



MARKETING MANAGEMENT

Unit 2 – Consumer Behaviour & Market Segmentation

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Contents

- Consumer Behavior
- Determinants of Consumer Behavior
- Various Buying Roles in Family
- Consumer Decision Making Process
- Nature and Importance of Segmentation
- Bases of Segmenting Consumer Markets
- Targeting
- Positioning



Consumer Behaviour

- Consumer Behavior is the study of when, why, how and where people do or do not buy a product. It basically depends on the psychology of the consumer. It attempts to understand the buyer decision making process both individually & in groups. It studies the individual consumers such as demographics & behavioural aspects to understand the people's wants.
- In the study of Consumer Behaviour main focus is the **customer satisfaction** because customer is the only person with whose presence businesses actually exists

Characteristics of consumer behaviour



- It is a process where consumer decide what to buy, when to buy, how to buy, where to buy & how much to buy.
- It comprises of both mental and physical activities of consumer.
- Consumer behaviour is very complex and dynamic which keeps on changing constantly.
- Individual buying behaviour is affected by various internal factors like his needs, wants, attitudes & motives and also by external factors like social groups, culture , status, environmental factors etc.
- Consumer behaviour starts before buying and even after buying.

Importance/Need of study of consumer behaviour



- ❑ To make better strategies for increasing profits.
- ❑ To take into consideration customer's health, hygiene & fitness.
- ❑ To know the buying decisions and how consumer make consumption.
- ❑ Consistent change in Consumer's tastes or preferences.
- ❑ Consumer behavior study is necessary to make pricing policies.
- ❑ To avoid future market failures.



Consumer Behavior

- Consumer behavior is a study of how individuals make decision to spend their available resources (time, money and effort) on consumption related items.
- It is the study of individuals, or organizations and the processes consumers use to search, select, use and dispose of products, services, experience, or ideas to satisfy needs and its impact on the consumer and society
- Consumer behavior involves 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. The activities directly involved in obtaining, consuming and disposing of products and services, including the decision processes that precede and follow these actions.

Consumer Behavior



- The American Marketing Association (AMA) defines consumer behavior as “The dynamic interaction of cognition, behavior and environmental events by which human beings conduct the exchange aspect of their lives.
- Consumer behavior is “The study of individuals, groups, or organizations and the processes they use to select, secure, use and dispose of products, services, experiences, or ideas to satisfy needs and the impacts that these processes have on the consumer and society.” Behavior occurs either for the individual, or in the context of a group (e.g., friends influence what kinds of clothes a person wears) or an organization (people on the job make decisions as to which services the firm should use).

Consumer Involvement



- Marketers develop products and services, segment market and communicate to consumers accordingly.
- There are various types of buying decision processes.
- As the consumer moves from a very low level of involvement with the purchase to a high level of involvement, decision making becomes increasingly complex.
- Buyer behavior is based on the degree of buyer involvement for a particular product or service
- Buyer decision making varies with the type of buying decision.
- The buyer behavior can be divided in four categories based on the degree of buyers involvement.



Factors Influencing Consumer Behaviour

Factors Affecting Consumer Behavior

Social

Cultural

Personal

Psychological

Marketing

Factors Influencing Consumer Behaviour



Social Factors

- **Reference Groups:** Small group of people such as colleagues at work place, friends etc. influence values and choices of other members, expose them to new lifestyles and create pressure to choose certain products. E.g. Mobiles
- **Family:** Family members influence buying decision. Parents influence decision of children. However, nowadays, children are well informed about products and services through social media and therefore, they influence the buying decision of parents.
- **Roles and Status:** A person performs certain roles in a particular group in the organization. E.g. Person may perform the role of senior executive in a firm and therefore, enjoys higher status. People may purchase the products that conform to their status, especially in the case of branded clothes, cars, shoes etc.



Factors Influencing Consumer Behaviour

Cultural Factors

- **Religion:** may influences consumer behavior to a certain extent. E.g. consumption of alcohol, tobacco or meat products is restricted in certain religions
- **Sub-culture:** Each culture consists of sub-cultures that provide specific identity to its members. Sub-culture includes nationalities, racial groups, language etc.
- **Social Class:** Human societies exhibit social stratification, that may sometimes take the form of a caste system where the members share similar values, interest and behaviour.

Factors Influencing Consumer Behaviour



Personal Factors

- **Age Factor:** The age factor influence buying behavior. E.g. teenagers may prefer trendy watches, whereas, office executives may prefer formal ones
- **Gender:** The consumer behavior varies across gender. E.g. girls may prefer certain feminine colours such as pink, boys may prefer blue, brown
- **Education:** Highly educated persons may spend on books and personal care products than the people with low education.
- **Income Level:** Normally, higher the income level, higher is the level of spending and vice-versa.
- **Status in Society:** Persons enjoying higher status in society spend good amount on luxury items such as luxury cars, luxury watches, premium brands of clothing etc.

Factors Influencing Consumer Behaviour



Psychological Factors

- **Learning:** takes place through information and experience. E.g. when customer buys a new brand of shampoo and is satisfied with it, he is likely to be brand loyal.
- **Attitude:** Tendency to respond in a given manner to a particular situation or object or idea. Consumers may develop a positive, or negative or neutral attitude towards certain products or brands.
- **Motive:** the inner drive that motivates a person to act or behave in a certain manner. Marketer must identify the buying motives of the target customers and influence them to respond positively.
- **Perception:** It is the impression, which one forms about a certain situation or object. E.g. a student may perceive Sports Day as an important event and therefore, he/she would make every possible effort including purchase of new shoes, jersey etc. whereas, another student may be casual about it and therefore, would not make any such extra efforts.

Factors Influencing Consumer Behaviour



Marketing Factors

Marketing-mix variables greatly influence the consumer buying behavior.

- **Product:** The features of the product, its uniqueness, packaging etc. should appeal to the customers
- **Pricing:** Pricing is a very sensitive decision. Premium pricing strategy may appeal to upper income customers. groups and discount pricing may appeal to price sensitive
- **Promotion:** Promotion greatly influences buyer choice. The elements of promotion mix include publicity, advertising, sales promotion, salesmanship etc.
- **Place:** The number of middlemen involved, type of channels, area coverage etc.

Buying Roles



For making strategic decisions, marketers have to identify the buyers who make the final buying decisions.

- 1. Influencer:** Several people may be involved in a particular purchase decision, but all of them may not be consumers. A person who has influence, whose views or advice is given weightage while taking the final decision.
- 2. Gatekeepers:** Family members who control the flow of information about a product or service into the family.
- 3. Initiator:** The person who is the first to suggest or think of the idea of purchasing a product or service.
- 4. Decider:** The person who finally takes the decisions of whether to buy, what to buy, how to buy and from where to buy.



Buying Roles

- 5. Buyer:** The person who actually buys the product/service after making payments.
- 6. User:** The person who actually uses or consumes the product or service

Consumer Decision Making Process



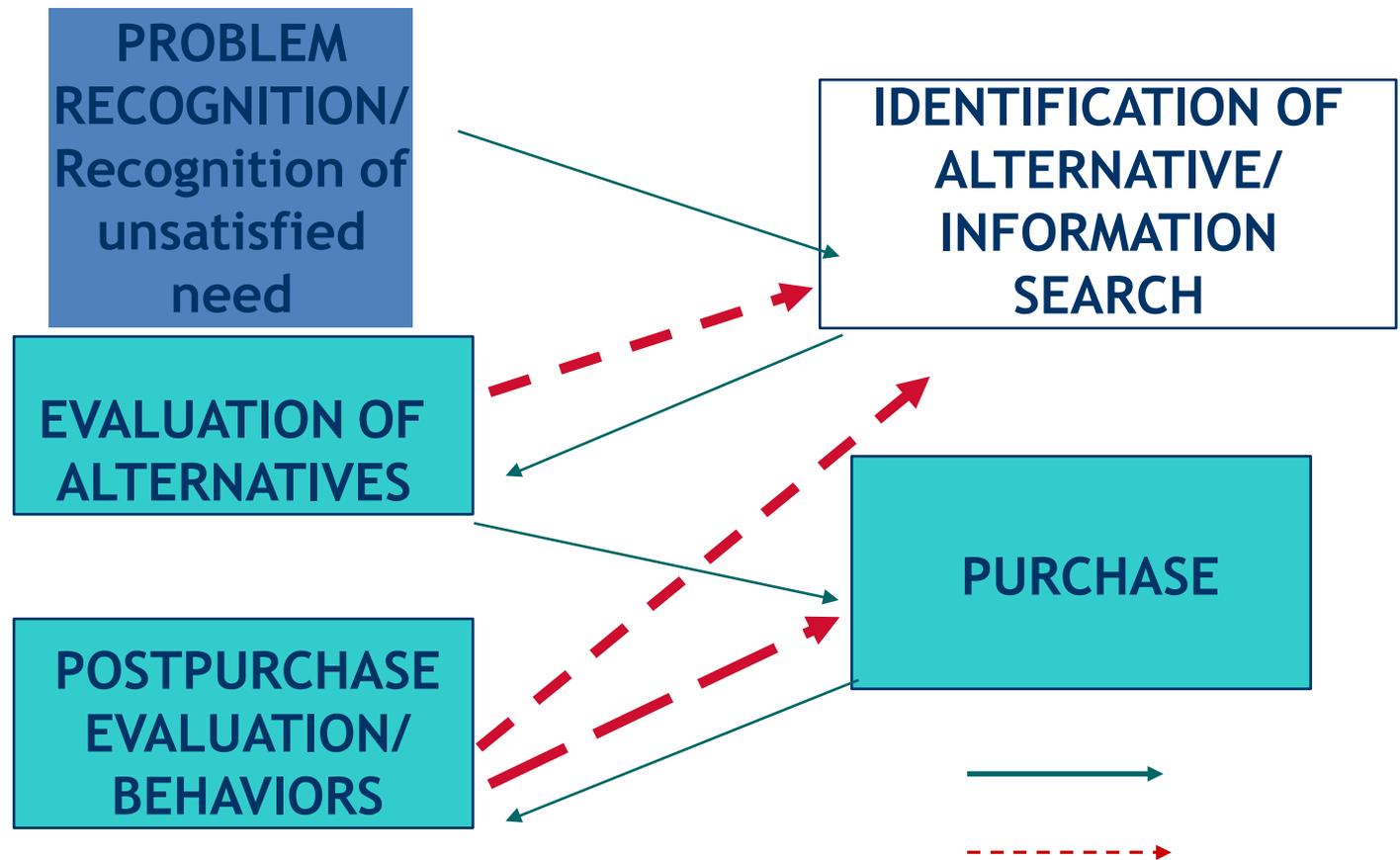
- The consumer decision making process involves series of related and sequential stages of activities.
- The process begins with the recognition of an unsatisfied need or want, that becomes a drive.
- Consumer begin search for information, that gives rise to various alternatives
- Finally the purchase decision is made
- Then the buyer evaluates the post purchase behavior to know the level of satisfaction.

Consumer Decision Making Process



CONSUMER DECISIONS:

Theory and Reality in Consumer Buying





Factors influencing consumer behaviour

□ Psychological factors

1. Consumer needs & motivation (Maslow's need hierarchy theory)
2. Perception
3. Learning
4. Beliefs & attitudes

□ Cultural factors

1. Culture
2. Sub culture
3. Social class

□ Social Factors

1. Reference group
2. Role and status
3. Family

□ Personal factors

1. Age
2. Stages in life cycle
3. Occupation in economic status
4. Life style
5. Personality

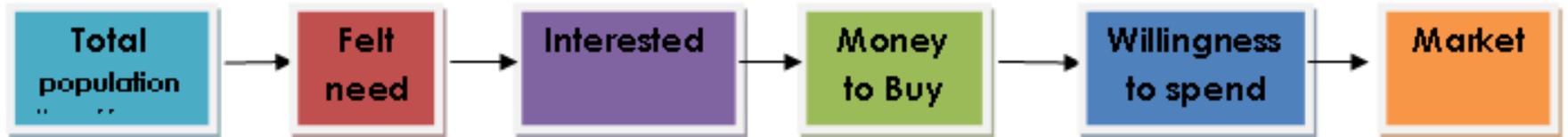


MARKET SEGMENTTION

Functions of Marketing: Market Segmentation and Targeting – Positioning functional strategies – Identification of Market segments - marketing strategies

WHAT IS MARKET?

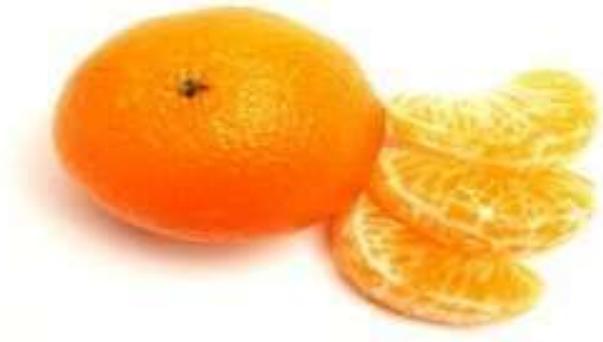
A market is a place which allows the purchaser and the seller to invent and gather information's and lets them carry out exchange of various products and services. In other words the Meaning of Market refers to a place where the trading of goods takes place



What is market segmentation?



- ✿ **Markets are Heterogeneous; Segmentation divides them into Homogeneous Sub-Units**
- ✿ **The market for a product is nothing but the aggregate of the consumer of that product**
- ✿ **Markets break up the heterogeneous market for product into several sub units, or sub markets, each relatively more homogeneous within itself, compared to market into a number of sub markets/ distinct sub units of buyer , each with relatively more homogeneous characteristics, is known as market segmentation.**



What is market segmentation?



What is market segmentation?



It is the Consumer who are Segmented, Not Product, nor Price

It would be useful to provide one important clarification right at the beginning.

Markets, sometime, speaks of product segments and price segments and use these expressions as synonymous with market segments.

This can leads to a wrong understanding of what market segments, or for that matter, the process of market segmentation as a whole, actually connote

We have to be clear that in market segmentation, it is the consumers who are segmented, not the product, nor price. Market is about people who consume the product, not about the product that's gets consumed

Example of market segmentation?



Titan Watches

Arrives in three broad Segments

- The Rich
- The Middle
- The Lower

For the Gold lovers:



For Children Segment



For the youth /the outdoor lovers:



For Designer Segment



Why segment the market?



Facilitates Right Choice of Target

Market Facilitates Effective Tapping of
the Chosen Market

Makes the Marketing Effort More Efficient and
Economic

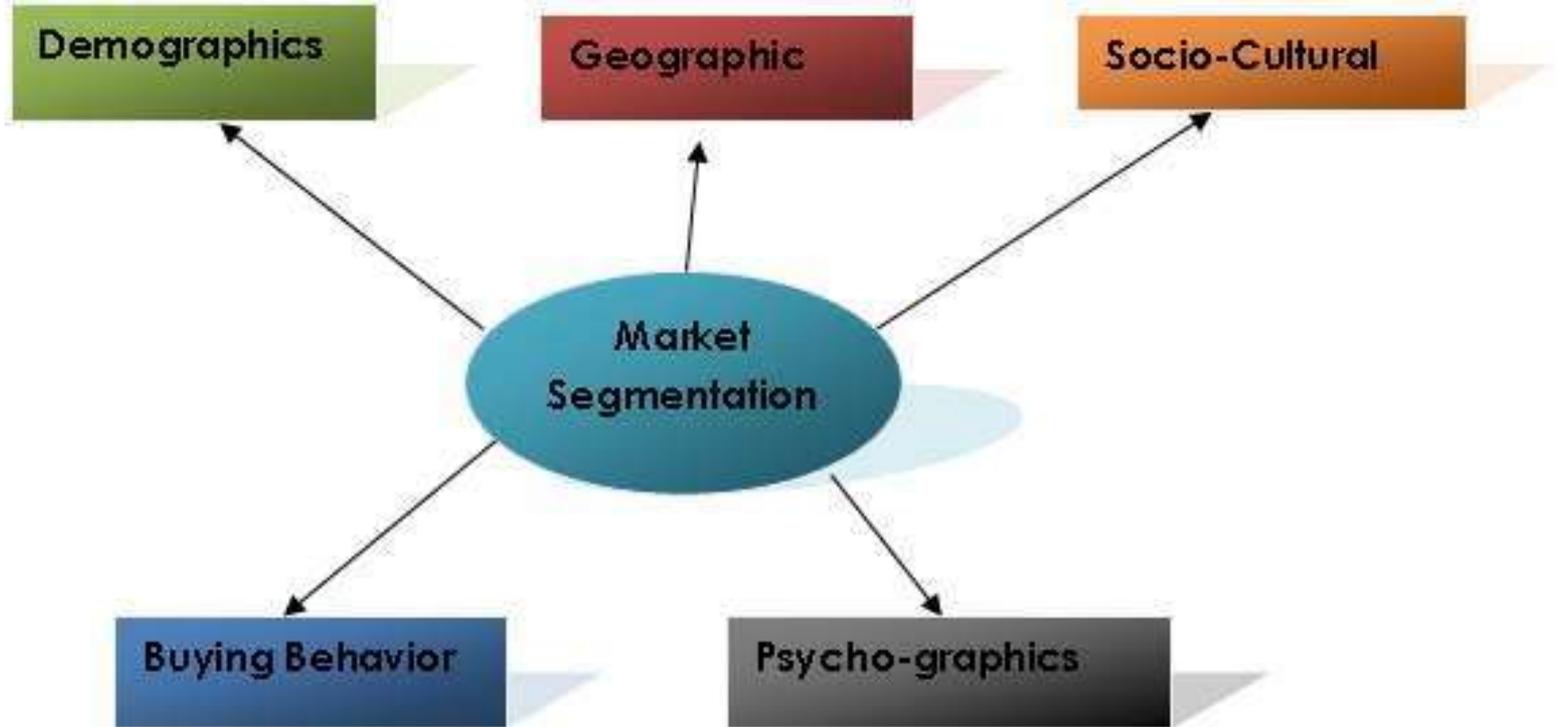
Helps Identify Less Satisfied
Segments and Concentrate on
Them

BASES FOR SEGMENTATION



- **A market/ consumer population for a product can be segmented using several relevant bases. The major ones include:**
- **Geographic**
- **Demographics**
- **Socio-cultural**
- **Psychographic**
- **Buying Behavior**

Bases for segmentation





Bases for segmentation

Geographical Segmentation

- Segmentation of consumer based on factors like climate zone, continents/ country, region, state, district, and urban/rural area, constitutes geographic segmentation
- Marketer, who operate globally, often segment the market segments the market by continents/country/region in the first instance, and then go for segmentation on other bases.
- National markets within a country like India, often segment the market by region, state, district and urban/rural area, in the first instance, and then go for segmentation on other bases.

Bases for segmentation

Geographical Segmentation



Bases for segmentation



Demographical segmentation

- Segmentation of consumer based on variables such as race, religion, community, language, age, stage in family cycle, gender, marital status, family size, occupation, economic position/income/purchasing capacity level, and social status ,of the consumer demographic segmentation
- Age: Based on age on can have the 1) Infants 2) Child Market Teen Market 3) Youth Market 4) Middle Aged Market 5)Elders Market
- Genders: On the basis of gender, the consumer market may be classified into male market female market.
- Social Class: Companion design their products and services for particular social classes. There are three social classes: 1 Upper classes 2. Middle classes 3. Lower class

Bases for segmentation

Demographical segmentation



WOMEN

I dine out to indulge myself

3.4 meals away from home per week

I order a side salad

A pretzel or coffee are snacks

I like to customize entrées

I want more healthful menu options

I consider price in picking a restaurant

MEN

Restaurant choices reflect my social status

4.1 meals away from home per week

I order a side dish

Pizza or hot dogs are snacks

I like self-pay technology

I stick with familiar restaurants

I'll order the same foods I eat at home



Bases for segmentation

Demographical segmentation



Bases for segmentation



Socia Culture Segmentation

Culture and social class are the two main bases of segmentation here.

Culture: Culture influence consumer behavior, deeply. A given culture brings in its own unique pattern of social conduct. A person usually acquires his cultural attributes right at his childhood. Culture includes religious, caste, traditional, language, pattern of social behavior .

Social Factor: Social group of varying types exert influenced on the consumer. Social group include family, peer group, close colleges. They adopt their common life style.

Bases for segmentation



Socio Culture Segmentation

Example:

- Zee Televisions deals with variety of channels regional channel, sports channel, movie channel.
- McDonald has both veg and non veg burger: McDonald has veg burger for vegetarian and nonveg burger for non vegetarian.



Bases for segmentation

Socio-Culture Segmentation

Example:

- Zee Televisions deals with variety of channels regional channel, sports channel, movie channel.
- McDonald has both veg and non veg burger: McDonald has veg burger for vegetarian and nonveg burger for non vegetarian.



Bases for segmentation



Psychographic Segmentation

- ✿ **Psychographic Segmentation groups customers according to their life-style and buying psychology.**
 - ✿ **Many businesses offer products based on the attitudes, beliefs and emotions of their target market**
 - ✿ **The desire for status, enhanced appearance and more money are examples of psychographic variables.**
 - ✿ **They are the factors that influence your customers' purchasing decision.**
-  **In psychographic segmentation, elements like life style, attitude, self-concept and value system, form the base.**
-  **A person's pattern of interests, opinions, and activities combine to represent his or her lifestyle.**

Bases for segmentation



Psychographic Segmentation

- Knowledge of lifestyle can provide a very rich and meaningful picture of a person.
- It can indicate whether the person is interested in outdoor sports, shopping, culture, or reading.
- It can include information concerning attitudes and personality traits.
- Lifestyle also can be used to define a segment empirically; this is often called psychographic (as opposed to demographic) segmentation..

Bases for segmentation



Psychographic Segmentation



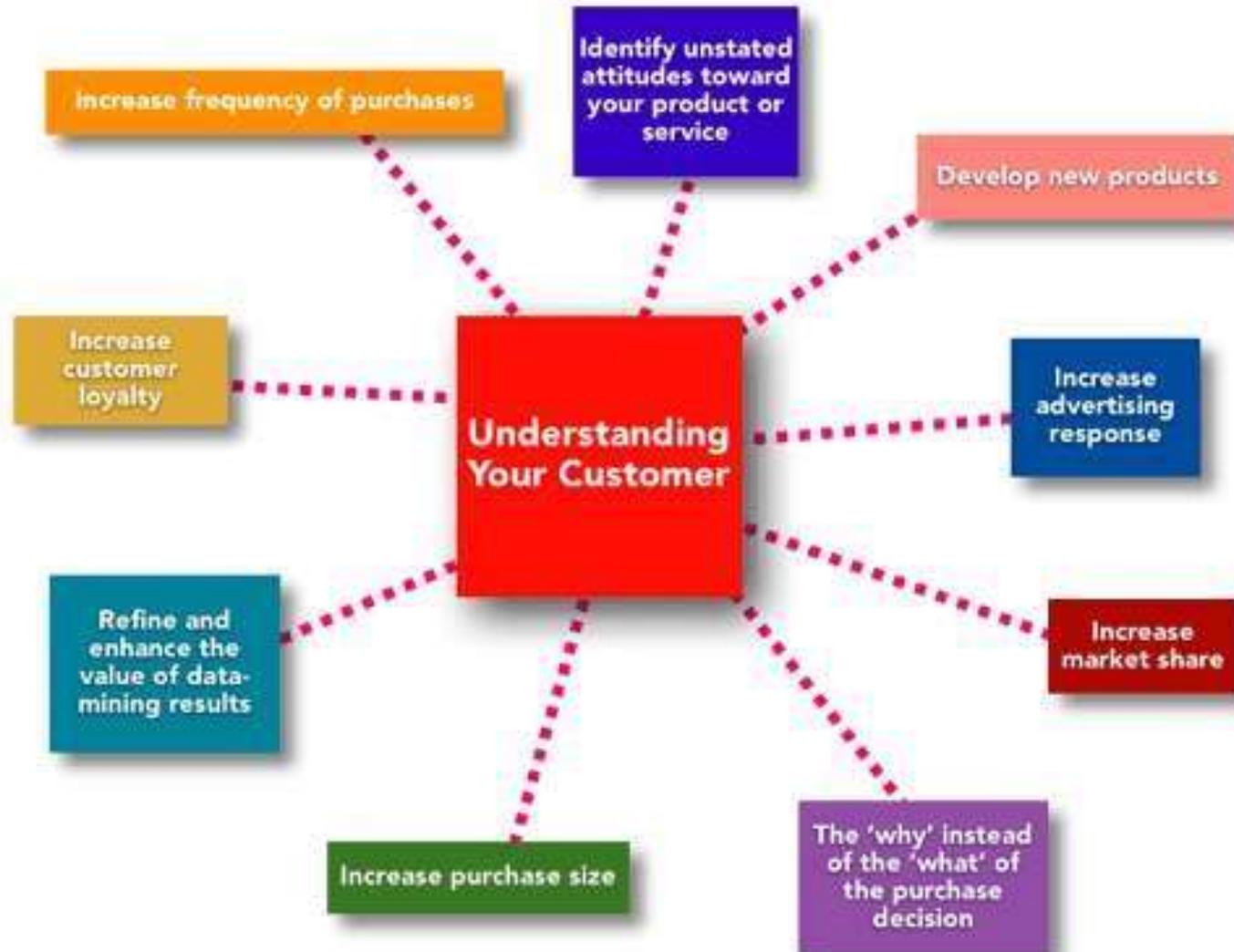
Bases for segmentation



Behavioural Segmentation

- The customer can also be divided into certain segments on the basis of their knowledge, attitude, use, or response to a product. Such behavioural variables are discussed below
 - Occasions : (Marraiges, festival occasasions)
 - Benefits sought : (Colgate- White teeth stops bad breath, Cibaca Provides Therapeutic benefits, Vicco vajradanthi and neem gives ayurvedic benefit)
 - User Status: (Ex-users, first users, regular users, Potential users)
 - Usage rate: (Light, Medium, and heavy user segments)
 - Loyalty status: (Hard core loyals, Split Loyals(Two or Three brands), Shifting Loyals (Shift from one brand to another), Switchers (No loyalty to any brand))
 - Attitude: Customers are divided into five groups(Enthusiastic, Positive, Indifferent, Negtive and Hostile)

Bases for segmentation



Advantages of Segmentation



- **Helps distinguish one customer group from another within a given market**
- **Facilitates proper choice of target market.**
Facilitates effective tapping of the market.
- **Helps divide the markets and conquer them.**
- **Helps crystallize the needs of the target buyers**
- **Makes the marketing effort more efficient and economic**
- **Helps spot the less satisfied segments and succeed by satisfying such segments.**
- **Brings benefits not only to the marketer but also to the customer as well.**

Effective Market Segmentation



- **Measurability (Interms of size and purchasing power)**
- **Accessibility (Reached and served through suitable means of distribution of promotion)**
 - **Substantiality (Large and profitable)**
 - **Differentiability (Clearly distinguishable)**
- **Actionability. (to be effective makers of segmentation should be compatible with the manpower, financial and managerial resources)**



MARKET TARGETING AND POSITIONING



Introduction

- **In the previous slides we saw how a firm can identify the wants and needs of various sectors or segments of a market as being sufficiently distinct to warrant the offering of individual products or services. Instead of offering one catch all product or service which is likely to have broad appeal to people generally, it is strategically more beneficial to tailor products and services to individual market segments.**
- **In this chapter the importance of market targeting in strategic marketing is examined and the different approaches to target marketing are described. There is no single best strategy for all firms to adopt, since businesses face different marketing opportunities and have different ranges of resources, skills and competencies at their disposal.**



- **Positioning enables firms to place their products and services within chosen segments so that they stand out from those of their competitors. This chapter examines the process of product positioning, both for single and multiple brands, and concludes by examining the need to reposition from time to time**



TARGETING



TARGETING

□ **A target market is the market or market segments which form the focus of the firm's marketing efforts. Once segments have been identified decisions about how many and which customer groups to target must be made.**



1. Mass Marketing Strategy

- **Offering on product / service concept to most of the market, across many market segments. Although scale economies can be achieved, there is a risk that few customers will be adequately satisfied.**

•The underlying assumption of this approach referred to as undifferentiated marketing, is that all customers in the market have similar needs and wants and can therefore be satisfied with a single marketing mix – that is, a standard product or service, similar price levels, one method of distribution and a promotional mix which is directed at everyone.



2. Single Segment Strategy

□ concerning on a single segment with a product /service concept. This is relatively cheap in resources, but there is a risk of putting all the eggs in one basket – if the segment fails the company’s financial strength will rapidly decline. Rolex, for example, targets relatively high income consumers with its prestigious wrist – watches. When world economies are buoyant, sales will be good but in times of economic recession even the better off can change their spending patterns.

**Undifferentiated
or mass
marketing:** one
product appeals
to all segments
with a single
marketing mix



Single segment strategy:
concentrating with one
product on one segment



Multi-segment strategy:
products for each segment
and a different marketing
mix in each case



3. Multi- segment strategy

- **Targeting a different product or service concept at each of a number of segments and developing a marketing mix strategy for each of the selected segments. Although this approach can reduce the risk of being over-committed in one area, it can be extremely resource – demanding.**



FACTORS INFLUENCING CHOICE OF TARGETING STRATEGY



- **Segmentation strategies are most critical during the maturity stage of the product-market because buyer's needs are different. At the introductory stage of the life cycle there are few, if any, product – type competitors; however, competition can occur among alternative product types. If product – type substitution exists, the new market entrant may benefit from targeting one or more segments in the existing product- markets.**



- **When buyer wants are similar throughout the product – market, there is less opportunity for –expensive segmentation than in markets with buyers with different wants. A product – market made up of a relatively small number of end-users is more suitable for a broad or relatively undifferentiated targeting strategy, particularly if the value of purchases of individual buyers is small.**



CHOICE OF SEGMENT(S)

Five factors govern the attractiveness of a segment:

- **Segment size**
- **Segment growth**
- **Profitability of the segment**
- **Current and potential competition**
- **Capabilities of the business**

Approaches Of Market Targeting



Undifferentiated Approach

Differentiated Approach

Concentrated Approach



Undifferentiated Approach

- Sales growth strategy that ignores market segment differences and attempts to appeal to all prospective customers with a single, basic product line through mass advertising and distribution. Also called mass marketing.

- Example:

Gasoline, White bread, Soft Drinks etc



Advantages of Undifferentiated Approach

- Wide audience: Since the target audience is broad, the number of successful hits is high despite of the low probability of a single person turning up.
- Less risky: If all the efforts in one particular area goes in vain, still the eventual loss is less compared to a loss in the narrowly focused area.
- Production cost per unit are low on account of having one production run for homogeneous product.
- Higher potentials of sales volume and efficiency of scale in a much larger market
- Marketing research cost and advertising cost are relatively low



Differentiated Approach

- A sales growth strategy in which several market niches or population segments are targeted with different products for each niche or segment.



POSITIONING CONCEPTS

The positioning concept may be functional, symbolic, or experiential.

- The functional concepts is relevant to products designed to solve consumption related problems for externally generated consumption needs. Toothpastes aiming to prevent cavities and banks offering convenient service fall into this category.**
- The symbolic concept relates to the buyers internally generated need for self – enhancement, role position, group membership, or ego satisfaction. Cosmetics relating to lifestyle, and clothes stressing image or appropriateness of occasion, are examples of this**
- The experiential concept is used to position products that provide sensory pleasure, variety or cognitive stimulation. Documentary films and books, are example of this.**

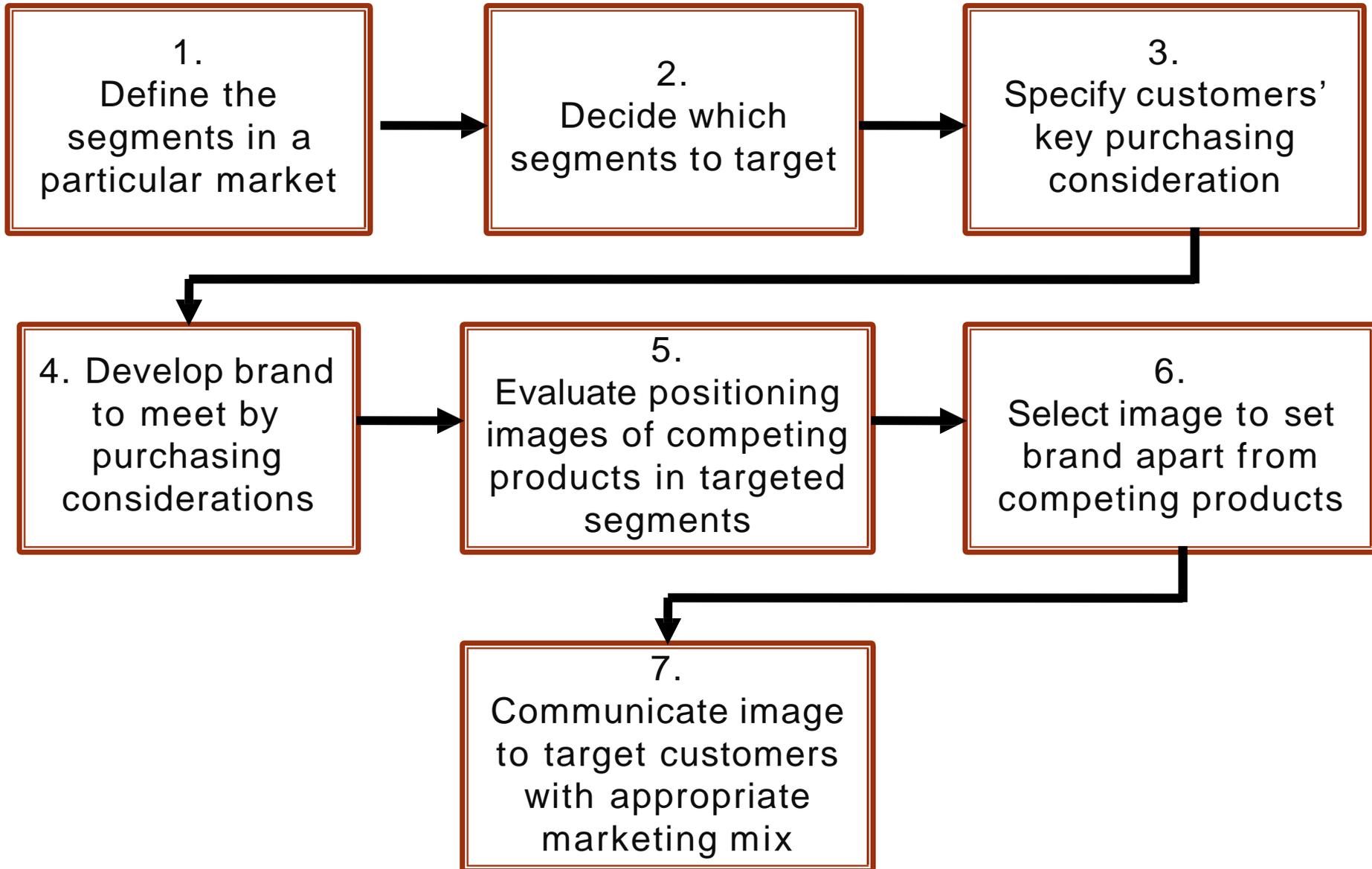


STEPS IN DETERMINING A POSITIONING PLAN

- **Define the segments in a particular market.**
- **Decide which segment or segments to target which the firm thinks it can successfully exploit.**
- **Understand what the target customers expect and believe to be the most important factors or criteria when deciding on a purchase.**
- **Develop a product / service or brand which caters specifically for these expectations.**



- **Evaluate the positioning and images, as perceived by the target market of competing offerings in the selected market segment or segments. Positioning is concerned with how the brand will be perceived in the minds of users with respect to competing brands**
- **With the knowledge of a product / brand, the needs and expectations of the target customers, and their perceptions of competing brands positioning, select and image which sets the products or brand apart from the competing brands, ensuring that the chosen image matches the aspirations of the target customers.**
- **The marketer must communicate with the targeted customers about the product – the promotional element of the marketing mix – as well as making the product readily available at the right price, along with the full marketing mix.**





POSITIONING STRATEGY

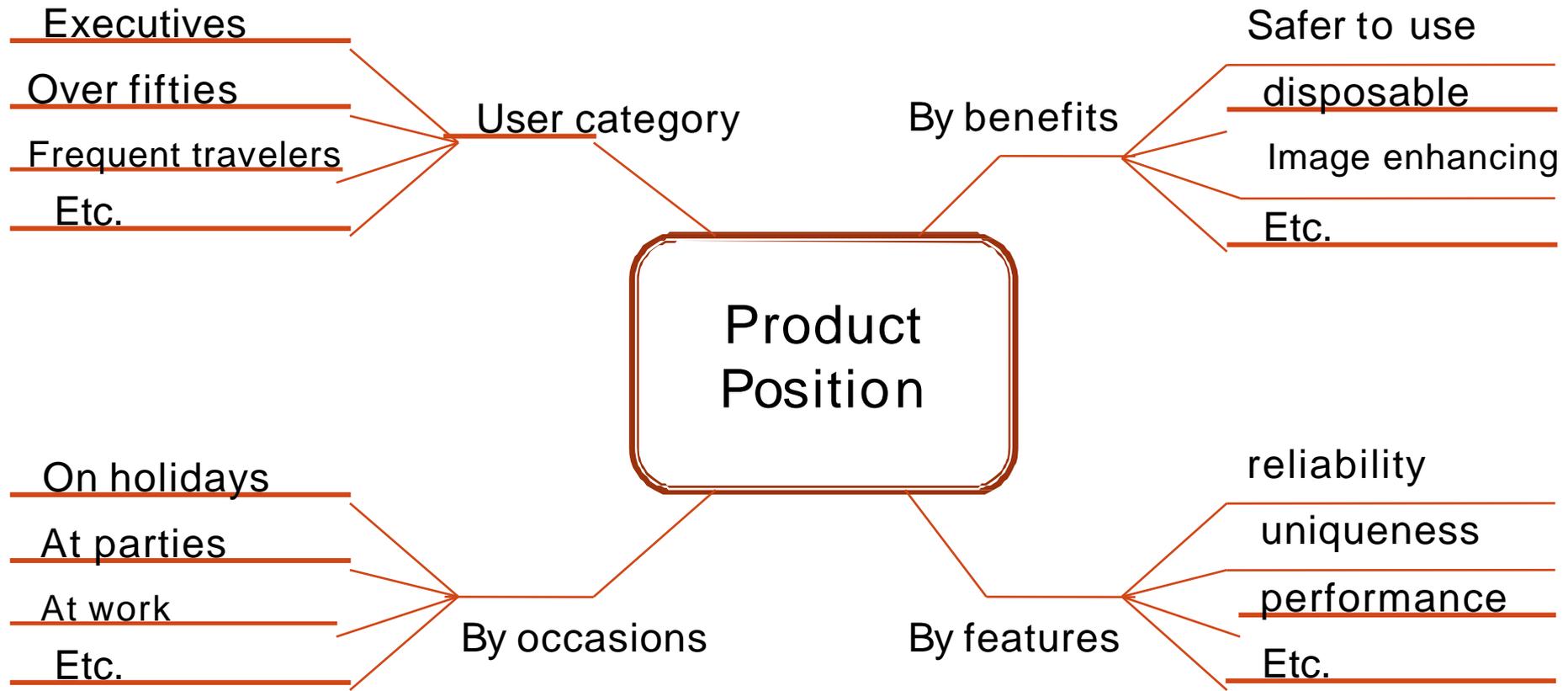


POSITIONING STRATEGY

- **Producers of goods and services attach their own label or brand to their particular market offering. For instance, we talk of a ‘Mars Bar’ or a ‘Kit Kat’ differentiating one offering from another. In this particular case the products are made by different manufacturers but this does not need to be the case. A single firm may put two or more brands into the market which actually compete with one another. We will discuss this strategy below.**



- **A products positioning indicates what the product represents and how customers should evaluate it.**
- **Positioning is accomplished through the use of the marketing – mix variables, particularly through product design and marketing communications. Positioning to achieve product differentiation applies equally to consumer and to industrial goods.**





- **Cheaper than the existing product offering**
- **More economical than the existing product offering**
- **Both cheaper and more economical, plus offering more features than the existing product.**
- **Product features – such as the low calory content of some foods**
- **Product benefits – e.g. a particular model of car being the most economical way to get to work by car**
- **Associating the product with a use or application – e.g. the wine you have on special occasions**
- **User category – associating the product with a user or class of user – e.g. the car for the business executive**



POSITION A SINGLE BRAND

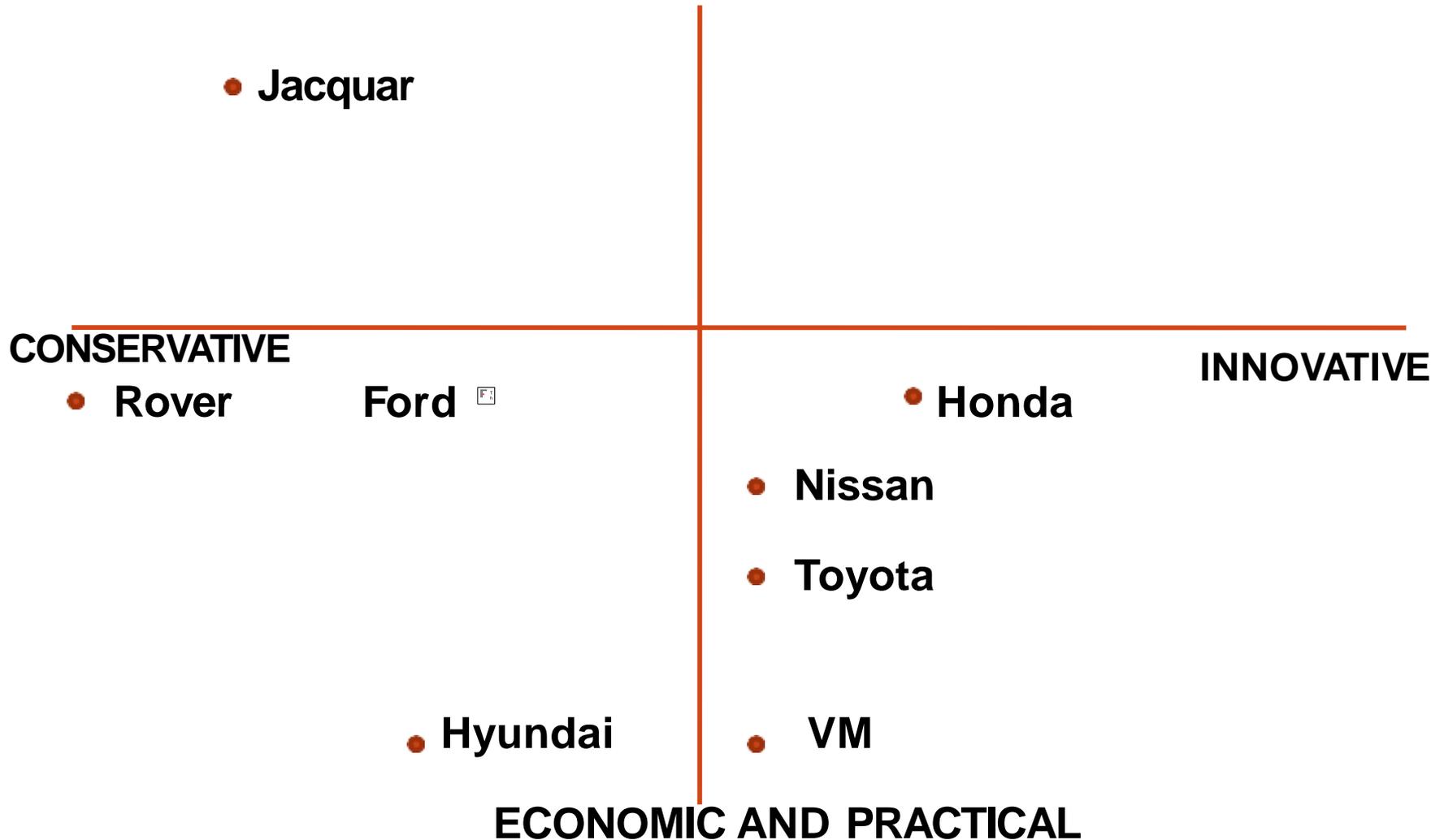
In order to make the most out of a single brand, a firm should try to associate itself with a core segment of the market where it can play a dominant role. In

- 1. the brand has to be positioned in the market place so that it can stand competition from the strongest rival brand.**
- 2. its unique position should be maintained by creating the appearance that it is in fact a different product.**



Position a Single Brand

FAST AND LUXURIOUS





POSITIONING MULTIPLE BRANDS

- **Multiple brands are introduced to the market for two major reasons:**
 - 1. To achieve growth by offering varied products in different segments of the market.**
 - 2. To meet competitors' threats to a single brand.**



REPOSITIONING STRATEGIES



- **Evaluating how successful one had been in positioning a product is of course an essential task.**



- **A positioning advantage comes about when an organization can offer, at a lower cost, a bundle of benefits perceived as equivalent to those of the competition.**



VALUE ADVANTAGE

- **This kind of positioning advantage is based upon occupying a location in product attribute space the represents for buyers the most preferred combination of attributes and is one that is not currently occupied by any competitor.**



Thank You