

## **Module - 1**

# **CONSUMER BEHAVIOR**

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## Lesson- 2

# INTRODUCTION TO CONSUMER BEHAVIOR 1

### Instructional Objectives

**After completion of this lesson, the student shall know about:**

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

### **1.3 APPLICATION OF CONSUMER BEHAVIOR:**

An understanding of consumer behavior is necessary for long term success and survival of a firm. It is viewed as the edifice of the marketing concept, an important orientation in marketing management.

According to the marketing concept, the marketer should be able to determine needs and wants of the target segment and provide product and service offerings more effectively and efficiently than competitors. It is essentially a customer-centered philosophy, which aims at understanding customer needs and wants, providing the right product and service, and deriving customer satisfaction; “make what you can sell” rather than “sell what you make.”

An understanding of the study of consumer behavior helps formulate appropriate marketing strategies for a firm keeping in view the consumer and his environment.

It has a number of applications; the main application bases are as follows:

**Analyze  
environment**

**the** The knowledge of consumer behavior can be applied to help identify opportunities and fight threats. The opportunities could be in terms of newer customers, newer markets, unfulfilled needs and wants (through a study of consumer individual determinants and other environmental influences). The threats could be fought by developing and implementing appropriate marketing strategies to best fit the environment.

The marketing strategies need to be dynamic and constantly evolving keeping in view the uncertainty in the environment; Environmental uncertainty is a function of complexity and dynamism. Complexity is defined in terms of the number, strength and interrelatedness of the various factors in the environment that a firm has to deal with. Dynamism relates to how quickly the changes take place in the environment.

**Segmentation, targeting  
and positioning:**

The study of consumer behavior may be applied to segment the market, select the target market and position the product or service offering. Identifying the target segment, understanding their needs, providing the right product and service offering and communicating about the offering – all of these help a marketer succeed in the long term and ensure his survival and success in a changing environment.

a) **Segment the market:** The marketer needs to identify distinct customer groups with needs and wants, classify them on basis of descriptive characteristics and behavioral dimensions.

The descriptive characteristics may take forms of age, gender, income, occupation, education, family size, family life cycle, gender, lifestyle, personality, religion, generation, geography, nationality, and social class. The behavioral dimensions take forms of benefits, uses, use occasion, usage rates, and loyalty status.

b) *Select target market:* The marketer then selects one or more markets to enter. The segment(s) that should be targeted should be viable; there should be a fit between the market attractiveness and the company's objectives and resources. The marketer would be able to assess the viability of a segment on the basis of the following criteria, viz., measurability, substantiality, accessibility, differentiability, and actionability.

c) **Position the product offering in the mind of the customers:** The marketers should be able to communicate the distinct and/or unique product characteristics.

**Designing the Marketing Strategy:** There exists interrelatedness between the Consumer, the Environment and the Marketing strategy.

a) **Consumer:** The consumer has his needs and wants as well as product preferences; Thus, there exists an interplay of Cognition (knowledge about products and alternatives), Affect (feelings of favorableness and unfavorableness) and Behavior (action: buy or not to buy).

b) **Environment:** This refers to forces in the environment, which make the environment complex and dynamic.

c) **Marketing strategies:** This implies setting up of goals and then achieving them through the design of an appropriate marketing mix.

The Marketing Strategy should be designed to influence consumers (Cognition, Affect and Behavior) and be influenced by them. It should be flexible and ever evolving with changes in the customer needs and wants; as well as, changes in the environment in

which it operates. The knowledge of consumer behavior can be applied to develop a “best fit” between consumer needs and wants, the environment in which the firm operates; and, the firms’ goals and objectives.

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

- a) Product: The term product includes both tangible products and intangible services. The issues to address consist of name (brand), size, shape, features, labeling, packaging, accessories and supplementary products, terms of sale and services, after sales etc.
- b) Price: This includes the pricing of the product offering. The major components include, form of payment, terms and conditions of payment, discounts, price sensitivity, differential prices and customer reaction, imagery (price increase and customer reaction, price decrease and customer reaction).
- c) Place and Distribution: This includes the marketing channel, and comprises decisions regarding choice of channel (direct or indirect), location, accessibility and availability of product offering, wholesaling, retailing, logistics etc.
- d) Promotion: This includes marketing communication, and the major issues comprise decisions on communication/promotion mix, the message and media strategy (the content, appeal and context).

**Application in Governmental and Non-profit Organizations and Social Marketing:**

The knowledge of consumer behavior finds relevance even in Governmental and Non-profit Organizations and Social Marketing. Governmental and Non-profit Organizations have the society as its customers and need to understand them so as to be able to serve them better.

Social marketing involves propagation of ideas; attempts at such circulation and spread of ideas for moral and social upliftment can be more successful if there is a proper understanding of these consumers (i.e., the public and society)

## 1.4 WHY STUDY CONSUMER BEHAVIOR?

-The subject of Consumer Behavior is viewed as the edifice of the marketing concept, an important orientation in marketing management. The knowledge of Consumer Behavior helps the marketer understand and predict the consumption patterns and consumption behaviors of people. It helps them gain insights as to why a consumer behaves differently to another consumer; as well as, why a consumer behaves differently in different times and buying situations. The study helps them understand the internal (individual determinants) and external (environmental factors) forces that impel people to act out different consumption patterns and behaviors.

**The study helps the marketer in:**

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

## **1.5 EVOLUTION OF CONSUMER BEHAVIOR AS A FIELD OF STUDY AND ITS RELATIONSHIP WITH MARKETING**

The discipline finds its roots in the “marketing concept” and has been essentially interdisciplinary in nature. As a subject it emerged as a separate field of study in the 1960s.

Initially the focus lay in the marketers’ attempts to study the causes of consumer behavior; the assumption was that if they could identify the reasons behind consumption behavior, they would be able to predict it; and if they could predict consumer behavior, they could influence it. So the emphasis was to predict consumer behavior; the approach came to be known as ‘positivism’.

Gradually, the focus of the study changed; the marketers wanted to understand the customer better, and this approach came to be known as ‘interpretivism’.

## 1.6 THE INTERDISCIPLINARY NATURE OF CONSUMER BEHAVIOR:

**An interdisciplinary area of study, the subject borrows heavily from psychology, sociology; social psychology; anthropology and, economics.**

- psychology:** This includes the study of the individual as well as the individual determinants in buying behavior, viz., consumer perception, learning and memory, attitude, self-concept and personality, motivation and involvement, attitudes and attitudinal change and, decision making.
- sociology:** This includes the study of groups as well as the group dynamics in buying behavior, viz., family influences, lifestyles and values, and social group influences.
- social psychology:** This includes the study of how an individual operates in group/groups and its effects on buying behavior viz, reference groups and social class influences.
- . anthropology:** This is the influence of society on the individual viz., cultural and cross-cultural issues in buying behavior, national and regional cultures etc.
- economics:** This is the study of income and purchasing power, and its impact on consumer behavior. The underlying premise is that consumers make rational choices while making purchase decisions. While resource are limited and needs and wants many, consumers collect information, and evaluate the various alternatives to finally make a rational decision.



## **REFERENCES FOR FURTHER READING**

1. Loudon, D.L. and Bitta A.J. Della, Consumer Behavior, Fourth Edition, 2002, Tata McGraw-Hill, New Delhi.
2. Peter, P.J. and Olson, J.C., Consumer Behavior and Marketing Strategy, Seventh Edition, 2005, McGraw-Hill Higher Education.
3. Schiffman, L.G. and Kanuk, L.L., Consumer Behavior, Eight Edition, 2004, Prentice Hall, India.
4. Wells W.D. and Prensky, D., Consumer Behavior, 1996, John Wiley & sons, Inc.

## **FAQS (FREQUENTLY ASKED QUESTIONS)**

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

**Ans. Applications:**

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

**Ques 2 How has the study of Consumer Behavior evolved?**

-the discipline is rooted in the marketing concept.

-an interdisciplinary subject, it emerged as a separate field of study in the 1960s.

Initial focus:

-marketers wanted to study the causes of consumer behavior;

-the assumption was that if they could identify the reasons behind consumption behavior, they would be able to predict it; and if they could predict consumer behavior, they could influence it.

-emphasis: predict consumer behavior: approach was known as 'positivism'.

Gradually, the focus changed:

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

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

**Ans. -An interdisciplinary area of study, borrowed heavily from:**

1. psychology (the study of the individual: individual determinants in buying behavior)

- perception
- learning and memory
- attitudes
- self-concept and personality
- motivation and involvement
- decision making.

2. sociology (the study of groups: group dynamics in buying behavior )

- family influences
- lifestyles and values
- social group influences

3. social psychology (the study of how an individual operates in group/groups and its effects on buying behavior)

- reference groups
- social class influences

4. anthropology (the influence of society on the individual: cultural and cross-cultural issues in buying behavior)

-cultural influences  
cultures

-cross-cultural influences

-national and regional

5. economics (income and purchasing power)

- income
- purchasing power

## **SELF EVALUATION TESTS/QUIZZES**

### **Section A True/false:**

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

### **Section B Fill up the blanks:**

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

### **Section C Short answers:**

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



differential prices and customer reaction, imagery (price increase and customer reaction, price decrease and customer reaction).

c) Place and Distribution:  
- choice of channel (direct or indirect), location, accessibility and availability of product or service offering, wholesaling, retailing, logistics.

d) Promotion:  
- communication/promotion mix, the message and media strategy (the content, appeal and context).

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

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