# UNIT 1: INTRODUCTION OF CONSUMER BEHAVIOUR AND CONSUMER RESEARCH

## UNIT STRUCTURE


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## 1.1 LEARNING OBJECTIVES

After going through this unit, you will be able to:

- explain the concept of consumer behaviour
- explain the concept of consumer and customer
- explain the conceptof marketing
- describe consumer behaviour and its application in marketing
- explain the consumer research process.

## 1.2 INTRODUCTION

Consumer behaviour is comparatively a new field of study which evolved just after the Second World War. The seller market has disappeared and buyer market has come up. This led to paradigm shift of the manufacturer's attention from product to consumer and specially focused on the consumer behaviour. Marketing starts and ends with consumers. In

marketing oriented philosophy, Consumers are placed in the centre of business operations. Consumer satisfaction is the main motto of today's marketer. It is fact that consumers can be satisfied only when a marketer knows what consumers need and want.Consumer needs should be treated as main focus point. The evaluation of modern marketing concept which is mainly consumer oriented marketing has resulted in buyer behaviour becoming an independent discipline. The growth of consumerism and consumer legislation emphasizes the importance of the consumer. Consumer behaviour is a study of how individuals make decision to spend their available resources (time, money and effort) or consumption related aspects (What they buy? When they buy? How they buy? etc). The heterogeneity among people makes understanding consumer behaviour a challenging task to marketers. Hence marketers felt the need to obtain an in depth knowledge of consumers buying behaviour. Finally this knowledge acted as an imperative tool in the hands of marketers to forecast the future buying behavior of customers and devise four marketing strategies in order to create long term customer relationship.

## 1.3 CONSUMER BEHAVIOUR

It is broadly the study of individuals, or organisations 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. It studies how the consumers react or respond to the product. It is determined by consumers' characteristics. Individual consumer reacts or responds differently due to their different set of characteristics.

## 1.4 DEFINITION

The term consumer behavior can be defined as under

- C.G.Walters and G.W.Paul - Consumer behavior is the process through whereby individual decide whether, what, when, where, how and from whom to purchase goods and services.

- Frederic Webster- Buyer behavior is the psychological, social, and physical behavior of potencial customers as they become aware of, evaluate, purchase, consume and tell other people about product and services.

  From the above definitions it is clear that consumer behavior is a separate academic discipline which studies what, how, why, when and from whom the consumer buy product. It is the study of total behavior of consumer in relation to goods and services.

## 1.5 CONSUMER AND CUSTOMERS

The person who buys the goods or services from a seller is known as the Customer. The person who uses the goods or services is known as a Consumer. The customer is also known as buyer or client whereas the Consumer is the ultimate user of the goods.Customer and Consumer are often used inter-changeably. The difference between Customer and Consumer are:

- Customeris the one who buys your product/service.In simple terms he/she is the purchase of the product/service, he pays for getting the product. A customer may or may not use it for self.
- Consumer is the one who uses/consumes the product/service.It is not necessary that a consumer should purchase the product/service. If any other person buys the product which is consumed by other person then the other person is the consumer and the buyer is the customer.
- A Customer can be a consumer if he purchases the product/service and self consumes it.Marketer uses the information about who is customer and who is consumer in devising the marketing mix of their product and services. They will target both the groups to better market their products and services.

## 1.6 BUYERS AND USERS

The users are the people who buy the products on a regular or daily basis to use product. The buyers are the people who sign the contract for

purchasing the products to use by someone.

The users are the individual who will ultimately use the product to perform his/her job. He might be empowered to purchase the product directly, or he might merely have varying degrees of influence with the company's decision-makers. In some cases, in fact, he might have no influence over which product the company buys.

Whatever the case, though, obviously marketer will be developing their product with this person in mind - because their improved efficiency and productivity using it will play a major role in whether the company continues using your product.

This is another key person whose needs and goals should play a role in how you develop and prioritize your product. But it's important to remember that the manager of your end-user has different goals and needs than the end-user herself.

For this persona, your priorities will likely be centered around making sure your product improves efficiency and output, making each user more productive, and as a result, more valuable to the company.

Often another priority for managers is gaining better visibility into what their team is actually doing and being able to measure their progress. If you're developing a piece of business software, including a management dashboard can be a smart strategy. Doing so increases your ability to demonstrate how your product aligns with management's own goals.

**Organizations as buyers**

Organizational buying behavior is a complex decision making and communication process involving selection and procurement of products and services by organizational buyers. Organizational buyer it is also called as industrial buyer who purchases products and services for industrial or business purposes.The personal consumer buys goods and services for his own, for the use of the household, for just one -member or as a gift for a friend. In these context the goods are bought or finally use by individuals who are referred to as "end users" or "ultimate consumers." Organizational consumers buy for altering, modifying or reselling the products/services.



**CHECK YOUR PROGRESS**

**Q 1:** State True or False -

a) Consumer behaviour studies how the consumers react or respond to the product.

b) Consumer behaviour is the study of total behaviour of consumer in relation to goods and services.

c) A Customer can be a consumer if he.she purchases the product/ service and resale it.

d) Organizational buyerspurchase products and services for personal purposes.

## 1.7 DEVELOPMENT OF MARKETING CONCEPT

The concept of marketing is not a particularly complicated or even original idea. Sayings such as 'the customer comes first' or 'the customer is always right' have been used by forward-thinking merchants and entrepreneurs throughout the ages. Based on that age-old principle, marketing is really a more formalized business orientation that has developed into a management discipline over the years.

In early time, Marketing is basically concerned with exchange or trade. Trade in its most basic form has existed ever since mankind has been capable of producing a surplus. Historically, this surplus was usually agricultural produce which was often traded for manufactured goods such as textiles or earthenware. Exchange brought into existence places that facilitated trade, such as village fairs and local markets. The emergence of trade allowed people to specialise in producing particular goods and services which could be exchanged in markets for other goods they needed.

The period 1760-1830 saw the United Kingdom's economy transformed during the so-called Industrial Revolution, losing its dependence on agriculture with a dramatic increase in industrial production. Before the Industrial Revolution, the production and distribution of goods tended to be on a small scale. Industrialisation resulted in dramatic gains in productivity,

mainly due to the development of machines. Production became more geographically concentrated and was carried out in purpose-built mills or factories. Enterprises became larger, production-runs longer and products more standardised. Firms produced in volume, not only for a local market, but for a national and even an international market.

The growth of the 'factory system' caused the migration of the population from the countryside to the new and rapidly expanding industrial towns. Because of developments during the period of the Industrial Revolution, firms could produce more in terms of volume than the local economy could absorb. Consumption therefore became dispersed over greater geographical distances and producers no longer had immediate contact with their markets. To get over this problem, many forward-thinking entrepreneurs of the time started to plan their business operations in a 'marketing orientated' manner, although the terms 'marketing' or 'marketing orientation' were not formally used to describe this process until well into the twentieth century as we explain later.

In order for producers to be able to manufacture goods and services that would appeal and sell in widely dispersed markets, it became necessary for them to carefully analyse and interpret the needs and wants of customers and to manufacture products which would 'fit in' with those needs and wants. The process of matching the resources of a firm to the needs and wants of the marketplace is called entrepreneurship. Men such as Josiah Wedgwood (1730-95) came to epitomise the traditional entrepreneur with their ability to 'sense' what the market wanted in terms of design, quality and price, then organise production and distribution to satisfy effective demand at a profit. The early entrepreneurs were practising an early, albeit simplistic, form of marketing activity, although it was not called marketing as such. A craftsman, such as a blacksmith or potter, develops a high degree of skill in a particular activity.

Industrialisation took the processes of specialisation and division of labour a stage further, resulting in greater productivity which, in turn, reduced costs and hence the selling price of products. However, the rise in job specialisation also increased the need for exchange. Larger-scale

production meant that marketing channels had to be created to facilitate the distribution of goods to enable the effective demand from the much larger market to be met. This development laid the foundations of the modem industrial economy, which is still based on the fundamental concept of trade or exchange. During the first half of the nineteenth century Britain was the dominant force in the world economy, and the main factor underlying its industrial growth was the development in international trade. Britain was first and foremost a trading nation which had secured supplies of raw materials and held a virtual monopoly in the supply of manufactured goods to the relatively underdeveloped countries which collectively made up the British empior absorb. Consumption therefore became dispersed over greater geographical distances and producers no longer had immediate contact with their markets. To get over this problem, many forward-thinking entrepreneurs of the time started to plan their business operations in a 'marketing orientated' manner, although the terms 'marketing' or 'marketing orientation' were not formally used to describe this process until well into the twentieth century as we explain later. In order for producers to be able to manufacture goods and services that would appeal and sell in widely dispersed markets, it became necessary for them to carefully analyse and interpret the needs and wants of customers and to manufacture products which would 'fit in' with those needs and wants. The process of matching the resources of a firm to the needs and wants of the marketplace is called entrepreneurship.

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## 1.8 CONSUMER BEHAVIOR AND ITS APPLICATIONS IN MARKETING

- **Analysing market opportunity:** Consumer behaviour study help in identifying the unfulfilled needs and wants of consumers. This requires examining the friends and conditions operating in the Marketplace, consumers' lifestyle, income levels and energy influences. This may reveal unsatisfied needs and wants. Mosquito repellents have been marketed in response to a genuine and unfulfilled consumer need.
- **Selecting target market:** Review of market opportunities often helps in identifying district consumer segments with very distinct and unique wants and needs. Identifying these groups, behave and how they make purchase decisions enable the marketer to design and market products or services particularly suited to their wants and needs. For example, please sleep revealed that many existing and potential shampoo users did not want to buy shampoo fax price at rate 60 for more and would rather prefer a low price package containing enough quantity for one or two washers. This finding LED companies to introduce the shampoos sachet, which become a good seller.
- **Marketing-mix decisions:** Once unsatisfied needs and wants are

identified, the marketer has to determine the right mix of product, price, distribution and promotion. Where too, consumer behaviour study is very helpful in finding answers to many perplexing questions. The factors of marketing mix decisions are:i) product ii) price iii) promotion, and iv) distribution

- **Use in social and non profits marketing:** Consumer behaviour studies are useful to design marketing strategies by social, governmental and not for profit organisations to make their programmes more effective such as family planning, awareness about AIDS.

## 1.9 CONSUMER RESEARCH PROCESS

It is the systematic collection and analysis of consumer information for the purpose of important decision making in marketing. Consumer Research plays an important role in marketing process, helps in consumer measurement, market potential, sales forecast, each element like product mix distribution mix, price effectiveness of an advertisement campaign, consumer acceptance of a product. In the fiercely competitive situation, it is extremely critical for an organization to monitor the customer satisfaction on a regular basis. Consumer Research is primarily used for two applications. These are: Routine problems analysis i.e., product potential, sales forecasting etc

Non-routine problems analysis i.e. new product launch, success of promotional schemes. Relevance of consumer Research Consumer Research has become extremely relevant especially in the present business scenario and the reasons can be stated as under:

- Today's business decisions are extremely complex and a large number of variables are involved.
- Globalization and liberalization has intensified competition and survival of an organization is at stake.
- Optimization at all levels to reduce costs. An organization need to know the areas, which offer cost reduc5tions without affecting the consumer expectations.

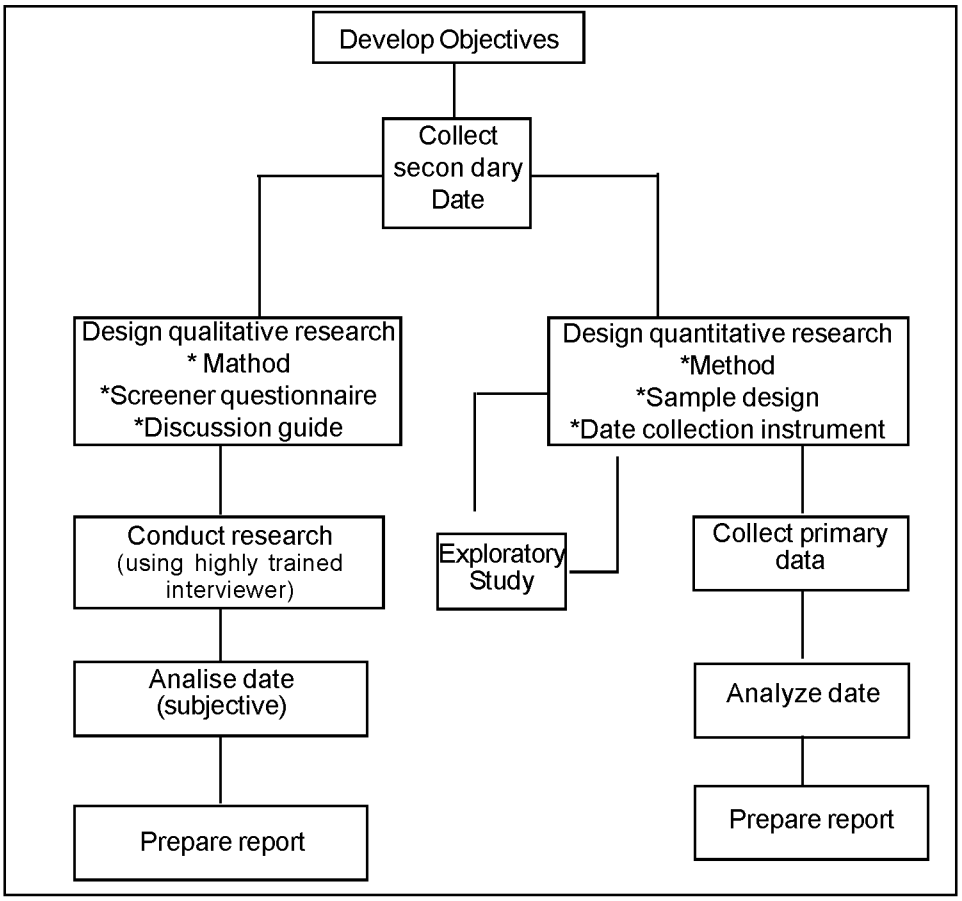
- Employees and shareholders are becoming increasingly aware of their rights to participate in decision-making process.
- The tools used for research has increased and organizations are increasingly participating data mining.

**a) Consumer research process:**

Consumer research plays a very important aspect, especially when a company decides to launch a new product into the market. Companies conduct market research to better understand the consumers, their needs and their satisfaction level.

After conducting various surveys and focus groups, companies analyze the consumer data and then make recommendations based on the results.

**The Consumer Research Process**




**b) Developing Research Objectives**

The first step in the consumer research process is developing the research objectives which involve defining the purposes and objectives to

ensure an appropriate design. A statement of objective helps to define the type and level of information needed.

**c) Collect Secondary Data**

There are two distinct sources of secondary data ? internal and external. Always seek internal sources first. Most go straight to Google without considering the fact that data might exist within the organization itself. This can sometimes be in the 'heads' of the personnel.

**d) External Sources**

External sources are numerous. Consumer Generated Media (CGM), especially, has grown in importance as a data source. The key is to avoid spending too much time following 'blind alleys'. This is where the time and cost can escalate sharply.

- Directories
- Country information
- Published marketing research reports
- News sources
- CGM (Newsgroups, blogs, groups)
- Internet - single search engines, and multiple search engines

**e) Primary Research**

Primary research is basically the original research. Here you yourself collect the information through various tools available. In primary research, you don't tend to depend on any third parties. You may conduct interviews or surveys, observe, or even directly go to the object for collecting information.

**f) Quantitative Research**

A quantitative research study is comprised of research design, the data collection methods, instruments to be used, and the sample design.

Following are the three basic designs or approaches used for quantitative design ?

- **Observational Research:** In this method of observational research, the people or customers are observed effectively when they purchase a particular product. It helps the researcher to gain in-depth understanding of the relationship between the people and products by

observing them while purchasing and using the product.

- **Experimentation:** Experimentation is a type of research where only certain variables are manipulated while others are kept constant in order to encourage the change in the constant variable
- **Surveys:** A survey is a method of research in which an interviewer interacts with respondents to obtain facts, opinions and attitudes.

Following are the various survey methods which are generally used:

- Personal interview survey
- Telephone survey
- Mail surveys
- Online surveys
- Quantitative research data collection instruments

**g) Data Collection Instruments for Quantitative Research Data**

Questionnaire and Attitude Scale: For quantitative research the primary data collection instrument is a questionnaire and the most frequent one is attitude scale which is used to capture evaluative data.

Following are the important methods of data collection in the qualitative design techniques which are used in the initial stages of research.

- **In-Depth Interview:** Depth interview is conducted in length and in a non-structured manner where the interviewer is highly trained and minimizes his own participation in the discussion once the general subject is discussed.
- **Focus Group:** Focus group involves many respondents who interact with the analyst in a group discussion and focuses on a particular product.

**h) Projective Techniques**

Projective techniques are best used to understand the motives of people when they are unconsciously rational.

The analyst generally analyzes and reports his findings based on the responses received in qualitative research whereas in quantitative analysis, the researchers oversees the complete research, analyses the open ended questions, classifies the responses and systematically tabulate them.



## 1.10 LET US SUM UP

In this unit we have discussed the following aspects:

- Consumer behavior is the study of individuals, or organisations 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 is a separate academic discipline which studies what, how, why, when and from whom the consumer buy product. It is the study of total behavior of consumer in relation to goods and services.
- Customeris the one who buys your product/service. In simple terms he/she is the purchase of the product/service, he pays for getting the product. A customer may or may not use it for self.
- Consumer is the one who uses/consumes the product/service. It is not necessary that a consumer should purchase the product/service. If any other person buys the product which is consumed by other person then the other person is the consumer and the buyer is the customer.
- The users are the people who buy the products on a regular or daily basis to use product. The buyers are the people who sign the contract.
- Organizational buyer it is also called as industrial buyer who purchases products and services for industrial or business purposes.
- Consumer behaviour study help in identifying the unfulfilled needs and wants of consumers.
- Consumer research is the systematic collection and analysis of consumer information for the purpose of important decision making in marketing.



## 1.11 FURTHER READING

1) Leon G Schiffman, Leslie Lazar Kanuk (2009) Consumer Behaviour, Pearson Education
2) NK Sahani, Meenu Gupta (2015) Consumer Behaviour, Kalyani publishers.

## 1.12 ANSWERS TO CHECK YOUR PROGRESS

**Ans to Q No 1:** a) True

**Ans to Q No 2:** b) True

**Ans to Q No 3:** c) False

**Ans to Q No 4:** d) False

## 1.13 MODEL QUESTIONS

(Answer each question in around 300-500 words)

**Q 1:** What do you mean by consumer behavior? Write the differences between customer and consumer.

**Q 2:** Write a brief notes on development of marketing concept.

**Q 3:** What is Consumer behavior and discuss its applications in marketing?

**Q 4:** Discuss in details about Consumer Research process?

**Q 5:** Why is it critically important for marketers to understand consumer?

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