. In the undifferentiated strategy, all consumers are treated as the same, with firms not making any specific efforts to satisfy particular groups. This may work when the product is a standard one where one competitor really can't offer much that another one can't. Usually, this is the case only for commodities. In the concentrated strategy, one firm chooses to focus on one of several segments that exist while leaving other segments to competitors. For example, Southwest Airlines focuses on price sensitive consumers who will forego meals and assigned seating for low prices. In contrast, most airlines follow the differentiated strategy: They offer high priced tickets to those who are inflexible in that they cannot tell in advance when they need to fly and find it impractical to stay over a Saturday. These travelers—usually business travelers—pay high fares but can only fill the planes up partially. The same airlines then sell some of the remaining seats to more price sensitive customers who can buy two weeks in advance and stay over.

Note that segmentation calls for some tough choices. There may be a large number of variables that can be used to differentiate consumers of a given product category; yet, in practice, it becomes impossibly cumbersome to work with more than a few at a time. Thus, we need to determine which variables will be most useful in distinguishing different groups of consumers. We might thus decide, for example, that the variables that are <u>most</u> relevant in separating different kinds of soft drink consumers are (1) preference for taste vs. low calories, (2) preference for Cola vs. non-cola taste, (3) price sensitivity—willingness to pay for brand names; and (4) heavy vs. light consumers. We now put these variables together to arrive at various combinations.
Several different kinds of variables can be used for segmentation.

- Demographic variables essentially refer to personal statistics such as income, gender, education, location (rural vs. urban, East vs. West), ethnicity, and family size. Campbell's soup, for instance, has found that Western U.S. consumers on the average prefer spicier soups—thus, you get a different product in the same cans at the East and West coasts. Facing flat sales of guns in the traditional male dominated market, a manufacturer came out with the Lady Remmington, a more compact, handier gun more attractive to women. Taking this a step farther, it is also possible to segment on lifestyle and values."
- Some consumers want to be seen as similar to others, while a different segment wants to stand apart from the crowd.
- Another basis for segmentation is behavior. Some consumers are "brand loyal"—i.e., they tend to stick with their preferred brands even when a competing one is on sale. Some consumers are "heavy" users while others are "light" users. For example, research conducted by the wine industry shows that some 80% of the product is consumed by 20% of the consumers—presumably a rather intoxicated group.
- One can also segment on benefits sought, essentially bypassing demographic explanatory variables. Some consumers, for example, like scented soap (a

segment likely to be attracted to brands such as Irish Spring), while others prefer the “clean” feeling of unscented soap (the “Ivory” segment). Some consumers use toothpaste primarily to promote oral health, while another segment is more interested in breath freshening.

In the next step, we decide to **target** one or more segments. Our choice should generally depend on several factors. First, how well are existing segments served by other manufacturers? It will be more difficult to appeal to a segment that is already well served than to one whose needs are not currently being served well. Secondly, how large is the segment, and how can we expect it to grow? (Note that a downside to a large, rapidly growing segment is that it tends to attract competition). Thirdly, do we have strengths as a company that will help us appeal particularly to one group of consumers? Firms may already have an established reputation. While McDonald’s has a great reputation for fast, consistent quality, family friendly food, it would be difficult to convince consumers that McDonald’s now offers gourmet food. Thus, McD’s would probably be better off targeting families in search of consistent quality food in nice, clean restaurants.

It is possible using to target very specific customer groups based on magazine subscriptions, past purchases, and demographic variables. A number of list brokers will sell lists of names and addresses of homeowners in a particular area (information they get from county registrars) or the subscribers to various magazines. Firms will often sell lists of their customers to competitors since it is widely believed in the industry that more catalogs tend to result more in incremental sales than in losing share in fixed-size pie. One can also buy e-mail lists, but it is generally not legal to send solicitng e-mails to individuals with which one does not already have an established business relationship, and these are also likely to be discarded by "spam" filters. In the "merge-purge" process, lists from several sources are combined (since none contains every relevant individual by itself), after which duplicates are removed. Here is an illustration of what could be used by an online merchant of surf gear seeking to find additional potential customers:

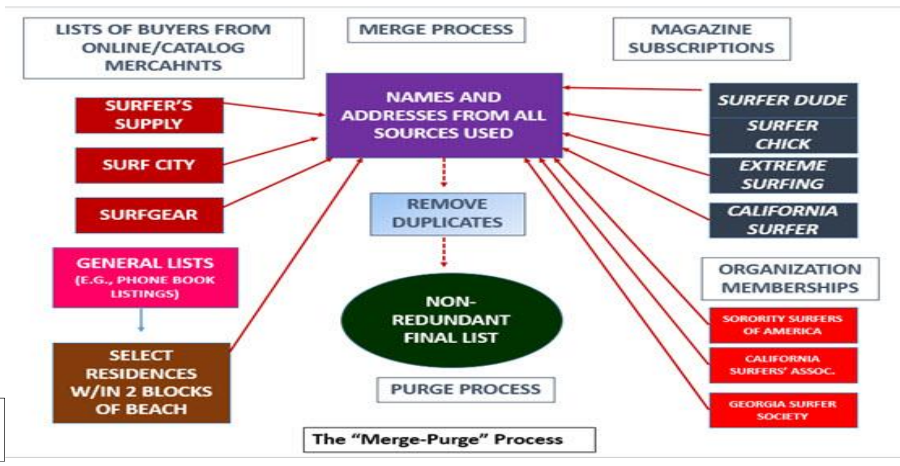
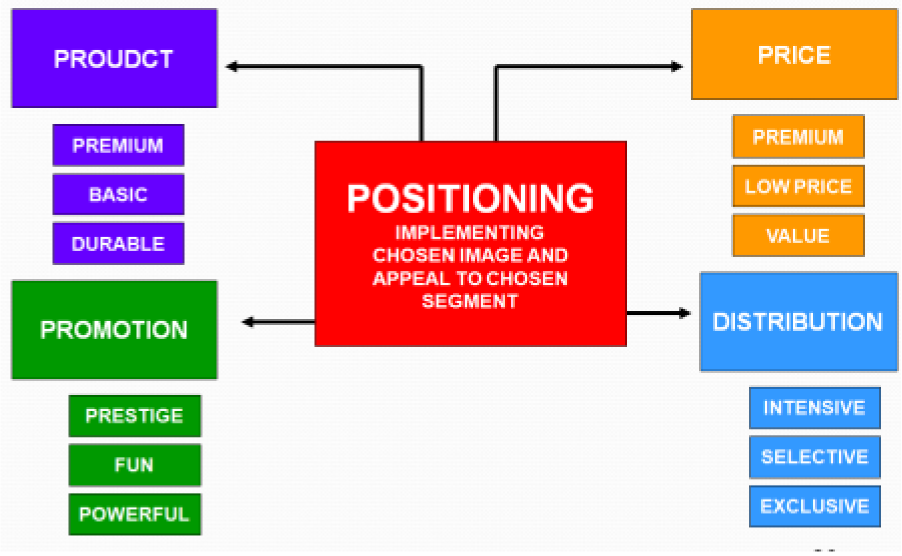


Fig.6

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



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

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

Treacy and Wiersema suggest that in addition to excelling on one of the three value dimensions, firms must meet acceptable levels on the other two. Wal-Mart, for example, does maintain some level of customer service. Nordstrom's and Intel both must meet some standards of cost effectiveness. The emphasis, beyond meeting the minimum required level in the two other dimensions, is on the dimension of strength.
Repositioning involves an attempt to change consumer perceptions of a brand, usually because the existing position that the brand holds has become less attractive. Sears,

for example, attempted to reposition itself from a place that offered great sales but unattractive prices the rest of the time to a store that consistently offered “everyday low prices.” Repositioning in practice is very difficult to accomplish. A great deal of money is often needed for advertising and other promotional efforts, and in many cases, the repositioning fails.

To effectively attempt repositioning, it is important to understand how one’s brand and those of competitors are perceived. One approach to identifying consumer product perceptions is multidimensional scaling. Here, we identify how products are perceived on two or more “dimensions,” allowing us to plot brands against each other. It may then be possible to attempt to “move” one’s brand in a more desirable direction by selectively promoting certain points. There are two main approaches to multi-dimensional scaling. In the a priori approach, market researchers identify dimensions of interest and then ask consumers about their perceptions on each dimension for each brand. This is useful when (1) the market researcher knows which dimensions are of interest and (2) the customer’s perception on each dimension is relatively clear (as opposed to being “made up” on the spot to be able to give the researcher a desired answer). In the similarity rating approach, respondents are not asked about their perceptions of brands on any specific dimensions. Instead, subjects are asked to rate the extent of similarity of different pairs of products (e.g., How similar, on a scale of 1-7, is Snicker’s to Kitkat, and how similar is Toblerone to Three Musketeers?) Using a computer algorithms, the computer then identifies positions of each brand on a map of a given number of dimensions. The computer does not reveal what each dimension means—that must be left to human interpretation based on what the variations in each dimension appears to reveal. This second method is more useful when no specific product dimensions have been identified as being of particular interest or when it is not clear what the variables of difference are for the product category.

Questions

1. Discuss in details the objectives , Scope and Importance of Marketing.
2. What is market orientation? Explain the four stages of Market Orientation.
3. Anayse the history and evalution of digital marketing.
4. Distinguish the traditional marketing and Digital marketing.

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SCHOOL OF SCIENCE AND HUMANITIES
DEPARTMENT OF PSYCHOLOGY

UNIT –VI -CONSUMER BEHAVIOUR AND ANALYTICS –SPSY1603

PRODUCT – PRICE – PROMOTION AND ADVERTISING

INTRODUCTION

A product is a bundle of attributes (features, functions, benefits, and uses) that a person receives in an exchange. In essence, the term “product” refers to anything offered by a firm to provide customer satisfaction, tangible or intangible. Thus, a product may be an idea (recycling) , a physical good (a pair of jeans), a service (banking), or any combination of the three.[1]

Broadly speaking, products fall into one of two categories: consumer products and business products (also called industrial products and B2B products). Consumer products are purchased by the final consumer. Business products are purchased by other industries or firms and can be classified as production goods—i.e., raw materials or component parts used in the production of the final product—or support goods—such as machinery, fixed equipment, software systems, and tools that assist in the production process.[2] Some products, like computers, for instance, may be both consumer products and business products, depending on who purchases and uses them.

The product fills an important role in the marketing mix because it is the core of the exchange. Does the product provide the features, functions, benefits, and uses that the target customer expects and desires? Throughout our discussion of product we will focus on the target customer. Often companies become excited about their capabilities, technologies, and ideas and forget the perspective of the customer. This leads to investments in product enhancements or new products that don’t provide value to the customer—and, as a result, are unsuccessful.

PRODUCT OF MEANING OF PRODUCT

A product is something that is manufactured for sale in the market. Customer needs are met by the usage of products. Product is one of the main components of marketing—all marketing activities revolve around the product. Products can be tangible or intangible. Tangible products are known as goods while intangible products are called services.

The term product can be understood in narrow as well as broad sense. In a narrow sense, it is a set of tangible physical and chemical attributes assembled in an identifiable and readily recognizable form.

In a broader sense, it recognizes each separate brand as a separate product. A product can be defined as- “A good, idea, method, information, object, or service that is the end result of a process and serves as a need or want satisfier. It is usually a bundle of tangible and intangible attributes (benefits, features, functions, uses) that a seller offers to a buyer for purchase.”

Ordinarily speaking, product or goods is a word which means any commodity which can be recognised by its certain shape, quality or quantity e.g., car, book, watch, clothes etc. Actually this meaning of the product is narrow in sense. The word 'Product' is taken in wider perspective in marketing. Here, every brand is considered a separate product i.e., Lux and Lifebuoy—both are soaps, but are treated as separate products. In narrow sense, these will be considered as merely soaps.

Every business firm undertakes the function of product selling, though it may or may not be visible. A laundry firm provides the clothes-washing service. This function is similar to product selling which a retailer performs. Firms while selling their products, sell services too which are related to their products. A consumer buys a product because he gets psychological and physical satisfaction from that product.

Thus a seller not only sells his products rather he enters into marketing of such psychological and physical satisfaction. For example, a person while purchasing a product does not bother about the inputs by which that product is manufactured. He is rather interested in the fact as to what utility or satisfaction, he will gain by using that product. In this context, the ideas of George Fisk are worth describing. According to him, "Product is a cluster of psychological satisfaction."

DEFINITION IN MARKETING

A product is what a seller has to sell and what a buyer has to buy it satisfies the needs of customers. Customers purchase products because they are capable of realizing some benefits to the purchaser. A marketer can satisfy the needs and wants of his customers by 'offering something' in exchange for money. And this 'offering' is basically a product. The product is one of the important elements of the 4Ps of the marketing mix. It consists of a bundle of tangible and intangible attributes that satisfies consumers.

Product is an important component in marketing-mix. Other elements of marketing-mix i.e. price, promotion and place are complementary to it. A product is central to the marketing operations in an organization. Most of the time product fails not because of poor quality but because they fail to meet the expectations of the customers.

It is not just a bundle of physical attributes, but a bundle of perceived benefits which satisfy consumer's needs. Hence, utmost care should be taken to handle product decisions. A bad product not only generates bad name for the firm but also affects negatively the price set for the product, dissuades the channel members and reduces the believability of the promotional measures.

In a narrow sense, "A product is a set of tangible physical attributes in an identifiable form" (W.J. Stanton). But in marketing, product is used in a broader form.

According to W. Alderson “A product is a bundle of utilities consisting of various product features and accompanying services”.

According to Philip Kotler “A product is anything tangible or intangible that can be offered to a market for attention, acquisition use or consumption that might satisfy a need or want”.

According to Cravens, Hills and Woodruff “Product is anything that is potentially valued by a target market for the benefits or satisfactions it provides, including objects, services, organizations, places people and ideas”.

From the above definitions, it is clear that product has the want satisfying attributes which drive a customer to purchase the product. It is nothing but a package of problem solving devices and is something more than a physical product. This is because a product encompasses a number of social and psychological attributes and other intangible factors which provide satisfaction to the consumer.

Products can be anything. It can be physical product (e.g. fan, cycle etc.), service (e.g. haircuts, property deals etc.), place (e.g. Agra, Delhi etc.), person (e.g. Late M.F. Hussain etc.), Organization (e.g. Helpage India, Rajiv Gandhi foundation etc.) and idea (e.g. Family Planning, safe driving etc.).

Alderson defines, “A product is a bundle of utilities consisting of various product features and accompanying services”.

Stanton defines, “A product is a set of tangible and intangible attributes, including packaging, colour, price, manufacturer’s and retailer’s services, which the buyer may accept as offering satisfaction or wants or needs”.

According to Philip Kotler, “A product is anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or need. It includes physical objects, services, persons, places, organization and ideas”.

PRODUC - CONCEPT

Product refers to a good or service that satisfies the needs and wants of customers. It is offered in the market by an organization to earn revenue by meeting the requirements of customers. Product is an asset of an organization and referred as the backbone of marketing mix.

According to Peter Drucker, “Suppliers and especially manufacturers have market power because they have information about a product or a service that the customer does not and cannot have, and does not need if he can trust the brand. This explains the profitability of brands.”

It is very important for an organization to understand the needs of customers. For example, some customers use mobile phones for talking; whereas, some use mobile phones for talking as well as business purposes, such as teleconferencing. Needs of the customers depend on their purchasing power.

For example, a customer whose basic need is surfing over the Internet may opt for a simple computer; whereas, a software engineer may need a high configuration computer. Therefore, when the level of need increases then the level of product also increases.

FEATURES OF A PRODUCT

i. Tangibility:

Products are tangible in nature, customers can touch, seen or feel a products. For example, car, book, computer etc.

ii. Intangible Attributes:

Service products are intangible in nature, services like, consultancy, banking, insurance etc. The product may be combination of both tangible and intangible attributes like restaurants, transportation, in case of a computer it is a tangible product, but when we will talk of its free service provided by dealer, then the product is not only a tangible item but also an intangible one.

iii. Associated Attributes:

The attributes associated with product may be, brand, packaging, warranty, guarantee, after sales services etc.

iv. Exchange Value:

Irrespective of the fact that whether the product is tangible or intangible, it should be capable of being exchanged between buyer and seller for a mutually agreed price.

v. Customer Satisfaction:

A product satisfies the customer needs and wants of customers, value of products is also determined by the level of satisfaction given by a product after purchase.

CHRACTERISTICS OF PRODUCT

1. It can be a single commodity or a service; a group of commodities or a group of services; a product service combination, or even a combination of several products and services.

Its meaning is determined by the needs and desires of the consumer. The purpose of a product is to satisfy some need of the consumers. The buyers purchase problem-solving and time for creativity when they purchase a computer system.

3. It may be durable such as those that are expected to deliver a stream of satisfaction over a period of time,

4. Products may be luxuries which might be needed as a symbol of prestige and status such as car, a well- furnished bungalow in a posh colony or necessities which are needed to keep the body and soul together, such as bread, milk, sugar, etc.

5. It may be an agricultural, mineral, forest or semi-manufactured or manufactured product.

TYPES OF NEW PRODUCT

Business firms always try to find new market by innovation and research they create new products to satisfy the changing demand of customers. We can see new products especially in the field of electronic and computer.

Booz, Allen and Hamilton have identified six categories of new products:

(i) New-to-the-World Products:

New-to-the-world products are innovative products that create an entirely new market, like water purifiers.

(ii) New Product Lines:

New products that allow a company to enter an established market like LCD television.

(iii) Additions to Existing Product Lines:

New products that supplement a company's established product lines like Fair and Lovely for men.

(iv) Improvements and Revisions of Existing Products:

New products that provide improved performance or greater perceived value and replace existing products, examples are books and software.

(v) Repositioning:

Existing products that are targeted to new markets or market segments, this is beneficial in expansion of market.

(vi) Price Differentiation:

Sometimes due to increasing competition in the market, the manufacturers have to offer the product with same features and functions but at lower price.

PRODUCT HIERARCHY

a. Need-Family:

It is a core need that underlies the existence of a product family. These products satisfy a core need of the group of people or of an individual. They are called products from the “Need Family”. Eg. Hunger is core need which is satisfied by food.

b. Product-Family:

These consist of all the product classes that can satisfy a core need with reasonable effectiveness. It comprises of varieties of product within this group, which compete with one another to satisfy the same need. These are ‘family of products satisfying the same need’. Eg. Fast foods, Snacks, Veg. Thali, etc.

c. Product Class:

It is a group of products within the product family recognized as having a certain functional coherence. A group of products, within this family of products, having similar characteristics are labelled as product class or product category. Eg. Fast Foods.

d. Product Line:

It is a group of products within a product class which are closely related to each other since they perform a similar function, are sold to the same customer groups, are marketed through the same outlets or channels, or fall within the given price ranges. A product line may consist of different brands, or a single family brand, or individual brand that has been line extended. Eg. Burgers, Pizzas, etc.

e. Product Type:

It is a group of items within a product line that encompasses one of several possible forms of the product. Eg. Chicken burger.

f. Item (Stock Keeping Unit or Product Variant):

It is a distinct unit within a brand or product line which is distinguishable by size, shape, price, appearance, or some other attribute. Eg. Burger King’s Jumbo Chicken burger.

FOUR LEVELS OF THE PRODUCT

There are four levels of a product (shown in the figure below): core, tangible, augmented, and promised. Each is important to understand in order to address the customer needs and offer the customer a complete experience.

The Core Product

The core product satisfies the most basic need of the customer. For example, a consumer who purchases a healthy snack bar may be seeking health, convenience, or simply hunger relief. A student who buys low-priced, sturdy sneakers may just be seeking footwear. A student on a tight budget who buys top-of-the-line sneakers might be hoping to achieve status. Or, the student might be seeking a sense of freedom by splurging on an item that represents a true sense of style, even though he can't really afford it. Footwear, status, and freedom are all legitimate core products. The core product is complex because it is so individualized, and, often, vague. The marketer must have a strong understanding of the target customer (and the different segments of target customers) in order to accurately identify the core product.

THE TANGIBLE PRODUCT

Once the core product has been identified, the tangible product becomes important. Tangible means "perceptible by touch," so the tangible aspects of a product are those that can be touched and held. This idea can be expanded to also include the characteristics of the product that directly touch the buyer in the buying decision. These are the product elements that the customer will use to evaluate and make choices: the product features, quality level, brand name, styling, and packaging. Every product contains these components to a greater or lesser extent, and they are what the consumer uses when evaluating alternatives.

The importance of each aspect of the tangible product will vary across products, situations, and individuals. For example, at age twenty, a consumer might choose a particular brand of new car (core product=transportation) based on features such as gas mileage, styling, and price (choice=Toyota Yaris); at age forty-five, the core product remains the same, while the tangible components such as quality level, power, features, and brand prestige become important (choice=Audi A6).

THE AUGMENTED PRODUCT

Every product is backed up by a host of supporting services. The augmented product includes the tangible product and all of the services that support it. Often, the buyer expects these services and would reject the tangible product if they were not available. For example, if you shop at a department store, you are likely focused on a core and tangible product that centers on the merchandise, but you will still expect the store to have restrooms, escalators, and elevators. Dow Chemical has earned a reputation as a company that will bend over backward in order to service an account. It means that a Dow sales representative will visit a troubled farmer after hours in order to solve a serious problem. This extra service is an integral part of the augmented product and a key to their success.

When the tangible product is a service, there is still an augmented product that includes support services. Westin hotels offer hotel nights with a specific set of features as their tangible product. The augmented product also includes dry cleaning services, concierge services, and shuttle services, among others.

In a world with many strong competitors and few unique products, the augmented product is gaining ground, since it creates additional opportunities to differentiate the product from competitive offerings.

THE PROMISED PRODUCT

The outer ring of the product is referred to as the promised product. Every product has an implied promise, which is a characteristic that is attached to the product over time. The promised product is the long-term result that the customer hopes to achieve by selecting the product. The promised product may be financial—the resale value of a car, home, or property, for example—but it is often more aspirational. The customer hopes to be healthier, happier, more productive, more successful, or enjoy greater status.

Like the core product, the promised product is highly personal. Generally, marketers find that there will be groupings of customers seeking a similar promise but that there is not a single promised product across all customers.

Can the core product and the promised product be the same thing? Yes, they can, but often the the core product is more focused on the immediate need and the promised product has a longer-term element.

PRODUCT DEVELOPMENT

The entire product development process is characterized by a number of factors which complicate its conduct. The first is that all functional units of the enterprise are involved at various points, and many of them throughout the entire process. They must be carefully mobilized and their natural resistance to cooperative action overcomes.

Second, many different types of activity must be carried on concurrently. Practically all of these are necessary prerequisites to later activities. Thus, there is an acute problem of timing, requiring the establishment of target dates and follow-up to determine progress.

For products that require a substantial amount of technical research and development work, the period from the original concept of the idea until commercialization is typically five to ten years.

Third, is the need for several check points at which the project is considered in all of its aspects, and decisions are reached—whether it should be abandoned, put on the shelf, or continued at a given rate of work?

There is no magic number of such points, although the most obvious occur at:

1. Preliminary screening of new-product ideas.

2. The time substantial amounts of expenditures are authorized for research and development.

3. Authorization for prototype manufacture and market or use testing.

4. The decision regarding full-scale manufacture and marketing.

The process of reviewing the project in its manifold technical and economic aspects at each of these check points becomes increasingly more detailed and thorough as larger and larger amounts of company resources must be committed by decisions to continue it.

Fourth, new products that are quite similar to the present line in production and selling characteristics will not require a process of development so elaborate or as long as those that are more alien to the established knowledge and know-how of the company organization.

The nature of these complicating factors indicates the desirability of systematizing the search for new products. While the appropriate elements of a product development system would vary from one firm to another, certain activities are basic to the process itself.

These include at least the following phases:

1. Generating new-product ideas.

2. Preliminary appraisal of new product ideas and selection of projects.

3. Product and market research.

4. Process research.

5. Prototype testing in production and marketing.

6. Commercialization.

With the exception of the second step, the appraisals that are likely to be made near the end of one phase and the beginning of the next have been omitted.

1. Generating New-Product Ideas:

It is almost a truism that new product ideas should match the capabilities of the enterprise and be generated in sufficient number to present a real choice of opportunities. Both internal and external sources should be consulted.

a. Internal Sources:

Stimulating a flow of ideas internally is largely a matter of gaining and holding the interest of groups in the organization. One means of doing this is to provide adequate machinery for prompt acknowledgement, review, and decision regarding new-product ideas submitted by insiders.

Delay in acting on such ideas is apt to be interpreted as lack of interest on the part of management and can dampen creative effort. Financial rewards can also be effective in generating ideas, particularly if they are offered promptly.

PRODUCT DEVELOPMENT

NEW PRODUCT DEVELOPMENT PROCESS

Product development process is expensive, risky and time consuming. Though world-shaping innovations have emerged from the 'garages' and will continue to do so, companies cannot depend solely on flashes of brilliance and inspiration to provide their next bread earner or even their next blockbuster.

It is too frightening. In absence of any better method to bring out new products a formal process with review points, clear new product goals, and strong marketing orientations underlying the process is being relied upon by companies to achieve greater success.

An eight step new product development process consists of new product strategy, idea generation, screening, concept testing, business analysis, product development, market testing and commercialization. New products pass through each stage at varying speeds.

NEW PRODUCT STRATEGY:

Senior management should provide vision and priorities for new product development. It should give guidelines about which product or market the company is interested in serving. It has to provide a focus for the areas in which idea generation should take place.

By outlining their objectives, for instance, market share, profitability, or technological leadership for new products, the senior management can provide indicators for screening criteria that should be used to evaluate these ideas.

A development team is likely to achieve better results if it concentrates its resources on a few projects instead of taking shots at anything that might work. Since the outcome of new product development process is unpredictable, a company might believe that it is taking a risk by working on only a few new ideas.

However unpredictable the new product development process may be, chances of success will definitely improve if the team knows precisely what it wants to achieve from the process, puts its best people in the project, and has enough resources to commit to the project.

IDEA GENERATION:

Developing an innovative culture that kindles imagination is a prerequisite. In such an environment every employee is alert to new opportunities. Great ideas come in a period of quiet contemplation, uninterrupted by bustle of everyday life and work.

Sources of new product ideas can be internal to the company. Scientists, engineers, marketers, salespeople, designers can be rich sources of new ideas.

Companies use brainstorming to stimulate creation of ideas and financial incentives to persuade people to put forward ideas they have. Though anyone can come up with a brilliant idea, a company can work systematically to generate great ideas. A company can follow the following practices:

i. A company can look outside markets that are currently being served. It may not be manufacturing the precise product which the new market requires, but it may realize that it has the competence and the technology to serve the needs of the new market.

When a company scrutinizes its core competences, it may discover that its various core competences may be combined in a new way to serve a new market.

Apart from people who specialize in various technologies, it is important that a company has a few market savvy people who understand all its technologies. These people will combine technologies to serve customer needs in interesting ways.

ii. For too long, companies have viewed a market as a set of customer needs and product functionalities to serve these needs. But they should begin to ask as to why the product has to be like this. Can the customer needs be satisfied with some other product form?

Companies will realize that their products have shaped consumer expectations about the appropriate solution to their needs but if the companies become bold and persistent, customers will accept new solutions to their needs.

iii. A company should question conventional price and performance relationships. It should explore the possibility of providing the same value at lesser price or try to make the customers pay more by serving their needs in a new or better way. A more rigorous market research may reveal more sophistication in customers' needs which the company can serve with a novel product.

A company should reject the idea that an existing product is the only starting point for new product development. The greatest hindrance to development of novel products is the existing product. Developers keep making mental references to the existing product in terms of how their new product will be different or better than the existing ones.

Having some people from outside the industry will help the development team in distancing themselves from the existing product. A development team comprising solely of outsiders can be tried if the company desperately wants a novel product.

iv. Customers rarely ask for truly innovative products. A company can try to lead customers by imagining unarticulated needs rather than simply following them. It involves a blend of creativity and understanding the needs, lifestyles and aspirations of people.

The developers have to have an in- depth talk with customers and observe closely a market's sophisticated and demanding customers. But an innovation need not always be more sophisticated than the current products. Customers might be using sophisticated products because they do not have a choice but may be looking for a much simpler solution.

In quite a few markets companies have to reduce the sophistication of their products. Customers are not using a quite a few features of the current products and it is a nightmare to use some of these products. The customers need to acquire quite a few skills to use such products. They would be happier using a simpler product at a lesser price.

v. A company should examine competitors' products at frequent intervals. Though copying competitors' products may not inspire many developers, a company can use competitors' products to identify features and benefits that its product lacks.

If a competitor's product is more advanced or sophisticated the company can use the competitor's product as a base and develop the product further.

vi. Retailers deal in the company's customers and can give very useful ideas. Retailers experience the anguish and glee of customers firsthand and handle both repeat purchases and product returns. These experiences of retailers can provide very useful information about customers' experience with the company's offerings.

A company's salespeople and even the top executives should be in constant interaction with retailers so that they are able to glean customers' opinions about their product from the retailers. Retailers are also in contact with customers of competitors' products and the company can get feedback about the competitors' product from the retailers.

vii. Customers are the original sources of new product ideas. Lead users, who are the most sophisticated users of a product, are excellent sources of ideas for new products, as they are most likely to encounter new problems due to the increased sophistication of their needs.

Business customers who are innovators and market leaders in their own marketplace are sources of new product ideas, as they have advanced needs and are likely to face problems before other product users.

But companies who focus on lead users may develop products which may be too sophisticated for the average users of the product. It may contain features and benefits that the average customer may not need, but will have to pay for.

viii. Customers can give feedback about the products that they are familiar with, and these inputs can be used to drive innovations which will be incremental in nature. But for breakthrough innovations, ideas must come from other sources such as the R&D team.

This is because the customer cannot talk beyond his realm of experience, which is constricted. Therefore, if a company wants to launch a radical innovation, it has to look beyond existing customers as a source of idea.

IDEA SCREENING:

Screening of ideas is done to evaluate their commercial worth. At this stage, the company needs to ascertain whether the new products being developed fit in with the company's strategy and resource availability.

Simultaneously, the company also evaluates the market potential for the new product by evaluating criteria such as projected sales, profit potential, extent of competition and return on investments. Unique designs that lower costs or give performance advantages are also considered.

Though it is difficult to accurately forecast the success of an idea at this stage, the process helps the company to check if the idea is in alignment with the company's objectives and competencies, and that the idea has reasonable chances of success.

The process helps the company to wean out fanciful ideas. But some such fanciful idea may entice the management at this stage and the originator of the idea may get permission to go ahead with it.

CONCEPT TESTING:

At the developmental stage, every idea can be developed into several product concepts. Each concept is then tested with a small sample of customers from the target market to know their degree of acceptance. A product concept is a particular combination of features, benefits and price. Alternate product concepts are evaluated by customers.

Though it may still be a description rather than the actual product, customers have something tangible to react to. This process allows customer feedback to seep into the new product development process early enough for marketers to evaluate the degree of acceptance of the potential new product.

As the physical product may not be available at this stage, companies go in for a verbal or pictorial description of the product to let customers have an idea about the actual product. Prospective customers present feedbacks regarding the attractiveness of the features and benefits offered by the potential product.

Usually, the intention of the company is to gauge the most desirable combination of benefits that customers are willing to pay for.

An instrument such as a questionnaire is used to know the likes and dislikes of customers, which customers are likely to find the product most attractive, what price point would best suit the customer, what trade-offs is the customer willing to make while evaluating the product, the immediacy of the product requirement and how frequently he would buy the product.

These features or benefits are then incorporated into the product development process, which is likely to lead to competitive advantage for the company.

BUSINESS ANALYSIS:

Estimates of sales, cost and profits are made. The company identifies the target market, its size and projected product acceptance over a number of years. The company considers various prices and their implications on sales revenues. Costs and breakeven point are estimated.

Sensitivity analysis is done in which variations from given assumptions about price, cost, customer acceptance are checked to see how they would impact on sales revenue and profit.

Optimistic, most likely and pessimistic scenarios can be drawn up to estimate degree of risk attached to the project. The idea is to test if the proposed product will generate enough revenues and profits to justify the expenses that its development and marketing will entail.

Though it is not possible to draw reliable conclusions from such futuristic analysis, it does force company's executives to peep into what the proposed product can or cannot achieve for the company.

If they decipher that the proposed product has huge potential they can pump more resources and expedite the project. The process permits the commercial instincts of the executives to be put to test.

PRODUCT DEVELOPMENT:

The product concept that has found the best acceptance is then developed into a physical product. Components have to be designed in terms of length, width, diameter, angle etc., and arranged to be assembled in a manner which provides the features and benefits of the selected product concept.

Multidisciplinary project teams are established to bring the product to the marketplace. The product development process is faster and results in the development of better, high quality products when engineers, technicians, marketers, finance and production specialists work together in a synergistic fashion.

This also allows the company to let various departments work simultaneously than work in stages using 3D solid modeling, CAD, CAM, thus reducing the time to market, while also reducing the cost of innovations.

R&D would focus on functional aspects of product whereas marketing would keep the project team aware of psychological factors. Marketers need to understand and communicate the important attributes that customers are looking for in the product, even as the product is being developed. Marketing may brief R&D on product concept and the latter will be responsible for the task of turning the concept into reality.

At this stage, the product is tested to analyse its functional performance and the degree of customer acceptance. Paired comparison tests are used to compare the new product with existing or potential competitors in order to give a realistic feel to the consumer decision making process.

Customers compare and judge the overall preference for the product, as well as preference for specific features or benefits offered by various choices available to them.

In monadic placement tests, only the new product is given to users for trial. Experts can also be used. When testing products in business markets, products may be placed with customers free of charge, to check preference.

Products are set up to fail during this stage of innovation process. It is important to exercise certain precautions during this stage.

PRICING

Pricing the product or service is one of the most important business decisions you will make.

You must offer your products for a price your target market is willing to pay – and one that produces a profit for your company – or you won't be in business for long.

According to Prof. K.C. Kite,

"Pricing is a managerial task that involves establishing pricing objectives, identifying the factors governing the price, ascertaining their relevance and significance, determining the product value in monetary terms and formulation of price policies and the strategies, implementing them and controlling them for the best results".

Pricing is not an end in itself but a means to achieve marketing objectives of the firm.

Therefore, the pricing strategy of a firm should be designed to achieve specific objectives. Like other operating objectives, the objectives of pricing are derived from *the overall objectives of the firm. The basic objectives of a firm are survival and growth.*

Pricing the product or service is one of the most important business decisions you will make. You must offer your products for a price your target market is willing to pay – and one that produces a profit for your company – or you won't be in business for long. There are many approaches to pricing, included scientific and unscientific. Here is one framework for making pricing decisions that takes into account your costs, the effects of competition and the customer's perception of value.

(i) Cost is the total of the fixed and variable expenses (costs to you) to manufacturer or offers your product or service.

(ii) Price is the selling price per unit that customers pay for your product or service.

So, the price you set is the cost to the customer. Ideally, it should be higher than the costs you incurred in producing the product.

Think of your cost as the surface of the ocean. You must set your price above the surface to cover costs or you will quickly drown. Of course, there will be times when you decide to set prices at or below cost for a temporary, specific purpose, such as gaining market entrance or clearing inventory.

How the customer perceives the value of the product determines the maximum price customers will pay. This is sometimes described as "the price the market will bear." Perceived value is created by an established reputation, marketing messages, packaging, and sales environments. An obvious and important component of perceived value is the comparison customers and prospects make between you and your competition.

Somewhere between your cost and the price "the market will bear" is the right price for your product or service — a price that enables you to make a fair profit and seems fair to your customers. Consequently, once you understand your costs and your maximum price, you can make an informed decision about how to price your product or service.

However, while costs are important in setting your prices, don't limit your thinking only to cost-based pricing. Value-based pricing makes you think about your business from the customer's perspective. If the customer doesn't perceive value worth paying for at a price that offers you a fair profit, you need to re-think your game-plan.

(i) Physical efforts may be required to obtain some services, especially if the customer must come to the service factory and delivery entails self-service.

ii) Sensory costs may include putting up with noise, unpleasant smells, drafts, excessive heat or cold, uncomfortable seating, visually unappealing environments, and even unpleasant tastes (one of the reasons that many children dislike health care).

(iii) For customers, there is an opportunity cost to the time spent in pursuit of service, since that time could, perhaps, be spent in other ways.

(iv) Psychic costs are sometimes attached to the use of a particular service-mental effort, feelings of inadequacy, or even fear.

PRICING - FACTORS INFLUENCING PRICING DECISIONS

1. Objectives – Many companies have established marketing goals or objectives such as growth in sales, profits, market share and pricing plays a major role in achieving the objectives.

2. Cost of Production – The most decisive factor in pricing is the cost of production. In the past, fixing of price was a simple affair, just add up all the costs incurred and divide the final figure by the number of units produced. Adding necessary profits with the cost of production would give the price.

The main defect with this approach is that it disregards the external factors, particularly demand and the value placed on goods by the ultimate consumer. Again under this approach, the manufacturer believes that whatever may be the price, the consumer will buy. Furthermore, today, on account of the various lines of production as well as distributing, the overhead costs finding the cost of production is not so simple.

3. Demand – In consumer-oriented marketing, the consumers influence the price. Every product has some utility for the buyer. It gives the buyer service, satisfaction, pleasure, the consumer would continue to buy the product. Higher the demand for a product, lesser the need for giving additional discounts, credit, etc., to the distributors and dealers. This leads to higher price realisation.

4. Competition – Another factor that influences pricing is competition. No manufacturer is free to fix his price without considering competition, unless he has a monopoly.

To avoid competitive pricing, a firm may decide that its product may be sufficiently different from that of the others. This is achieved through methods of advertising, branding, etc. Sometimes, a higher price may itself differentiate the product. This is known as prestige pricing. But this is possible only when the product is backed by perfect quality. Sometimes, the opposite also takes place. It is seen that many products are sold at low prices, mostly in the initial stages. This is referred to as "Mark-down Prices" or price cutting.

5. Distribution Channels – Distribution channels also sometimes affect the price. There are many middlemen working in the channel of distribution between the manufacturer and the consumer. Each one of them has to be compensated for the services rendered. This compensation must be included in the ultimate price which the consumer pays. Because of these costs, sometimes it happens that the price of products becomes so high that the consumer rejects it.

6. Supply of the Product – If the supply is less than demand, then the price of the product will be more.

7. Achieve Planned Return on Investment – While fixing the expected rate of return, the cost of the product, inflation rate, profits desired, etc., are taken into account.

8. Availability of Raw Materials in the domestic market will generally enable the firm to bring down cost of production. The firm can fix a low selling price.

9. Profit Expectations – If the firm expects higher price per unit of the product, they may charge a higher price for the product.

10. Trade Barriers – Trade restrictions such as duties, taxes, and quotas would increase the price of the product and the firm fixes a higher price to recover the taxes and duties.

11. If the brand is very popular among consumers, then the manufacturer can charge a higher price for the product.

12. If the Purchasing Power of the consumers is high, then the company can charge a higher price for the product.

13. Promotion Cost would normally increase the selling price as the company would like to recover the cost from the consumers.

14. Research and Development – Many large organisations spent millions of rupees in developing new products and new processes and would like to recover the cost of research by increasing the price of the products.

15. Legal Constraints, Government Interference such as control of prices, levying taxes, etc., are other considerations which also affect the pricing of the products.

The following are some of the factors that influence pricing of a product. They are classified under product or industry factors and the factors influencing the buyers' decisions.

DISRIBUTION CHANNEL

A distribution channel is a chain of businesses or intermediaries through which a good or service passes until it reaches the final buyer or the end consumer. Distribution channels can include wholesalers, retailers, distributors, and even the Internet.

Distribution channels are part of the downstream process, answering the question "How do we get our product to the consumer?" This is in contrast to the upstream process, also known as the supply chain, which answers the question "Who are our suppliers?"

UNDERSTANDING DISTRIBUTION CHANNELS

A distribution channel is a path by which all goods and services must travel to arrive at the intended consumer. Conversely, it also describes the pathway payments make from the end consumer to the original vendor. Distribution channels can be short or long, and depend on the number of intermediaries required to deliver a product or service.

Goods and services sometimes make their way to consumers through multiple channels—a combination of short and long. Increasing the number of ways a consumer is able to find a good can increase sales. But it can also create a complex system that sometimes makes distribution management difficult. Longer distribution channels can also mean less profit each intermediary charges a manufacturer for its service.

DIRECT AND INDIRECT CHANNELS

Channels are broken into two different forms—direct and indirect. A direct channel allows the consumer to make purchases from the manufacturer while an indirect channel allows the consumer to buy the goods from a wholesaler or retailer. Indirect channels are typical for goods that are sold in traditional brick-and-mortar stores.

Generally, if there are more intermediaries involved in the distribution channel, the price for a good may increase. Conversely, a direct or short channel may mean lower costs for consumers because they are buying directly from the manufacturer.

TYPES OF DISTRIBUTION CHANNELS

While a distribution channel may seem endless at times, there are three main types of channels, all of which include the combination of a producer, wholesaler, retailer, and end consumer.

The first channel is the longest because it includes all four: producer, wholesaler, retailer, and consumer. The wine and adult beverage industry is a perfect example of this long distribution channel. In this industry—thanks to laws born out of prohibition—a winery cannot sell directly to a retailer. It operates in the three-tier system, meaning the law requires the winery to first sell its product to a wholesaler who then sells to a retailer. The retailer then sells the product to the end consumer.

The second channel cuts out the wholesaler—where the producer sells directly to a retailer who sells the product to the end consumer. This means the second channel contains only one intermediary. Dell, for example, is large enough to sell its products directly to reputable retailers such as Best Buy.

The third and final channel is a direct-to-consumer model where the producer sells its product directly to the end consumer. Amazon, which uses its own platform to sell Kindles to its customers, is an example of a direct model. This is the shortest distribution channel possible, cutting out both the wholesaler and the retailer

CHOOSING THE RIGHT DISTRIBUTION CHANNEL

Not all distribution channels work for all products, so it's important for companies to choose the right one. The channel should align with the firm's overall mission and strategic vision including its sales goals.

The method of distribution should add value to the consumer. Do consumers want to speak to a salesperson? Will they want to handle the product before they make a purchase? Or do they want to purchase it online with no hassles? Answering these questions can help companies determine which channel they choose.

Secondly, the company should consider how quickly it wants its product(s) to reach the buyer. Certain products are best served by a direct distribution channel such as meat or produce, while others may benefit from an indirect channel.

If a company chooses multiple distribution channels, such as selling products online and through a retailer, the channels should not conflict with one another. Companies should strategize so one channel doesn't overpower the other.

PROMOTION

In business, promotion is any communication that attempts to influence people to buy products or services. Businesses generally promote their brand, products, and services by identifying a target audience and finding ways to bring their message to that audience.

Here's a full definition of what promotion is, and examples of the different types of promotions that businesses can use.

What Is Promotion?

Promotion is a catch-all term that includes all the ways a business can attempt to enhance the visibility of its products, services, or brand. A poster ad at a bus stop is a form of promotion. So is a sale that discounts the price of a product or service for a set amount of time.

Promotions can refer to an effort (like an ad), a concept (like a temporary price reduction), or an item (like a branded t-shirt). In practice, promotions usually combine these forms of promotion. For example, a clothing store might plan a sale on jeans and take out an ad in a local newspaper to let people know when and where the sale will happen.

How Does Promotion Work?

Promotion is a vital aspect of any business. Without at least some level of promotion, a business can't get customers, and without them, it's only a matter of time before the business will have to close its doors.

While all businesses need some kind of promotion, they don't all need the same kinds or the same levels of promotion. No two businesses will have the exact same promotional needs, and tactics vary significantly between industries. A corner store might just need a sign that can be seen from the sidewalk that lets customers know the establishment exists. Other businesses may need to invest in direct selling efforts or buy ad time on a streaming service, for instance.

New businesses may have to go through a trial-and-error period of experimenting with different promotional styles before they find the one that's best suited for them. Even established businesses experiment with new promotional strategies in addition to continuing their tried-and-true promotions.

TYPES OF PROMOTION

Below are just a few examples of the countless ways you can promote your business; include a variety of them in your marketing plan.

Word of Mouth

This is considered by many to be the most effective way to promote a business and, best of all, it is free. According to Nielsen studies, 83% of consumers trust the recommendations of friends and family.[1] Businesses that consistently go the extra mile to provide superior customer service benefit the most from word of mouth—the more happy customers you have, the more likely one of them is to mention your service to a friend or family member. Actively asking for referrals is one way you can speed up the word of mouth process.

Website

A professionally-designed website can be an excellent promotion tool, allowing businesses to inexpensively post up-to-date information on products and services. Most businesses have at least a simple webpage with basic information (address, hours of operation, phone number, etc.), even if they hardly do any other form of internet-based promotion.

Social Media

Social media is a popular, inexpensive form of online business promotion. Facebook, Twitter, and YouTube can be effective in reaching customers. If you are skilled at creating videos, you can record video promotions of your products or services and post them on YouTube. Influencer marketing, which leverages celebrities and other well-known personalities to reach their audiences, is another increasingly popular form of social media promotion.

The Elevator Pitch

This quick promotional technique is used by business people to give a short two or three sentence description of what their business does and how their products or services might benefit potential customers. A business owner might prepare an elevator pitch before going to a networking event so they can be ready to effectively promote their business at a moment's notice.

Business Cards

Even in the digital age, this decades-old form of business promotion persists. In some countries, exchanging business cards remains a crucial aspect of networking and business etiquette.[2] Beyond business cards, all types of business documents can be used for promotional purposes, whether it's a branded letterhead or a customized email signature.

Vehicle Decorations (Wraps)

Wraps are ads that are printed on vehicles. Anyone who encounters that vehicle in traffic will also see the ad. Many wraps feature a professionally-designed business logo, a tag line, and contact information. Studies have suggested that a vehicle wrap generates 2.5 times the attention as a static billboard, and it can be viewed between 30,000 and 70,000 times a day.[3]

Flyers

Flyers are another relatively old but still highly effective promotional tool. A service company performing work at a residence in a neighborhood can easily drop flyers into neighboring mailboxes. Flyers can also be left on doorsteps, in public spaces, or in the window of a coffee shop.

Charity Events

Getting involved in charitable events—whether by hosting, sponsoring, or attending—is a great way to create a positive attitude about your business in the community. These charitable efforts have to be publicized in some way to qualify as a promotion. An anonymous donation may help the cause, but it won't help promote a business.

Owners can find a cause that connects with the business, or they can survey their employees and pick a cause that the entire organization can get behind. These efforts can be as big as bankrolling a large-scale event or as small as organizing a group of employees to spend an afternoon volunteering at a food bank.

PURPOSE OF PROMOTION

PURPOSE OF SALES PROMOTION:

Customers are more selective in; their buying choices and a good promotional programme is needed to reach them. The main purpose of sales promotion is to boost sales of a product by creating demand, that is, both consumer demand as well as trade demand. It improves the performance of middlemen and acts as a supplement to advertising and personal selling.

It helps in achieving the following purposes:

The basic purpose of promotion is to disseminate information to the potential customers.

2. Sellers use incentive-type promotions to attract new customers, to reward loyal customers and to increase the repurchase rates of occasional users.

3. To encourage the customers to try a new product. An interesting example: the Brooke Bond Tea of India used to distribute free tea to every household during 1930’s, in order to promote tea drinking habits among the people of Chennai.

4. Sales promotions yield faster responses in sales than advertising.

5. Sales promotion is considered as a special selling effort to accelerate sales.

6. Brand switchers are primarily looking for low price, good value and premiums. Sales promotions are likely to turn them into loyal brand users.

7. It helps to defeat competitors' promotional activities.

ADVERTISING

The word advertising comes form the latin word "advertere meaning" to turn the minds of towards". Some of the definitions given by various authors are: According to William J. Stanton, "Advertising consists of all the activities involved in presenting to an audience a non-personal, 2 sponsor-identified, paid-for message about a product or organization." According to American Marketing Association "advertising is any paid form of non-personal presentation and promotion of ideas, goods and services by an identified sponsor". Advertising is used for communicating business information to the present and prospective customers. It usually provides information about the advertising firm, its product qualities, place of availability of its products, etc. Advertisement is indispensable for both the sellers and the buyers. However, it is more important for the sellers. In the modern age of large scale production, producers cannot think of pushing sale of their products without advertising them. Advertisement supplements personal selling to a great extent. Advertising has acquired great importance in the modern world where tough competition in the market and fast changes in technology, we find fashion and taste in the customers.

DEFINITIONS OF ADVERTISING

1. American Marketing Association has defined advertising as "any paid form of non-personal presentation of ideas, goods and services by an indentified sponsor".

2. According to Webstar, "Advertising is to give public notice or to announce publicity".

3. According to Gardner, “Advertising is the means of mass selling that has grown up parallel with and has been made necessary to mass production”.

FEATURES OF ADVERTISING

1. Communication : Advertising is means of mass communication reaching the masses. It is a non-personal communication because it is addressed to masses.

2. Information : Advertising informs the buyers about the benefits they would get when they purchase a particular product. However, the information given should be complete and true.

3. Persuasion : The advertiser expects to create a favourable attitude which will lead to favourable actions. Any advertising process attempts at converting the prospects into customers. It is thus an indirect salesmanship and essentially a persuasion technique.

4. Profit Maximisation : True advertising does not attempt at maximising profits by increasing the cost but by promoting the sales. This way It won‟t lead to increase the price of the product. Thus, it has a higher sales approach rather than the higher-cost approach.

5. Non-Personal Presentation : Salesmanship is personal selling whereas advertising is non-personal in character. Advertising is not meant for anyone individual but for all. There is absence of personal appeal in advertising.

6. Identified Sponsor : A sponsor may be an individual or a firm who pays for the advertisement. The name of reputed company may increase sale or products. The product gets good market because of its identity with the reputed corporate body.

7. Consumer Choice : Advertising facilitates consumer choice. It enables consumers to purchase goods as per their budget requirement and choice. Right choice makes consumer happy and satisfied.

8. Art, Science and Profession : Advertising is an art because it represents a field of creativity. Advertising is a science because it has a body of organised knowledge. Advertising is profession is now treated as a profession with its professional bodies and code of conduct for members.

9. Element of Marking Mix : Advertising is an important element of promotion mix. Advertising has proved to be of great utility to sell goods and services. Large manufactures spend crores of rupees on advertising.

10. Element of Creativity : A good advertising campaign involves lot of creativity and imagination. When the message of the advertiser matches the expectations of consumers, such creativity makes way for successful campaign.

OBJECTIVES OF ADVERTISING

The fundamental purpose of advertising is to sell something - a product, a service or an idea. In addition to this general objective, advertising is also used by the modern business enterprises for certain specific objectives which are listed below :

1. To introduce a new product by creating interest for it among the prospective customers.

2. . To support personal selling programme. Advertising maybe used to open customers' doors for salesman.

3. . To reach people inaccessible to salesman.

4. . To enter a new market or attract a new group of customers.

5. . To light competition in the market and to increase the sales as seen in the fierce competition between Coke and Pepsi.

6. To enhance the goodwill of the enterprise by promising better quality products and services.

7. . To improve dealer relations. Advertising supports the dealers in selling he product. Dealers are attracted towards a product which is advertised effectively. 8. To warn the public against imitation of an enterprise's products.

IMPORTANCE OF ADVERTISING

Advertising has become an essential marketing activity in the modern era of large scale production and serve competition in the market. It performs the following functions:

1. Promotion of Sales : It promotes the sale of goods and services by informing and persuading the people to buy them. A good advertising campaign helps in winning new customers both in the national as wet as in the international markets.

2. . Introduction of New Product : It helps the introduction of new products in the market. A business enterprise can introduce itself and its product to the public through advertising. A new enterprise can't make an impact on the prospective customers without the help of advertising. Advertising enables quick publicity in the market.

3. Creation of Good Public Image : It builds up the reputation of the advertiser. Advertising enables a business firm to communicate its achievements in an effort to satisfy the customers' needs. This increases the goodwill and reputation of the firm which is necessary to fight against competition in the market.

4. Mass Production : Advertising facilitates large-scale production. Advertising encourages production of goods in large-scale because the business firm knows that it will be able to sell on large-scale with the help of advertising. Mass production reduces the cost of production per unit by the economical use of various factors of production.

5. Research : Advertising stimulates research and development activities. Advertising has become a competitive marketing activity. Every firm tries to differentiate its product from the substitutes available in the market through advertising. This compels every 5 business firm to do more and more research to find new products and their new uses. If a firm does not engage in research and development activities, it will be out of the market in the near future.

6. Education of People : Advertising educate the people about new products and their uses. Advertising message about the utility of a product enables the people to widen their knowledge. It is advertising which has helped people in adopting new ways of life and giving-up old habits. It has contributed a lot towards the betterment of the standard of living of the society.

7. Support to Press : Advertising provides an important source of revenue to the publishers and magazines. It enables to increase the circulation of their publication by selling them at lower rates. People are also benefited because they get publications at cheaper rates. Advertising is also a source of revenue for TV network. For instance, Doordarshan and ZeeTV insert ads before, in between and after various programmes and earn millions of rupees through ads. Such income could be used for increasing the quality of programmes and extending coverage.

QUESTIONS

1. What are the four P's of marketing and examples?
2. Define Product. Elaborate the concept of market Mix.
3. What are 3 factors considered when determining prices?
4. What is promotion and discuss the different types of promotion?
5. List out the importance of Advertising.

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SCHOOL OF SCIENCE AND HUMANITIES
DEPARTMENT OF PSYCHOLOGY

UNIT – V -CONSUMER BEHAVIOUR AND ANALYTICS –SPSY1603

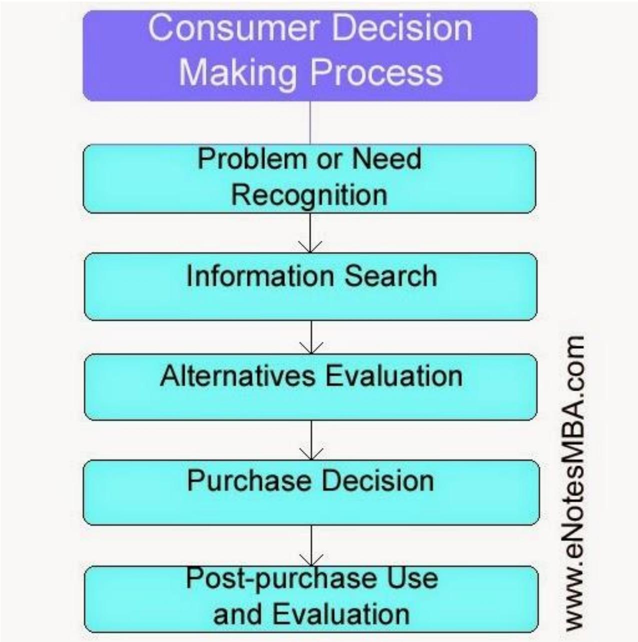
CONSUMER DECISION MAKING PROCESS

INTRODUCTION

Decision is made to solve a problem of any kind. Suppose the problem is to create a cool atmosphere in your living room. For this, what you will do? You will carry out information search, to find ways to cool the atmosphere of your living room, for example, by an air-conditioner, or by a water cooler, or by a wall fan. For this, you will evaluate all the known alternatives and made cost benefit analysis to decide which product and brand will be suitable. Finally, you will purchase that product.Consumer behaviour has two aspects – **the final purchase activity** which is visible to us and **the decision making process** interplay of various variables which are not visible to us.

In this post we are explaining Consumer decision Making Process.

CONSUMER DECISION MAKING PROCESS



Consumer decision making process consists of a series of steps which a consumer undergoes. Consumer decision making process generally involves five steps – Problem recognition, information search, evaluation of alternatives, purchase, and post purchase evaluation.

1. Problem or Need Recognition

Consumer decision making process begins with an unsatisfied need or problem. Everyday we face multiple problems which individuals resolve by consuming products or services. Consumer problem can be routine or unplanned. For example – run out of milk or cooking oil, car indicating low level of fuel, are some of the routine problems that individuals face. Such problems are quickly recognised, defined, and resolved. Recognition of unplanned problem may take much longer time as it may evolve slowly over time. For example - need of a new refrigerator as existing one is not working properly.

An individual recognise problem through information processing arising as a result of internal and external stimuli. After problem recognition the action to solve the problem depends on the magnitude of discrepancy between the current state and desired state and the importance of the problem for the concerned consumer. If the problem is highly important for an individual and there is high discrepancy between current state and desired state of the individual, he will start the purchase process.

2. Information Search

Information search is done to know about product or service, price, place and so on. In the process of decision making, the consumer engages in both internal and external information search. Internal information search involves the buyer identifying alternatives from his memory. Internal information search is sufficient for low involvement products or services. For high involvement product or service, buyers are more likely to do external information search. The amount of efforts a buyer put in information search depends on various factors like market, competition, difference in brands, product characteristics, product importance, and so on.

3. Alternatives Evaluation

At this step the buyer identifies and evaluates different alternatives to choose from. It is not possible to examine all the available alternatives. So, buyer develops evaluative criteria to narrow down the choices. Evaluative criteria are certain characteristics that are important to buyer such as price of the product, size, colour, features, durability, etc. Some of these characteristics are more important than others. To narrow down the choices the buyer considers only the most important characteristics.

4. Purchase Decision

The earlier mentioned evaluation step helps the consumer in arriving at a purchase intention. In the decision evaluation stage, the consumer forms preferences among the brands in the choice set. The consumer may also form a purchase intention and lean towards buying the most preferred brand. However factors can intervene between the purchase intention and the purchase decision. A buyer who decides to execute a purchase intention will be making up to five purchase decisions brand decision, vendor decision, quantity decision, timing decision and payment-method decision.

5. Post-purchase Use and Evaluation

Once the buyer makes a decision to purchase a product or service there can be several types of additional behaviour associated with that decision such as decisions on product uses and decision on services related to the product purchased. The level of satisfaction experienced by the buyer after his purchase will depend on the relationship between his expectations about the product and performance of the product. If the buyer is satisfied then he will exhibit a higher probability of repeat purchase of the product or service. The satisfied buyer will also tend to say good words about the product or service. Whereas a highly dissatisfied buyer will not buy the product or service again and spread negative words about service and company.

Consumers are seen as rational decision-makers. So, they take a decision when the need arises. There may be different kind of needs; these needs can be functional or psychological.

Functional needs are directly related to the functionality of a product and these functions are the features and benefits which differentiate one product from the other.

Consumer decision is an equally important area. It is also a difficult activity because a decision always means a surrender, giving up of something, either money or personal opportunity as a result of choice of one course of action. It also involves cost, thus making the process even more complex.

Consumers make many buying decisions everyday. Most large firm's research consumer buying decisions in great detail to answer questions about what consumer's buy, where they buy, how much they buy it for, when they buy and why they buy. Marketers can study consumer purchases to find answers to questions about what, where and how much.

There are different stages consumer pass through to reach a buying decision making. Consumer decision making process represents a problem-solving approach and involves the following five stages – need recognition, information search, evaluation of alternatives, purchase decision and post-purchase behaviour.

The consumer decision making process consists of the following stages:-

1. Identification of the Need for the Product or Service 2. Problem Recognition 3. Information Search 4. The Evoked Set 5. Evaluation of Alternatives 6. Beliefs and Attitudes 7. Purchase Decision 8. Post-Purchase Behaviour Evaluation.

Different Stages Involved in Consumer Decision Making Process

We create history by the choices we make. Consumer decision is an equally important area. It is also a difficult activity because a decision always means a surrender, giving up of something, either money or personal opportunity as a result of choice of one course of action. It also involves cost, thus making the process even more complex.

1. Need Recognition:

The first stage of the consumer decision making process where the consumer recognises a problem or need. The buyer senses a difference between his actual state and some desired state.

The need can be triggered by internal stimuli i.e. hunger, thirst etc. or it can be triggered by external stimuli.

2. Information Search:

The stage of the consumer decision making process where the consumer is aroused to search for more information. The consumer may simply have heightened attention or may go into active information search.

The amount of information search depends on the strength of the drive, the amount of information started with, the ease of obtaining more information, the value placed on additional information and the satisfaction obtained from such search.

Information can be obtained by:

a. Personal sources – Family, friends, neighbours etc.

b. Commercial sources – Advertisements, sales persons, dealers, displays etc.

c. Published sources – Mass media, consumer rating organisations etc.

d. Experiential sources – Handling, examining, using the product etc.

3. Evaluation of Alternatives:

The stage of the consumer decision making where the consumer uses information to evaluate alternative brands in the choice set.

Concepts that help examine consumer evaluation processes:

a. Product attributes – Consumer sees each product as a bundle of product attributes. Every consumer will have different rating for different attributes and will attach different degree of importance to them.

Brand beliefs – The set of beliefs consumers hold about a particular brand based on the attributes.

c. Total product satisfaction – Consumer's expectation of total product satisfaction will vary with levels of different attributes.

d. Evaluation procedure – The consumer arrives at attitudes towards the different brands through some evaluation procedure.

4. Purchase Decision:

The stage of consumer decision making process in which the consumer actually buys the product. Generally the consumer's purchase decision will be to buy the most preferred brand but two factors can come between the purchase intention and the purchase decision

First factor is the attitude of others towards that particular product and purchase decision.

Second factor is the unexpected situational factors

5. Post Purchase Behaviour:

The stage of the consumer decision making process in which consumers take further action after purchase, based on their satisfaction or dissatisfaction.

Satisfaction depends on the consumer's expectation and the product's perceived performance.

Almost all major purchases result in cognitive dissonance or discomfort caused by post purchase conflict.

MODELS OF CONSUMER

1. An Economical View or Model:

Traditionally, economics has been considered to be the mother discipline of marketing. Economists believe that consumers derive some utility (a feeling of satisfaction) from consuming a particular product and so their consumption activity will be directed towards pursuing maximisation of utility.

That's why if given a certain amount of purchasing power, and a set of needs and tastes, a consumer will allocate his expenditure over different products at given prices rationally so as to maximise utility. Economists also postulate that the utility from the consumption of a certain product diminishes as the quantity of the product consumed increases (based on the Principle of Diminishing Marginal Utility).

According to this model it is also possible to make a number of predictions about the behaviour of buyers in terms of the price effect, income effect and substitution effect. While these predictions are useful, questions are being raised on the assumption of rationality in the behaviour of buyers.

The criticism by consumer researchers is based on a number of reasons. They argue that in reality, the consumer may not be- (a) aware of the various product alternatives or (b) in a position to evaluate all the advantages and disadvantages related to the various product alternatives so as to rank them accordingly. Thus in the absence of all the possible sufficient, and accurate information, it will not be possible for the consumer to make the so called rational or perfect decision.

It has been criticised that the economic view is too idealistic and simplistic. It is being argued that consumers in reality behave very differently and do not maximise their decisions in terms of economic considerations such as price-quantity relationships, marginal utility or indifference curves. Very often the consumer will settle down for a 'satisfactory' decision and not necessarily the best one though it will be a 'good enough' decision.

2. The Passive View or Model:

Unlike the rational economic view of man, the passive view portrays the consumer as someone who is basically carried away by the promotional and self-oriented efforts of the marketer. As per the passive view, consumers are perceived to be impulsive who take irrational purchase decisions and are influenced by the promotional offers of the marketers.

The passive model is criticized as it fails to take a pragmatic view of the consumers. It is argued that in a buying situation, the consumer will be involved in a decision making process wherein he seeks information on the product, evaluates all the alternative brands and then makes a selection based on the brand which provides him maximum satisfaction. At times the consumer's purchase decision is also based on emotions or moods. So it is wrong to assume that the consumer will be passive while taking purchase decisions.

3. A Cognitive View or Model:

As a consumer, man is usually involved in thinking and problem solving. He is constantly involved in an active search for goods and services which will not only satisfy his needs but enrich his life also. As per the cognitive view consumers are involved in an information seeking and processing method.

They try to gather all the necessary information from various sources, such as a trusted friend, or an expert and so on. Once he feels that he has sufficient information, so as to make a 'satisfactory choice decision', he will cease to gather more information and will ultimately decide on his purchase intention.

This model of man as a thinker, views consumer as an information processor. And all the focus is on the processes by which consumers seek and evaluate information about the concerned brands and the respective retail outlets.

The advertisement on Panasonic can work as a cognitive appeal to customers seeking information for purchasing high end television. The ad provides information on the technology benefits in terms of V-Real Technology, Advanced Smart Sound Speaker System and HDAVI control offered by the Panasonic brand of TV Series.

Thus according to the cognitive model of consumer, the above mentioned ad will make the consumer think on the benefits of Panasonic. The consumer will finally take the purchase decision based on his satisfaction of the information received.

In other words the problem solving view or model of consumer talks of a person who in the absence of the total information or knowledge of all the available product alternatives, would actively seek ‘satisfactory information and thereby attempt to make satisfactory decisions accordingly.

4. An Impulsive or Emotional View of Consumer:

Another aspect of consumer decision making is that they can be emotional or impulsive while taking purchase decisions. Very often, we, as consumers are involved in purchases made on impulse or on a whim.

For such emotional buying, the consumer may not undergo the usual process of carefully searching, evaluating and then deciding on the brand or outlet to purchase from Rather he is more likely to purchase the product (brand) based on a whim or an impulse. Such consumer decisions are said to be ’emotionally driven’.

For emotional or impulse purchases, in the absence of a search for pre-purchase information, it is the mood and feelings of the consumer which will decide on the emotional purchase decision. Emotional decisions could be rational to some extent also. That is, the consumer may take an emotional decision to purchase a product but he will be rational while deciding or choosing one brand over another.

This type of behaviour is displayed while making purchases of apparel, gifts, selecting holiday destinations or toys (for children). In all the above situations, the final decision may be made on the basis of emotion.

Advertisers are projecting, their products or services in a way to appeal to the emotions of the particular target market. Such emotional appeals can be seen in the advertisements of Johnson and Johnson baby products, Huggies diaper, Wipro Baby Soft, Fisher Price toys and so on.

Related to consumers emotions and feeling is the ‘mood’ of the person. Mood may be defined as a feeling state or state of the mind. The basic difference between an emotion and a mood is that the former is a response to a particular environment, while mood is an unfocused, pre-existing state-already present, when the consumer gets motivated or experiences a positive feeling about an advertisement, or the retail outlet or brand or a product.

Moods play an important role in consumer decision making. Very often it is the mood of the consumer which influences his decisions related to when to shop, where to shop, in whose company to shop etc. It has been observed that even within the shopping environment, the interior decor, the attitude of the sales persons, the type of services provided etc. could affect the shoppers mood and influence the consumer’s decision on how long to shop and on how often to go to that shop.

Realising this now retailers and dealers are creating a positive store image. This is likely to have a positive impact and influence on the consumer’s mood and decision to purchase.

Opinion leaders are individuals or organizations that are experts within an industry or otherwise have views that are both widely known and trusted. As a result, they can influence public opinion—including the opinions of your customers.

Here's what you need to know about opinion leaders, and how they can help your business.

What Are Opinion Leaders?

Opinion leaders are the people who were once called "industry insiders" or "decision-makers." They have established authority in a given area, market, or industry. Some may make a career out of influencing their audience on everything from industry trends to current events and consumer behavior. Others may simply be active and trusted in a given community, whether that community corresponds to a physical area, industry, or online community.

- **Alternate names**: Thought leaders, influencers

How Do Opinion Leaders Work?

There are many different types of opinion leaders, and they all can play a unique role in the promotion of your business. The type of influence imposed by these thought leaders can be subtle, like a product placement that's integrated into their routines. It can also be obvious—opinion leaders can simply urge their followers to consider an idea, product, or business.

In every industry or community, there are people with stature and credibility. Sometimes, that status is earned through achievements such as prestigious awards or financial success. Other times, that influence is created over years of industry experience or through a robust network of trusted personal connections.

Determining which opinion leaders to collaborate with depends on the target audience that you are trying to reach. Though many businesses pursue industry experts and influencers with a large social media following, those opinion leaders won't be the best fit for every brand.

Barbers and bartenders, for example, often know more about what's happening in a community than any YouTubers who happen to live in the area. They may have a more grassroots influence, especially when it comes to longtime customers.

While barbers and bartenders are great resources for engaging with a local community, that may not be the most appropriate form of outreach for every business. Start by considering whether you will find your ideal customers internationally, domestically, online, or out and about in your local community. Once you have an idea of who you hope to reach, then you can look for opinion leaders who are best able to reach that audience.

Social media has expanded the definition of what an opinion leader is by facilitating the rise of internet influencers. This set of opinion leaders may or may not have professional experience in a given industry. Instead of industry expertise, these opinion leaders build a following by developing a branded online persona that takes advantage of social networks and social media trends.

A verified Twitter user with a large following is likely to be considered an opinion leader. Likewise, a YouTuber with consistently high view rates for their videos will likely have an audience they can exert influence on. These influencers often have a connection with their audiences that feels personal to followers. This creates a high level of trust that is hard to achieve through traditional advertising channels.

If your target audience is known to follow a particular opinion leader on social media, a collaboration or sponsored promotion with that person may be a quick way to build trust and increase sales.

The AdoptionProcess.

It is interesting how consumers learn about products for the first time and decide whether to adopt them.

The adoption process for a new product is the mental process through which an individual passes from first learning about an innovation to final adoption" and adoption as the decision by an individual to become a regular user of the product. A new product is a good, service, or idea perceived by some potential customers as new.

CONCEPT OF CONSUMER ADOPTION PROCESS

Though most buyers of a product have some common needs, they are not alike in all respects.

Purchasers in the initial stages of a product's life are considerably different from those who make their purchases later. Some of their demographic characteristics may vary, their buying behavior may be distinct, and their purchasing motives may differ.

To describe the various types of buyers who purchase a product over the course of its life cycle, the marketing experts proposed an adoption process.

To build an effective strategy for market penetration, management must understand the consumer adoption process. Kotler defines adoption as an individual's decision to become a regular user of a product.

There was a time when marketers would offer their products to the mass market. Under this concept, people everywhere were thought to buy a company's product, and consequently, companies were inviting everybody to buy their products by making them available in wider areas.

It would cost companies to spend heavily on promotion and distribution, most of which were wasted.

It led to the development of a concept called 'heavy user **target marketing**.'

Under this concept, companies would target heavy users initially with their offers. This also suffered some limitations as the heavy users vary in their tastes, preferences, adopter status, and brand loyalty levels.

From this experience, companies now prefer approaching the early adopters with their offers. To understand the consumer adoption process, you should understand, in the beginning, two other concepts – innovation and innovation diffusion process.

If you have clear ideas on these two, you will identify early adopters by utilizing your knowledge.

"Innovation refers to any good, service, or idea that is perceived by someone as new." This suggests that even an old product can be considered by someone as an innovation, provided he perceives it as new.

The reason may be that he was not exposed to the product until now. On the contrary, the innovation diffusion process is the spread of a new idea from its source of invention or creation to its final adopters or buyers/users.

We are now in a position to define the consumer adoption process. "The consumer adoption process focuses on the mental process through which an individual passes from first hearing about an innovation to final adoption."

This suggests that an adopter of an innovation passes through five stages. In the following section, we shall turn our attention to the stages of the adoption process.

Stages of Consumer Adoption Process

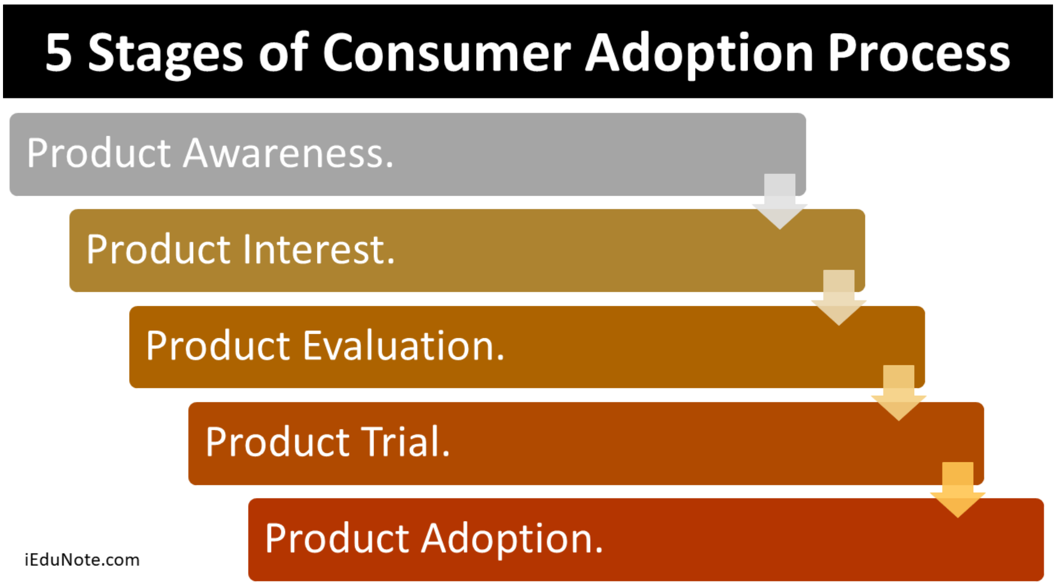


Fig .1

Consumers go through 5 stages in the process of adopting a new product.

1. Product Awareness.
2. Product Interest.
3. Product Evaluation.
4. Product Trial.
5. Product Adoption.

These stages imply that the new-product marketer should consider how to help consumers move through these stages. A manufacturer of large-screen televisions may discover that many consumers in the interest stage do not move to the trial stage because of uncertainty and the large investment.

If these same consumers would be willing to use a large-screen television on a trial basis for a small fee, the manufacturer should consider offering a trial-use plan with the option to buy.

For adopting a new product, at first, the consumer becomes aware of the new product but does not have information about it. The consumer shows interest and searches for information about the new product. In the third stage, the consumer evaluates whether trying the new product is worthwhile. After that, the consumer tries the new product on a limited scale to improve its value assessment. At the last stage, the consumer decides to make full and regular use of the new product.

1. Product Awareness

The consumer becomes aware of the new product but lacks information about it. Initially, the consumer must become aware of the new product. Awareness leads to interest, and the customer seeks information about the new product. Whether an innovation is continuous or not, people are either little aware or aware of it initially.

Innovator, therefore, has to inform the adopters about the innovation. In the awareness stage, individuals become aware that the product exists, but they have little information about it and are not concerned about getting more.Adopters may be informed through advertising, publicity, or any other effort of the marketer.

2. Product Interest

The consumer seeks information about the new product. Once the information has been gathered, the consumer enters the evaluation stage and considers buying the new product. By this time, the innovation is introduced. It is now the time for the decision-makers to determine whether the innovation relates to their needs.

They enter the interest stage when they are motivated to get information about its features, uses, advantages, disadvantages, price, or location. Interest may or may not sparked, depending on whether the decision-makers perceive the innovation as a relevant, feasible alternative to existing items.

3. Product Evaluation

Next, in the trial stage, the consumer tries the product on a small scale to improve its value estimate. The consumer considers whether trying the new product makes sense.Adopters of the innovations have to establish some evaluation measures to compare the new product with existing ones.

During the evaluation stage, individuals consider whether the product will satisfy certain critical criteria for meeting their specific needs. The potential adopters consider the innovation’s benefits and determine whether to try it.

4. Product Trial

The consumer tries the new product on a small scale to improve their estimate of its value. If the consumer is satisfied with the product, they enter the adoption stage, deciding to use the new product thoroughly and regularly.At this stage, the potential adopters examine, test, or try the innovative product to determine its usefulness.In this stage, they use or experience the product for the first time, possibly by purchasing a small quantity, taking advantage of a free sample or demonstration, or borrowing the product from someone.

During this stage, potential adopters determine the product's usefulness under the specific conditions they need. The trial stage for innovations is complex. Successful introduction depends greatly on the new product's characteristics, benefits, and perceived risks. Effective communication is the key to achieving trial by consumers.

5. Product Adoption

The consumer decides to make full and regular use of the new product. The new product is a good, service, or idea perceived by some potential customers as new. Individuals move into the adoption stage when choosing that specific product when they need a product of that general type. Here the buyers purchase the new product and can be expected to use it to solve problems.So, this final stage of the process is indicated most directly by sales, but the innovation's visibility is also a success measure. However, please do not assume that they will eventually adopt the new product because a person enters the adoption process. Rejection may occur after any stage, including the adoption stage.

FACTORS AFFECTING THE ADOPTION PROCESS

The three important factors affecting the adoption process are people's readiness to try new products, personal influence, and innovation characteristics. We shall now take up a brief discussion on how they influence the product adoption process:

People's Readiness

People differ in their readiness to accept new products, services, opinions, and ideas. Some people always prefer adopting new market offers. Those who are venturesome and enjoy taking risks, younger in age, have higher social status, and have favorable financial positions will be the innovators.

Those who are guided by respect treated as opinion leaders and consider themselves as cautious adopt early. The deliberate persons are usually the early majority. Those who are skeptical and follow the majority adopt once a large number of people try the product. Those who are tradition-bound, having insular attitudes, and are suspicious, usually accept a product when the masses use it.To understand adopter categories and locate the innovators and early adopters, a marketer should undertake an extensive study based on potential customers' demographic, psychographic, and media characteristics.

Personal Influence

Since we are social and human beings, we are always subject to interpersonal influence in our decisions. The degree of personal influence varies according to the buying situation and individual in question.There are some buying situations where we are influenced more by others. Again, personality type determines the susceptibility of interpersonal influence.

The submissive type of person is more influenced by others than do the aggressive type of persons. In complex buying situation, particularly while buying expensive items, personal influence works more than in simple buying situation and in buying small items.

THE IMPLICATION OF THE ADOPTION PROCESS

The adoption process described above has several implications for marketers.

First, promotion should be used to create widespread awareness of the new product and its benefits. Samples or simulated trials should be arranged to help buyers make initial purchase decisions.At the same time, marketers should emphasize quality control and provide solid guarantees to reinforce buyer opinion during the evaluation stage.inally, production and physical distribution must be linked to patterns of adoption and repeat purchases.

QUESTIONS

1. What are the five stages of the consumer adoption process?
2. What are the steps in the adoption process?
3. What are the models of consumer decision making?
4. What are the 5 stages of the consumer decision making process?
5. What are the six stages of the product adoption process?
6. Explain the 7 steps in decision making process?
7. Explain consumer decision making process. Also explain involvement levels of consumer decision

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