

What is Consumer Behaviour ?

- ▶ Consumer Behaviour is a branch which deals with the various stages a consumer goes through before purchasing products or services for his end use.
- ▶ The study of consumer behaviour explains as to:
 - Why and why not a consumer buys a product ?
 - When a consumer buys a product ?
 - How a consumer buys a product ?

Introduction to Consumer Behaviour

Definition and Scope

- **Consumer Behavior** refers to the actions and decision-making processes of individuals or groups in purchasing and using goods and services. It encompasses the study of how consumers select, use, and dispose of products and services.
- **Scope:** Includes psychological, social, cultural, and economic factors affecting consumer choices.

Types of consumers

- Loyal Customers
- Impulse Shoppers
- Bargain Hunters
- Wandering Consumers
- Need-Based Customer

Nature of Consumer Behavior

Psychological Influences

- **Perception:** How consumers perceive a product based on their experiences and expectations.
- **Motivation:** The driving force behind purchasing decisions, such as needs and desires.
- **Learning:** How past experiences and information affect consumer behavior.
- **Attitudes and Beliefs:** Established feelings and thoughts that influence buying decisions.

Social Influences

- **Family and Friends:** Impact of personal relationships on buying decisions.
- **Social Status:** How a consumer's social position affects their purchasing choices.
- **Cultural and Social Norms:** Societal norms and cultural values that shape consumer behavior.

Economic Factors

- **Income Levels:** How income affects purchasing power and decision-making.
- **Economic Conditions:** The influence of economic cycles on consumer spending behavior.
- **Price Sensitivity:** How price changes impact buying decisions.

- ▶ Undergoes constant changes: it changes over a period of time depending on the nature of products.
- ▶ Varies from consumer to consumer: all consumers do not behave same. Different consumers behave differently due to individual factors.
- ▶ Varies from region to region and country to country.
- ▶ Leads to purchase decision.
- ▶ Varies from product to product.

The Importance of Consumer Behavior

- ▶ **Market Segmentation:** How businesses use consumer behavior to divide markets into distinct groups with similar needs and preferences.
- ▶ **Targeting and Positioning:** Tailoring marketing strategies to specific consumer segments.
- ▶ **Product Development:** Designing products that meet consumer needs and preferences.
- ▶ **Advertising and Promotion:** Creating effective marketing messages based on consumer insights.
- ▶ **Customer Experience Management:** Enhancing the overall experience based on consumer feedback.

Factors influencing consumer buying behaviour.

Psychological Factors

- ▶ Motivation: How needs and desires drive buying behavior.
- ▶ Perception: How consumers perceive products and brands.
- ▶ Learning: How past experiences influence future purchases.
- ▶ Beliefs and Attitudes: Impact of personal beliefs and attitudes on buying decisions.

Social Factors

- ▶ Family: Role of family influence on consumer choices.
- ▶ Reference Groups: Influence of friends, colleagues, and social circles.
- ▶ Social Status: How social class and status affect buying behavior.

Cultural Factors

- ▶ Culture: The influence of culture on buying preferences and habits.
- ▶ Subculture: Impact of subcultures on consumer behavior.
- ▶ Social Norms: How societal norms and values shape consumer choices.

Economic Factors

- ▶ Income: How consumer income affects purchasing power.
- ▶ Economic Conditions: Impact of the economy (e.g., inflation, recession) on buying behavior.
- ▶ Personal Finances: Influence of personal savings, debts, and expenditures.

Personal Factors

- ▶ Age and Lifecycle Stage: How age and life stages influence buying decisions.
- ▶ Occupation: Effect of profession and job status on consumer preferences.
- ▶ Lifestyle: How personal lifestyle and activities impact purchasing choices.

Marketing Mix (4 P's)

- ▶ Product: Influence of product features, quality, and brand.
- ▶ Price: How pricing strategies affect consumer decisions.
- ▶ Place: Role of distribution channels and availability.
- ▶ Promotion: Impact of advertising, sales promotions, and public relations.

Technological Factors

- ▶ Digital Influence: Impact of online reviews, social media, and digital marketing.
- ▶ E-commerce: Growth of online shopping and its effects on consumer behavior.
- ▶ Tech-Savviness: How familiarity with technology affects buying patterns.

Different consumer behaviour roles

- ▶ Initiator
- ▶ Gatekeeper
- ▶ Influencer
- ▶ Decider
- ▶ Buyer
- ▶ users

Understanding the Consumer Buying Decision Process

Five Stages of the Decision Process

- **Problem Recognition:** Realizing the need for a product.
- **Information Search:** Gathering information about possible solutions.
- **Evaluation of Alternatives:** Comparing different products or brands.
- **Purchase Decision:** Choosing a product and making the purchase.
- **Post-Purchase Behavior:** Reflecting on the purchase decision and evaluating satisfaction.

Types of consumer behaviour

- ▶ Complex buying behaviour
- ▶ Dissonance-reducing buying behaviour
- ▶ Habitual buying behaviour
- ▶ Variety seeking behaviour

Concept of Market Segmentation

- ▶ Market segmentation is the process of breaking down a large, heterogeneous market into smaller, more homogeneous groups of consumers who have similar needs, preferences, or behaviors. Each segment is then targeted with customized marketing strategies. The main goal is to identify and understand the specific needs and wants of different segments to serve them better than competitors.

Importance of Market Segmentation

1. **Improved Customer Satisfaction:** By tailoring products, services, and marketing efforts to the specific needs of different segments, companies can better satisfy their customers' needs, leading to increased customer loyalty and retention.
2. **More Efficient Use of Resources:** Segmentation helps companies allocate their resources more effectively. Instead of using a broad approach, companies can direct their marketing efforts, budget, and resources towards the most promising segments.
3. **Enhanced Competitive Advantage:** Understanding and targeting specific market segments allows companies to differentiate themselves from competitors, creating a unique value proposition for each segment.
4. **Increased Market Share:** By appealing to different segments, companies can capture a larger portion of the market, potentially leading to increased sales and market share.
5. **Better Product Development:** Market segmentation provides insights into what different customer groups need and want, guiding product development to create offerings that meet those needs.
6. **Targeted Marketing Communications:** Segmentation allows for more precise and relevant marketing messages, which can be more compelling and persuasive for different audience segments.

Bases of Market Segmentation

1. **Geographic Segmentation:** Divides the market based on geographical locations such as countries, regions, cities, or neighborhoods. This approach is useful when consumer needs vary by location.
 1. *Example:* A clothing brand may offer different styles based on the climate of the region.
2. **Demographic Segmentation:** Categorizes the market based on demographic factors like age, gender, income, education, occupation, and family size. This is one of the most common bases for segmentation.
 1. *Example:* A luxury car brand might target high-income individuals.
3. **Psychographic Segmentation:** Focuses on lifestyle, values, interests, and personality traits. It helps to understand the psychological reasons behind consumer behavior.
 1. *Example:* A fitness brand might target health-conscious individuals who value an active lifestyle.

1. **Behavioral Segmentation:** Segments the market based on consumer behavior patterns such as purchase habits, brand loyalty, usage frequency, and benefits sought.
 1. *Example:* A software company might create different versions of their product for casual users versus professional users.
2. **Firmographic Segmentation:** For B2B markets, this base involves segmenting businesses based on characteristics like industry, company size, and location.
 1. *Example:* A software provider might offer different solutions for small businesses versus large enterprises.
3. **Technographic Segmentation:** Based on the technology usage patterns and preferences of consumers or businesses. This is particularly relevant in tech markets.
 1. *Example:* A tech company might segment users based on their preference for mobile versus desktop applications.

TARGET MARKET SELECTION PROCEDURE

- ▶ DEFINING THR ENTIRE MARKET
- ▶ MARKET RESEARCH
- ▶ MARKET SEGMENTATION, ANALYSIS AND EVALUATION OF EACH SEGMENT
- ▶ RANKING OF SEGMENTS
- ▶ RESORCE ASSESSMENT
- ▶ ANALYSING CONSUMER PROFILES
- ▶ SELECTION OF BEST MARKET SEGMENTS

What is positioning?

- ▶ A positioning strategy is a set of actions and processes that are designed to improve the image and visibility of a brand, company, or product.
- ▶ Product marketers should plan for how people in the market will think about their product, as truly the only product positioning that counts is what your customers think as the product has a life of its own. If a customer isn't thinking about it, your product doesn't occupy that position.
- ▶ Successful positioning strategies not only focus on where the product is today but how the product could potentially progress to where you would ideally like it to be in the near future.

IMPORTANCE OF POSITIONING

- ▶ HELPS IN PRODUCT DIFFERENTIATION
- ▶ INCREASE IN PERCIEVED VALUE
- ▶ HELPS IN BUILDING POSITIVE BRAND IMAGE AND BRAND LOYALTY
- ▶ HELPS IN FORMULATING DIFFERENTIATED PRICING STRATEGY
- ▶ HELPS IN NEW PRODUCT LAUNCHING
- ▶ HELPS IN ACHIEVING A STRONG COMPETITIVE POSITION.
- ▶ INCREASED REVENUE

METHODS OF POSITIONING

- ▶ PRODUCT ATTRIBUTE BASED POSITIONING
- ▶ PRICE POSITIONING
- ▶ QUALITY OR VALUE POSITIONING
- ▶ USAGE OR APPLICATION POSITIONING
- ▶ COMPETITOR POSITIONING
- ▶ USER POSITIONING

DIFFERENCE BETWEEN PRODUCT DIFFERENTIATION AND PRODUCT SEGMENTATION

BASES	PRODUCT DIFFERENTIATION	PRODUCT SEGMENTATION
Definition	The process of making a product or service stand out from others in the market by emphasizing its unique features and benefits.	Dividing a broad customer base into smaller groups based on shared characteristics such as age, gender, preferences, or behaviors.
Focus	On the product or service itself.	On the customer or market.
Objective	To create a product or service that appears unique or superior in some aspect compared to competitors.	To identify and target specific groups of consumers more effectively with tailored marketing strategies.
Key Elements	Unique features, design, quality, functionality, and brand perception.	<u>Demographics</u> , <u>psychographics</u> , <u>geographic location</u> , <u>behavioral</u> factors.
Marketing Strategy	Emphasizes the unique selling points (USPs) of the product or service.	Involves creating different <u>marketing mix</u> strategies for each segment.
Example	Apple differentiates its iPhone with a unique design and ecosystem.	Nike segmented the market into athletes, casual exercisers, and sports enthusiasts.
Benefit	Helps in building brand loyalty and justifying premium pricing.	Enhances marketing efficiency by focusing on specific consumer needs.