Marketing Management KMBN105

Unit-I

Marketing Management- Introduction, objectives, Scope and Importance

In today's world of marketing, everywhere you go you are being marketed to in one form or another. Marketing is with you each second of your walking life. From morning to night you are exposed to thousands of marketing messages every day. Marketing is something that affects you even though you may not necessarily be conscious of it.

Definition of Marketing

According to American Marketing Association (2004) – "Marketing is an organisational function and set of processes for creating, communicating and delivering value to customers and for managing relationships in a way that benefits both the organisation and the stakeholder."

AMA (1960) – "Marketing is the performance of business activities that direct the flow of goods and services from producer to consumer or user."

According to Eldridge (1970) – "Marketing is the combination of activities designed to produce profit through ascertaining, creating, stimulating, and satisfying the needs and/or wants of a selected segment of the market."

According to Kotler (2000) – "A societal process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with others."

Nature of Marketing

- **Marketing is an Economic Function**

Marketing embraces all the business activities involved in getting goods and services, from the hands of producers into the hands of final consumers. The business steps through which goods progress on their way to final consumers is the concern of marketing.

- **Marketing is a Legal Process by which Ownership Transfers**

In the process of marketing the ownership of goods transfers from seller to the purchaser or from producer to the end user.

- **Marketing is a System of Interacting Business Activities**

Marketing is that process through which a business enterprise, institution, or organization interacts with the customers and stakeholders with the objective to earn profit, satisfy customers, and manage relationship. It is the performance of business activities that direct the flow of goods and services from producer to consumer or user.

- **Marketing is a Managerial function**

According to managerial or systems approach – "Marketing is the combination of activities designed to produce profit through ascertaining, creating, stimulating, and satisfying the needs and/or wants of a selected segment of the market."

According to this approach the emphasis is on how the individual organization processes marketing and develops the strategic dimensions of marketing activities.

- **Marketing is a social process**

Marketing is the delivery of a standard of living to society. According to Cunningham and Cunningham (1981) societal marketing performs three essential functions:-

Knowing and understanding the consumer's changing needs and wants;

efficiently and effectively managing the supply and demand of products and services; and

Efficient provision of distribution and payment processing systems.

- **Marketing is a philosophy based on consumer orientation and satisfaction**
- **Marketing had dual objectives – profit making and consumer satisfaction**

Scope of Marketing

Study of Consumer Wants and Needs

Goods are produced to satisfy consumer wants. Therefore study is done to identify consumer needs and wants. These needs and wants motivates consumer to purchase.

Study of Consumer behavior

A marketer performs study of consumer behavior. Analysis of buyer behavior helps marketer in market segmentation and targeting.

Production planning and development

Product planning and development starts with the generation of product idea and ends with the product development and commercialization. Product planning includes everything from branding and packaging to product line expansion and contraction.

Pricing Policies

Marketer has to determine pricing policies for their products. Pricing policies differs form product to product. It depends on the level of competition, product life cycle, marketing goals and objectives, etc.

Distribution

Study of distribution channel is important in marketing. For maximum sales and profit goods are required to be distributed to the maximum consumers at minimum cost.

Promotion

Promotion includes personal selling, sales promotion, and advertising. Right promotion mix is crucial in accomplishment of marketing goals.

Consumer Satisfaction

The product or service offered must satisfy consumer. Consumer satisfaction is the major objective of marketing.

Marketing Control

Marketing audit is done to control the marketing activities.

Marketing Management: objectives and Importance

The basic purpose of marketing management is to achieve the objectives of the business. A business aims at earning reasonable profits by satisfying the needs of customers.

Objectives of marketing management as follows:

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. Goods and services are produced to satisfy the needs of the customers. Demand is also created by informing the customers the utility of various goods and services.

Customer Satisfaction

The marketing manager must study the demands of customers before offering them any goods or services. Selling the goods or services is not that important as the satisfaction of the customers' needs. Modern marketing is customer- oriented. It begins and ends with the customer.

Market Share

Every business aims at increasing its market share, i.e., 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 advertising, innovative packaging, sales promotion activities, etc.

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.

Creation of Goodwill and Public Image

To build up the public image of a firm over a period is another objective of marketing. The marketing department provides quality products to customers at reasonable prices and thus creates its impact on the customers.

The marketing manager attempts to raise the goodwill of the business by initiating image-building activities such a sales promotion, publicity and advertisement, high quality, reasonable price, convenient distribution outlets, etc.

Importance of Marketing Management

(1) Marketing Helps in Transfer, Exchange and Movement of Goods

Marketing is very helpful in transfer, exchange and movement of goods. Goods and services are made available to customers through various intermediaries' viz., wholesalers and retailers etc. Marketing is helpful to both producers and consumers.

To the former, it tells about the specific needs and preferences of consumers and to the latter about the products that manufacturers can offer. According to Prof. Haney Hansen "Marketing involves the design of the products acceptable to the consumers and the conduct of those activities which facilitate the transfer of ownership between seller and buyer."

(2) Marketing Is Helpful In Raising and Maintaining The Standard Of Living Of The Community

Marketing is above all the giving of a standard of living to the community. Paul Mazur states, "Marketing is the delivery of standard of living". Professor Malcolm McNair has further added that "Marketing is the creation and delivery of standard of living to the society".

By making available the uninterrupted supply of goods and services to consumers at a reasonable price, marketing has played an important role in raising and maintaining living standards of the community. Community comprises of three classes of people i.e., rich, middle and poor. Everything which is used by these different classes of people is supplied by marketing.

In the modern times, with the emergence of latest marketing techniques even the poorer sections of society have attained a reasonable level of living standard. This is basically due to large scale production and lesser prices of commodities and services. Marketing has infact, revolutionised and modernised the living standard of people in modern times.

(3) Marketing Creates Employment

Marketing is complex mechanism involving many people in one form or the other. The major marketing functions are buying, selling, financing, transport, warehousing, risk bearing and standardization, etc. In each such function different activities are performed by a large number of individuals and bodies.

Thus, marketing gives employment to many people. It is estimated that about 40% of total population is directly or indirectly dependent upon marketing. In the modern era of large scale production and industrialization, role of marketing has widened.

This enlarged role of marketing has created many employment opportunities for people. Converse, Huegy and Mitchell have rightly pointed out that "In order to have continuous production, there must be continuous marketing, only then employment can be sustained and high level of business activity can be continued".

(4) Marketing as a Source of Income and Revenue

The performance of marketing function is all important, because it is the only way through which the concern could generate revenue or income and bring in profits. Buskirk has pointed out that, "Any activity connected with obtaining income is a marketing action. It is all too easy for the accountant, engineer, etc., to operate under the broad assumption that the Company will realise many dollars in total sales volume.

However, someone must actually go into the market place and obtain dollars from society in order to sustain the activities of the company, because without these funds the organization will perish."

Marketing does provide many opportunities to earn profits in the process of buying and selling the goods, by creating time, place and possession utilities. This income and profit are reinvested in the concern, thereby earning more profits in future. Marketing should be given the greatest importance, since the very survival of the firm depends on the effectiveness of the marketing function.

(5) Marketing Acts as a Basis for Making Decisions

A businessman is confronted with many problems in the form of what, how, when, how much and for whom to produce? In the past problems was less on account of local markets. There was a direct link between producer and consumer.

In modern times marketing has become a very complex and tedious task. Marketing has emerged as new specialized activity along with production.

As a result, producers are depending largely on the mechanism of marketing, to decide what to produce and sell. With the help of marketing techniques a producer can regulate his production accordingly.

(6) Marketing Acts as a Source of New Ideas

The concept of marketing is a dynamic concept. It has changed altogether with the passage of time. Such changes have far reaching effects on production and distribution. With the rapid change in tastes and preference of people, marketing has to come up with the same.

Marketing as an instrument of measurement, gives scope for understanding this new demand pattern and thereby produce and make available the goods accordingly.

(7) Marketing Is Helpful In Development of an Economy

Adam Smith has remarked that "nothing happens in our country until somebody sells something". Marketing is the kingpin that sets the economy revolving. The marketing organization, more scientifically organized, makes the economy strong and stable, the lesser the stress on the marketing function, the weaker will be the economy.

Marketing Orientations

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.

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.

Types of marketing orientation

Production Orientation

The focus for the business is to reduce costs through mass production. A business orientated around production believes that the "economies of scale" generated by mass production will reduce costs and maximise profits. A production orientated business needs to avoid production efficiency processes which affect product design and quality. Compromising product design and quality for the sake of production is likely to reduce the product's appeal to customers.

Product Orientation

A product orientated company believes that its product's high quality and functional features make it a superior product. Such a company believes that if they have a superior product customers will automatically like it as well. The problem with this approach is that superiority alone does not sell products; superior products will not sell unless they satisfy consumer wants and needs.

Sales Orientation

A sales orientated company's focus is simple; make the product, and then sell it to the target market. This type of orientation involves the organization making what they think the customer needs or likes without relevant research. However as we know sales usually aren't this simple. An effective marketing strategy requires market and marketing research, prior to product development and finally an effective promotion strategy.

Market Orientation

A market orientated company puts the customer at the "heart" of the business; all activities in the organization are based around the customer. The customer is truly king!. A market orientated organization endeavours to understand customer needs and wants, then implements marketing strategy based on their market research; from product development through to product sales.

Once sales have begun further research will be conducted to find out what consumers think about the product and whether product improvements are required. As markets continuously change, market research and product development is an ongoing process for a market orientation company.

Core Concept of Marketing

Philip Kotler, the eminent writer, defines modern marketing as, “Marketing is social and managerial process by which individuals and groups obtains what they needs and wants through creating and exchanging product and value with others.” Careful and detailed analysis of this definition necessarily reveals some core concepts of marketing, shown in Figure.

1. **Needs**

Existence of unmet needs is precondition to undertake marketing activities. Marketing tries to satisfy needs of consumers. Human needs are the state of felt deprivation of some basic satisfaction. A need is the state of mind that reflects the lack-ness and restlessness situation.

Needs are physiological in nature. People require food, shelter, clothing, esteem, belonging, and likewise. Note that needs are not created. They are pre-existed in human being. Needs create physiological tension that can be released by consuming/using products.

2. **Wants**

Wants are the options to satisfy a specific need. They are desire for specific satisfiers to meet specific need. For example, food is a need that can be satisfied by variety of ways, such as sweet, bread, rice, sapati, puff, etc. These options are known as wants. In fact, every need can be satisfied by using different options.

Core Concept of Marketing

Philip Kotler, the eminent writer, defines modern marketing as, “Marketing is social and managerial process by which individuals and groups obtains what they needs and wants through creating and exchanging product and value with others.”

Needs

Existence of unmet needs is precondition to undertake marketing activities. Marketing tries to satisfy needs of consumers. Human needs are the state of felt deprivation of some basic satisfaction. A need is the state of mind that reflects the lack-ness and restlessness situation.

Needs are physiological in nature. People require food, shelter, clothing, esteem, belonging, and likewise. Note that needs are not created. They are pre-existed in human being. Needs create physiological tension that can be released by consuming/using products.

Wants

Wants are the options to satisfy a specific need. They are desire for specific satisfiers to meet specific need. For example, food is a need that can be satisfied by variety of ways, such as sweet, bread, rice, sapati, puff, etc. These options are known as wants. In fact, every need can be satisfied by using different options.

Maximum satisfaction of consumer need depends upon availability of better options. Needs are limited, but wants are many; for every need, there are many wants. Marketer can influence wants, not needs. He concentrates on creating and satisfying wants.

Demand

Demand is the want for specific products that are backed by the ability and willingness (may be readiness) to buy them. It is always expressed in relation to time. All wants are not transmitted in demand. Such wants which are supported by ability and willingness to buy can turn as demand.

Marketer tries to influence demand by making the product attractive, affordable, and easily available. Marketing management concerns with managing quantum and timing of demand. Marketing management is called as demand management.

Product

Product can also be referred as a bundle of satisfaction, physical and psychological both. Product includes core product (basic contents or utility), product-related features (colour, branding, packaging, labeling, varieties, etc.), and product-related services (after-sales services, guarantee and warrantee, free home delivery, free repairing, and so on). So, tangible product is a package of services or benefits. Marketer should consider product benefits and services, instead of product itself.

Marketer can satisfy needs and wants of the target consumers by product. It can be broadly defined as anything that can be offered to someone to satisfy a need or want. Product includes both good and service. Normally, product is taken as tangible object, for example, pen, television set, bread, book, etc.

However, importance lies in service rendered by the product. People are not interested just owning or possessing products, but the services rendered by them. For examples, we do not buy a pen, but writing service.

Similarly, we do not buy a car, but transportation service. Just owning product is not enough, the product must serve our needs and wants. Thus, physical product is just a vehicle or medium that offers services to us.

As per the definition, anything which can satisfy need and want can be a product. Thus, product may be in forms of physical object, person, idea, activity, or organization that can provide any kind of services that satisfy some needs or wants.

Utility (value), Cost, and Satisfaction

Utility means overall capacity of product to satisfy need and want. It is a guiding concept to choose the product. Every product has varying degree of utility. As per level of utility, products can be ranked from the most need-satisfying to the least need-satisfying.

Utility is the consumer's estimate of the product's overall capacity to satisfy his/her needs. Buyer purchases such a product, which has more utility. Utility is, thus, the strength of product to satisfy a particular need.

Cost means the price of product. It is an economic value of product. The charges a customer has to pay to avail certain services can be said as cost. The utility of product is compared with cost that he has to pay. He will select such a product that can offer more utility (value) for certain price. He tries to maximize value, that is, the utility of product per rupee.

Satisfaction means fulfillment of needs. Satisfaction is possible when buyer perceives that product has more value compared to the cost paid for. Satisfaction closely concerns with fulfillment of all the expectations of buyer. Satisfaction releases the tension that has aroused due to unmet need(s). In short, more utility/value with less cost results into more satisfaction.

Exchange, Transaction, and Transfer

Exchange is in the center of marketing. Marketing management tries to arrive at the desired exchange. People can satisfy their needs and wants in one of the four ways – self-production, coercion/snatching, begging, or exchanging.

Marketing emerges only when people want to satisfy their needs and wants through exchange. Exchange is an act of obtaining a desired product from someone by offering something in return. Obtaining sweet by paying money is the example an exchange.

Exchange is possible when following five conditions are satisfied:

(i) There should be at least two parties

(ii) Each party has something that might be of value to the other party

(iii) Each party is capable of communication and delivery

(iv) Each party is free to accept or reject the exchange offer

(v) Each party believes it is desirable to deal with the other party

Relationships and Network

Today's marketing practice gives more importance to relation building. Marketing practice based on relation building can be said as relationship marketing. Relationship marketing is the practice of building long-term profitable or satisfying relations with key parties like customers, suppliers, distributors, and others in order to retain their long-term preference in business.

A smart marketer tries to build up long-term, trusting, and 'win-win' relations with valued customers, distributors, and suppliers. Relationship marketing needs trust, commitment, cooperation, and high degree of understanding.

Relationship marketing results into economical, technical, social, and cultural tie among the parties. Marketing manager is responsible for establishing and maintaining long-term relations with the parties involved in business.

Network is the ultimate outcome of relationship marketing. A marketing network consists of the company and its supporting stakeholders – customers, employees, suppliers, distributors, advertising agencies, colleges and universities, and others – whose role is considered to be essential for success of business. It is a permanent setup of relations with stakeholders. A good network of relationships with key stakeholders results into excelling the marketing performance over time.

Market, Marketing, Marketer, and Prospect

In marketing management, frequently used words are markets, marketing, marketer, and prospects. A market consists of all potential customers sharing a particular need or want who might be willing and able to engage in exchange to satisfy this need or want.

Marketing is social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging product and value with others.

Marketer is one who seeks one or more prospects (buyers) to engage in an exchange. Here, seller can be marketer as he wants other to engage in an exchange. Normally, company or business unit can be said as marketer.

Prospect is someone to whom the marketer identifies as potentially willing and able to engage in the exchange. (In case of exchange between two companies, both can be said as prospects as well as marketers). Generally, consumer or customer who buys product from a company for satisfying his needs or wants can be said as the prospect.

Marketing Mix

The marketing mix refers to the set of actions, or tactics, that a company uses to promote its brand or product in the market. The 4Ps make up a typical marketing mix – Price, Product, Promotion and Place. However, nowadays, the marketing mix increasingly includes several other Ps like Packaging, Positioning, People and even Politics as vital mix elements.

4P's of marketing Mix

(i) Price

It refers to the value that is put for a product. It depends on costs of production, segment targeted, ability of the market to pay, supply – demand and a host of other direct and indirect factors. There can be several types of pricing strategies, each tied in with an overall business plan. Pricing can also be used a demarcation, to differentiate and enhance the image of a product.

(ii) Product

It refers to the item actually being sold. The product must deliver a minimum level of performance; otherwise even the best work on the other elements of the marketing mix won't do any good.

(iii) Place

It refers to the point of sale. In every industry, catching the eye of the consumer and making it easy for her to buy it is the main aim of a good distribution or 'place' strategy. Retailers pay a premium for the right location. In fact, the mantra of a successful retail business is 'location, location, location'.

(iv) Promotion

It refers to all the activities undertaken to make the product or service known to the user and trade. This can include advertising, word of mouth, press reports, incentives, commissions and awards to the trade. It can also include consumer schemes, direct marketing, contests and prizes.

Importance

All the elements of the marketing mix influence each other. They make up the business plan for a company and handled right, can give it great success. But handled wrong and the business could take years to recover. The marketing mix needs a lot of understanding, market research and consultation with several people, from users to trade to manufacturing and several others.

Concept of Customer Value

Introduction

We are living in a world that is most unstable and dynamic. World is not only changing but the rate of change is accelerating. We are experiencing change in our daily life and in marketplace too. Customer needs, wants, expectations are changing more rapidly; customers are increasingly demanding better quality and reliability in products and services; new products and services are coming to market more quickly, competition is getting more intense and global; and technology is changing rapidly.

Businesses are operating in an uncertain, highly competitive, and highly complex environment. Not only small but big players are also facing difficulties and challenges. Top companies are loosing market share and new companies are taking their place. In cell-phone industry Nokia was the market leader, but it is not so today, Samsung took its place.

Today, the leading edge companies are giving importance to customer satisfaction, loyalty, and value. They are providing higher customer value to attract new customers and retain existing customers and it leads to their long term profitability and growth.

Definition of Customer Value

According to Woodruff (1997, p. 142) – "Customer value is a customer's perceived preference for and evaluation of those product attributes, attribute performances, and consequences arising from use that facilitate (or block) achieving the customer's goals and purposes in use situations".

Customer value is the difference between the values the customer gains from owning and using a product and the cost of obtaining the product.

Customer value is the difference between total customer value and total customer cost. Total customer value is the sum of product value, service value, personnel value, and image value. Total customer cost is the sum of monetary cost, time cost, physics cost, and energy cost.

Types of Value

Functional Value

It is concerned with the extent to which a product is useful, has desired characteristics, and performs a desired function.

Appropriate features and characteristics – quality, aesthetics, creativity, and customization.

Appropriate performance – performance quality, reliability, and service-support outcomes.

Appropriate outcomes – effectiveness, operational benefits, and environmental benefits.

For example – Apple focus mainly on creating appropriate features and attributes. Ford focus on performance and Pfizer focus on appropriate outcomes and consequences.

Experimental Value

It is concerned with the extent to which a product creates appropriate feelings, experiences and emotions for the customer. For example – most restaurants focus on sensory values like aesthetics, aromas, ambiance, feel or tone. Organizations in travel or entertainment focus on creating emotional values like – pleasure, fun, excitement adventure, or humour.

Symbolic or Expressive Value

It is concerned with the extent to which customers associate psychological meaning to a product. Some products appeal to customer's self-concept and self-worth. Branded products like BMW, Rolex, etc are purchased because of their status, prestige, and image.

Consumer Buying Behavior: Introduction, Characteristics

According to Engel, Blackwell, and Mansard

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

According to Louden and Bitta

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

Consumer buying behavior

Consumer buying behavior is the sum total of a consumer's attitudes, preferences, intentions, and decisions regarding the consumer's behavior in the marketplace when purchasing a product or service. The study of consumer behavior draws upon social science disciplines of anthropology, psychology, sociology, and economics

CHARACTERISTIC OF CONSUMER BEHAVIOR

1. PROCESS

Consumer behaviour is a systematic process relating to buying decisions of the customers. The buying process consists of the following steps;

- Need identification to buy the product .
- Information search relating to the product.
- Listing of alternative brands.

- Evaluating the alternative (cost-benefit analysis)
- Purchase decision.
- Post-purchase evaluation by the marketer.

2. INFLUENCED BY VARIOUS FACTORS

Consumer behaviour is influenced by a number of factors.

The factors that influence consumers are : marketing, personal, psychological, situational, social, cultural etc.

3. DIFFERENT FOR ALL CUSTOMER

All consumers do not behave in the same manner. Different consumers behave differently. The difference in consumer behaviour is due to individual factors such as nature of the consumer's life style, culture, etc.

4. DIFFERENT FOR DIFFERENT PRODUCTS

Consumer behaviour is different for different products. There are some consumers who may buy more quantity of certain items and very low/no quantity of some other items.

5. REGION BOUNDED

The consumer behaviour varies across states, regions and countries. For instance, the behaviour of urban consumers is different from that of rural consumers.

Normally, rural consumers are conservative (traditional) in their buying behaviour.

6. VITAL FOR MARKETERS

Marketers need to have a good knowledge of consumer behaviour. They need to study the various factors that influence consumer behaviour of their target customers. The knowledge of consumer behaviour enables marketers to take appropriate marketing decisions.

7. REFLECTS STATUS

Consumers buying behaviour is not only influenced by status of a consumer, but it also reflects it. Those consumers who own luxury cars, watches and other items are considered by others as persons of higher status.

8. SPREAD – EFFECT

Consumer behavior has a spread effect.

The buying behaviour of one person may influence the buying behavior of another person. For instance, a customer may always prefer to buy premium brands of clothing, watches and other items etc.

This may influence some of his friends, neighbors, colleagues. This is one of the reasons why marketers usecelebrities like Shahrukh Khan , Sachin to endorse their brands.

9. STANDARD OF LIVING

Consumer buying behaviour may lead to higher standard of living. The more a person buys the goods and services, the higher is the standard of living.

10. KEEPS ON CHANGING

The consumer's behaviour undergoes a change over a period of time depending upon changes in age, education and income level. Etc, for instance,, kids may prefer colorful dresses, but as they grow up as teenagers and young adults, they may prefer trendy cloths

Buying Motive

Buying motive is the motive to persuade the desires of people so that they buy a particular good or service. Buying motive relates to the feelings and emotions of people which generate a desire to purchase. Any person does not buy a product or service just because of excellent salesman pitch but he does also due to the desire generated within him towards the product or service.

Importance of Buying Motive

Understanding the buying motive of a customer is essential for a company as it helps the company to target the customer better. Buying motive means that the customer requires a particular product to fulfill a certain need. No matter how good a product is or how good the marketing is, unless the customer has a need it would not matter. This makes buying motive extremely important in business.

Motive and instincts are completely different keywords. Motives are voluntary made such that a particular stimulus will take place where as instincts are involuntary and generally inborn quality of a person. Ex: Thirst is an instinct but aspire to buy a bottle of mineral water to quench thirst is a motive.

Buying motives can be categorized as follows:

(1) Product Buying Motives

(2) Patronage Buying Motives

1. **Product Buying Motives**

Product buying motives are the factors or characteristics of a product that persuade a person to purchase only that product instead of other products available in the market. The factors can be physical appearance like design, size, color, price, shape etc. or can be psychological features like status, desire to reduce danger etc. Product buying motives is divided into two categories: Emotional and Rational.

- **Emotional Product Buying Motives-** If a person purchases a product without thinking much rationally (i.e. with less reasoning) then he or she is said to have persuaded by emotional product buying motives. There are around ten kinds of emotional product buying motives: prestige, imitation, affection, comfort, ambition, distinctiveness, pleasure, hunger and thirst, habit.
- **Rational Product Buying Motives-** If a person purchases a product after thinking rationally (i.e. logically deciding) then he or she is said to have persuaded by rational product buying motives. There are around eight kinds of rational product buying motives: security, economy, low price, suitability, utility, durability, convenience.

2. **Patronage Buying Motives**

Patronage buying motives are the factors or characteristics that influence a person to purchase a product from particular shop instead of purchasing from other shops selling the same product. It can be divided into two categories: Emotional and Rational

- **Emotional Patronage Buying Motives-** If a person purchases a product from a particular shop without thinking much about other shops, then he or she is said to have persuaded by emotional patronage buying motives. There are around six kinds of emotional patronage buying motives: ambience of shop, showcase of products, recommendations by others, prestige, habit, imitation.
- **Rational Patronage Buying Motives-** If a person purchases a product from a shop after complete analysis and reasoning then he or she is said t have persuaded by rational patronage buying motives. There are around eight rational patronage

Factors Influencing Consumer Behavior

Consumer behavior can be broadly classified as the decisions and actions that influence the purchasing behavior of a consumer. What drives consumers to choose a particular product with respect to others is a question which is often analyzed and studied by marketers. Most of the selection process involved in purchasing is based on emotions and reasoning.

The study of consumer behavior not only helps to understand the past but even predict the future. The below underlined factors pertaining to the tendencies, attitude and priorities of people must be given due importance to have a fairly good understanding of the purchasing patterns of consumers

1. **Marketing Campaigns**

Advertisement plays a greater role in influencing the purchasing decisions made by consumers. They are even known to bring about a great shift in market shares of competitive industries by influencing the purchasing decisions of consumers. The Marketing campaigns done on regular basis can influence the consumer purchasing decision to such an extent that they may opt for one brand over another or indulge in indulgent or frivolous shopping. Marketing campaigns if undertaken at regular intervals even help to remind consumers to shop for not so exciting products such as health products or insurance policies.

2. **Economic Conditions**

Consumer spending decisions are known to be greatly influenced by the economic situation prevailing in the market. This holds true especially for purchases made of vehicles, houses and other household appliances. A positive economic environment is known to make consumers more confident and willing to indulge in purchases irrespective of their personal financial liabilities.

3. **Personal Preferences**

At the personal level, consumer behavior is influenced by various shades of likes, dislikes, priorities, morals and values. In certain dynamic industries such as fashion, food and personal care, the personal view and opinion of the consumer pertaining to style and fun can become the dominant influencing factor. Though advertisement can help in influencing these factors to some extent, the personal consumer likes and dislikes exert greater influence on the end purchase made by a consumer.

4. **Group Influence**

Group influence is also seen to affect the decisions made by a consumer. The primary influential group consisting of family members, classmates, immediate relatives and the secondary influential group consisting of neighbors and acquaintances are seen have greater influence on the purchasing decisions of a consumer. Say for instance, the mass liking for fast food over home cooked food or the craze for the SUV's against small utility vehicle are glaring examples of the same.

5. **Purchasing Power**

Purchasing power of a consumer plays an important role in influencing the consumer behavior. The consumers generally analyze their purchasing capacity before making a decision to buy and products or services. The product may be excellent, but if it fails to meet the buyers purchasing ability, it will have high impact on it its sales. Segmenting consumers based on their buying capacity would help in determining eligible consumers to achieve better results.

Consumer Buying Decision Process

Consumer buying behavior is the study of an individual or a household that purchases products for personal consumption. The process of buying behavior is shown in the following figure

Stages of Purchasing Process

A consumer undergoes the following stages before making a purchase decision −

Stage 1 − Needs / Requirements

It is the first stage of the buying process where the consumer recognizes a problem or a requirement that needs to be fulfilled. The requirements can be generated either by internal stimuli or external stimuli. In this stage, the marketer should study and understand the consumers to find out what kinds of needs arise, what brought them about, and how they led the consumer towards a particular product.

Stage 2 − Information Search

In this stage, the consumer seeks more information. The consumer may have keen attention or may go into active information search. The consumer can obtain information from any of the several sources. This include personal sources (family, friends, neighbors, and acquaintances), industrial sources (advertising, sales people, dealers, packaging), public sources (mass media, consumer-rating and organization), and experiential sources (handling, examining, using the product). The relative influence of these information sources varies with the product and the buyer.

Stage 3 − Evaluation of Alternatives

In this stage, the consumer uses information to evaluate alternative brands from different alternatives. How consumers go about evaluating purchase alternatives depends on the individual consumer and the specific buying situation. In some cases, consumers use logical thinking, whereas in other cases, consumers do little or no evaluating; instead they buy on aspiration and rely on intuition. Sometimes consumers make buying decisions on their own; sometimes they depend on friends, relatives, consumer guides, or sales persons.

Stage 4 − Purchase Decision

In this stage, the consumer actually buys the product. Generally, a consumer will buy the most favorite brand, but there can be two factors, i.e., purchase intentions and purchase decision. The first factor is the attitude of others and the second is unforeseen situational factors. The consumer may form a purchase intention based on factors such as usual income, usual price, and usual product benefits.

Stage 5 − Post-Purchase Behavior

In this stage, the consumers take further steps after purchase based on their satisfaction and dissatisfaction. The satisfaction and dissatisfaction depend on the relationship between consumer's expectations and the product's performance. If a product is short of expectations, the consumer is disappointed. On the other hand, if it meets their expectations, the consumer is satisfied. And if it exceeds their expectations, the consumer is delighted.

The larger the gap between the consumers' expectations and the product's performance, the greater will be the consumer's dissatisfaction. This suggests that the seller should make product claims that faithfully represent the product's performance so that the buyers are satisfied.

Consumer satisfaction is important because the company's sales come from two basic groups, i.e., new customers and retained customers. It usually costs more to attract new customers than to retain existing customers and the best way to retain them is to get them satisfied with the product

Types of Buying Decision Behaviour

Consumers are becoming smarter day by day; it is not to fool them with any gimmick. Nowadays, consumer does his/her homework very well before making any purchase in the market. Even before buying a face wash a consumer go through a rigorous process of choosing the best among the many present in the market. Buying a face wash and buying a luxurious car is very different, therefore the perception involved and the information gathered by the consumer in purchasing a car is much more than buying a face wash.

Henry Assael distinguished four **types of consumer buying behavior** based on the degree of buyer involvement and the degree of differences among brands.

(1) Routinized Response Behavior (RRB)/ Habitual Buying Behavior:

This is the simplest type of consumer behavior. This occurs when the consumer already has some experience of buying and using the product. Usually, this kind of behavior is adopted for the purchase of low cost, frequently used items. In such cases the buyers do not give much thought, or search and also do not take a lot of time to make the purchase.

Most of the time the buyer is familiar with the various brands available and the attributes of each and has a well-established criteria for selecting their own brand. The buyers are well aware of the product class, know the brands and also have a clear preference among the brands. The degree of involvement in buying such products is low. In such a case, the marketer has to ensure two tasks:

(a) The marketer must continue to provide satisfaction to the existing customers by maintaining quality, service and value.

(b) He must try to attract new customers by making use of sales promotion techniques like points of purchase displays, off-price offers, etc., and also introduce new features to the products.

(2) Limited Problem Solving (LPS)/ Dissonance Reducing Buying Behavior

In this type of buying behavior, the consumer is familiar with the product and various brands available, but has no established brand preference. Here the buyer is more complex as compared to routine buying behavior because the consumer is confronted with an unfamiliar brand in a familiar product class.

The consumer would like to gather additional information about the brands to arrive at his brand decision. For instance, a housewife buys refined vegetable oils for her cooking and she may be familiar with the concept of vegetable oil, vanaspati and ghee. She may also know about some of the leading brands available. But to establish her choice of brand, she would like to check with her friends and regular store about the attributes of each.

This buying behavior as described limited problem solving because the buyers are in a situation where they are fully aware of the product class but not familiar with all the brands and their features.

Limited problem solving also takes place when a consumer encounters an unfamiliar or new brand in a known product category. The housewife, who buys refined vegetable oil, on her next visit to the market, sees a new brand of vegetable oil. Apart from buying a new brand, this brand of oil also claims the unique attribute of being low in cholesterol.

To arrive at a decision, whether or not to buy this brand, the housewife needs to gather information about the new brand, which will allow her to compare it with the known brands. Here the marketer’s job is to design a communication programme, which will help the buyer to gather more information, increase his brand comprehension and gain confidence in the brand.

(3) Extensive Problem Solving (EPS)/Complex Buying Behavior

This buying is referred to as a complex buying behavior because the consumer is in an unfamiliar product class and is not clear about what criteria to consider for buying. Extensive problem solving occurs when the consumer is encountering a new product category. He needs information on both the product category as well as the various brands available in it.

This kind of decision is the most complex type. For instance, you may become interested in purchasing a Color Television set to replace the existing black and white one. You may have heard of the various brand names, but lack clear brand concepts. You do not know what product attributes or features to consider while choosing a good television set. So yours is an extensive problem solving.

The marketing strategy for such buying behavior must be such that it facilitates the consumer's information gathering and learning process about the product category and his own brand.

The marketer must understand the information gathering and evaluation activities of the prospective consumers. They have to educate the prospective buyers to learn about the attributes of the product class, their relative importance and the high standing of the marketer's brand on the more important brand attributes.

The marketer must be able to provide his consumer with a very specific and unique set of positive attributes regarding his own brand, so that the purchase decision is made in his favor. In other words, the marketing communications should be aimed at supplying information and help the consumer to evaluate and feel good about his/her brand choice. The concept of EPS is most applicable to new products.

The product may be new at the generic level or it may be an established product concept but new for a particular consumer. In case of a new product concept the entire consumer universe is unfamiliar with the product. The marketer has to spend large amounts of money in educating the consumers about his product.

The consumer in turn need a great deal of information before they can take a decision; and the decision process takes a longer time. On the other hand, you may have the situation where the product concept is well understood by a majority of the consumers, but it is being bought or used by a particular consumer for the first time.

To take a very simple example, a tribal who is exposed to the concept of toothpaste for the first time in his life will seek a lot of information and take a long time to decide. Because fro him, buying a toothpaste is an EPS behavior whereas for most of us it is simply Routinized response behavior.

(4) Variety Seeking

Consumers often express satisfaction with their present brand but still engage in brand switching. The motive is variety seeking, which occurs most often when there are many similar alternatives, frequent brand shifts, and high purchase frequency.

It can occur simply because someone is bored with his or her current brand choice, or it can be prompted by external cues as store stock outs or coupons that promote switching. Take the example of chocolates.

The consumers has some beliefs about chocolates chooses a brand of chocolates without much evaluation and evaluates the product during consumption. Next time, the consumer may reach for another brand out of a wish for a different taste. In this case the brand switching occurs for the sake of variety rather than dissatisfaction.