

Consumer Psychology
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An Overview of Consumer Behavior
Lecture - 01
Introduction to Consumer Psychology I

Good morning students, welcome to this course on Consumer psychology and this lecture is the first in the series of this course; now as I have already explained on the introductory video that the course is comprised of 20 different lectures and within these lectures will be moving to various aspects of consumer psychology.

Now since this particular lecture is the first lecture in the series of the 20 lectures that I am going to conduct on consumer psychology. In this particular lecture what I am trying to do is trying to introduce you with the science of consumer behavior and consumer psychology. What is it that we study in consumer behavior? What are the methods of studying consumer behavior? What are the basic properties of consumer behavior, the various elements of consumer behavior? And so, we will be disappearing this one by one in this particular lecture and the next upcoming lecture. So, what is consumer behavior? The whole statement is made up of 2 parts says consumer and some something called behavior.

Now, consumer is anybody who buys anything from the market or consumes anything from the market and that is what are consumer is. And behavior is a psychological aspect which is basically response that people go gave to particular kind of stimulus. So, how do they respond to particular kind of consumption or particular kind of marketing stimuli? So, basically in this particular lecture we are going to undertake the journey of understanding what consumer behavior is all about.

So, first thing first, let us start with a scenario, let us try and understand what consumers are and what consumer behavior is and for that let us build up a story. Let us assume that the Smartphone that you have been using for the past 4 months or 4 years is actually dying and so, you are in the need of buying a new cell phone. So, basically the idea of buying a new cell phone has a lot of implications and so, when you go to buy this cell phone which is a product in the market you actually become a consumer. So, you act like

you act as a consumer in the sense that you are going to buy a product and get benefits out of it.

So, basically how do you go ahead and buy this cell phone, what are the motives of buying the cell phone, what are the various factors which influenced you into buying the cell phone and the company which is selling the cell phone to you what should it do or how should it study or consumers like you so, that they can make up a product which matches your expectations.

So, how do you actually buy a cell phone? For example, you go to the market your cell phone is dying so, you look up to the market. So, there will be several factors which decide how you buy the new phone, one of the factors which basically should be involved is what is the use of the cell phone for you. So, the new Smartphone that you are looking at new Smartphone which you are thinking of buying gates what is the use of is this phone for you.

So, whether you use this phone primarily for just calling or texting or do you use it for other purposes like going onto social networking websites or maybe you use this phone for some other purposes for example, reading text online, going online and doing certain kind of works or maybe editing certain power points or some other way.

So, they there could be several functions of why you need a cell phone. So, people could be only texting and calling would be looking for not a Smartphone, but a basic phone and the people who would like to go online and do several kind of social net workings or other folks from made we will look for a Smartphone with these features on. So, this is one basic thing, the other thing that will decide of how you buy a cell phone is basically; what are you wanting in the cell phone.

So, basically in terms of what is the hardware so, the depending on your use you will decide the hardware. So, if you are one of those people who actually uses a cell phone for a longer period of time you stay online for a longer period of time you have a active social life. So, you will be looking for a Smartphone which is easier to use in terms of the software, in terms of the interfaces, in terms of the battery life and so, so many other things so, that we will also decide of how you buy your cell phone.

Other factors which might influence of how you buy a cell phone would be where do you go to buy this particular thing. So, whether you are buying it online, whether you are buying it through a store, whether you buying it from the store next door or wherever you are buying it or is it coming as a gift and so many other things are also involving buying this particular cell phone. And with this another factor personal factors which are involved in buying this cell phone could be how much money you have how much money you can spend and so on and so forth.

So, basically the story that I gave to you and so, you what you do is you look into the pluses and minuses of all of these factors add them together. And finally, decide to buy a cell phone of a particular company and you go ahead and buy the cell phone and then you get satisfied with or dissatisfied with it based on that whether if you get satisfied, you would maybe buy the cell phone again or if you are dissatisfied you will change a plan. So, this simple act of buying a cell phone is a complex decision and this is what most consumers have to go through every day is basically deciding between what to choose.

And so, since the number of alternatives which are available the number of products which are available in the market is huge consumer behavior is actually the study of how consumers behave in the market? How consumers actually go and make the final purchase decision? And an integral part of this is studying the complex decision process or the pro decision making process of how consumers choose between products.

Now courses on consumer behavior or consumer dynamics or consumer psychology would focus on this particular aspect from several different viewpoints. Now one viewpoint could be the marketer's viewpoint where I am looking for those facts or when I am trying to study those facts which is interested for a marketer. For example, how should the product placement be? Where should the product be? Which market should I launch the product? What are the qualities of the product? And so on and so forth.

The study of consumer behavior can also be looked into or could also be made from a consumer standpoint and this stand point basically requires us to understand the psychology of the consumer now those factors which are inherent in the consumers and how do they go about or what are the factors, how do they play about in making this purchase or making consumer purchases into the market.

So, basically consumer psychology this course in consumer psychology we will be focusing on consumer factors. So, we will look at all those consumer factors which play major role into how consumers actually go into the marketplace, make a particular purchase, get satisfied or dissatisfied with it. And finally, decide to either buy it stick with that particular product or make a different choice.

Now, all these buying process all this process of consuming things or buying things actually happen because there is a need generated in the consumer. Now these new generation can be actually a real need where the consumer is really thinking of buying it or the need that is generated in the consumer can be an aesthetic need where he is just buying for something, something for just the purpose of our just for the entertainment purpose or just for feeling of pleasure purpose.

And so, when consumers buy a good for it is retail value, for it is utilitarian value which basically means that I am if I am buying a cell phone, I am buying it basically for purpose of using it as a cell phone which basically means making calls and writing texts or I could be buying a cell phone for it is aesthetic value which means that the cell phone purchase is because of it is design because of it is other features which are not related to the core feature of calling.

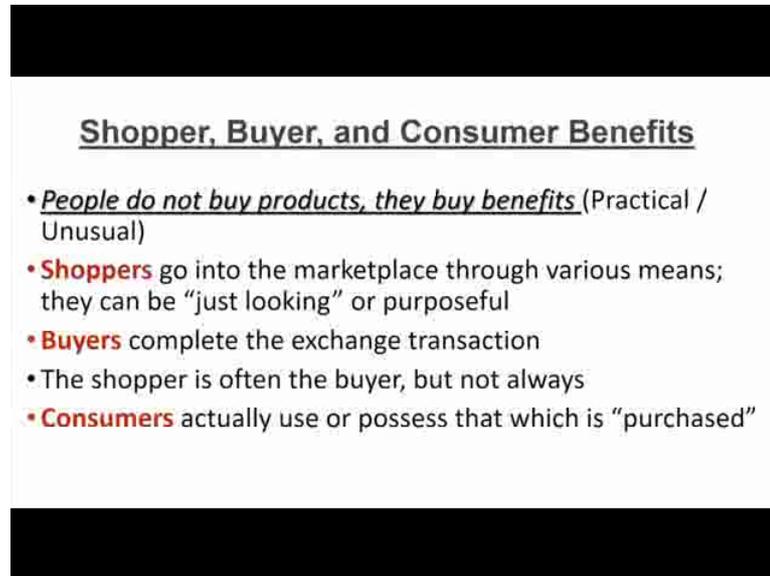
So, basically more cell phones can call so, why do people buy different phones right why not stick with one. So, basically there are different needs and this need generation is actually the first step in making consumer buy a product. So, this journey of consumer psychology the course on consumer psychology we will look into consumer factors which will affect this decision of the consumer to how to buy a product and why to buy a product.

And so, these factors could be the consumer memory the consumer learning it could be things like consumer motivation and emotions it could be things like consumer attitude. And so, many other psychological variables or time pressure and so many other psychological variables which will be acting all together and then deciding how a consumer makes the final purchase.

So, let us then start with this section on an overview of the consumer behavior where we try to study what consumer behavior is actually. And then, later on we will study those psychological factors which or psychological variables which affect the purchase of a

product or the behavior of a consumer. So, any consumer anyone who goes to the marketplace and makes a purchase can be defined under or can be put under 3 different categories.

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Shopper, Buyer, and Consumer Benefits

- *People do not buy products, they buy benefits* (Practical / Unusual)
- **Shoppers** go into the marketplace through various means; they can be “just looking” or purposeful
- **Buyers** complete the exchange transaction
- The shopper is often the buyer, but not always
- **Consumers** actually use or possess that which is “purchased”

We have the shopper, we have the buyer and we have the consumer benefit. So, this basically 3 type of people any consumer can be classified into 3 type of categories one is the shopper the one who does the shopping, the other is the buyer and the third is the consumer.

So, before going into understanding these 3 kinds of categories, let us first look at why do people shop, why do people actually buy things or consume things. And the underlying fact or the most important fact on which the study of consumer behavior or any course on consumer behavior; and says that people in the market do not buy products, but what they tend to buy is benefits from products and that is the first line that I have written here.

So, people in the market in the consumer market they do not buy products, people are not in the market for buying things, when you are buying the cell phone you not buying the cell phone, but what you are trying to buy is actually the benefit that you get or the cell phone and these benefits that people obtain from products is actually practical and it could be a practical benefit or it could be a unusual benefit.

So, I will explain this practical and unusual benefit in a minute, but this part this particular sentence is something which you should remember or you should fixate on. So, people in the market are not interested in products rather they are interested in the benefits that they get out of the product. So, if you are buying anything it is the benefit that decides or that makes you make the purchase.

Now what is the practical benefit let us say I want to buy a cell phone, what is the practical benefit of buying a cell phone. the practical benefit rate is it is going to give you the mobility or the chance to make calls and make messages and connect with people that you know or different people around you and what is the unusual benefit.

So, practical benefit is the core benefit that you get out of a cell phone which is basically texting going online and doing all kind of stuffs and the unusual benefit that you are going to get out of a cell phone is the feeling of pleasure out of holding the phone or the feeling of pride of buying a particular cell phone. So, most people who buy an apple phone the reason could be a practical reason where they believe that apple has good interface or good memory, but then if you do an actual comparison of what an apple has and what other phones have.

We find that there are several other phones in the same with a lower price bracket that apple offers and have very good hardware. So, most people I am not making this as a statement and I am not making any claims, but most people who tend to be apple fans or which call them fell apple fans is because they feel proud to be in the club right.

So, all those the advertisements which say you are in a Harley Davidson club or one most advertisements like you belong to Mahindra, and Mahindra club benefits and all this kind of advertisements basically focus on to the unusual benefits that you got out of products. Then usual benefits are the feeling of, pleasure the feeling of, joy the feeling of so, purity over others and these are the unusual benefits that you get out of a product.

So, two benefits that can attain that can come out of a product the usual one which is the core benefit, and the unusual one which is the feelings the psychological feeling they get out of making or buying that particular product. Now as I explained before any person who goes into the market for buying any individual who goes into the and into the market for buying, because he has a need has erosion in him can be categorized as

something called a shopper, something called a buyer or something called a consumer and what is the difference between them.

Now, shoppers are those people who actually go into the market who physically go into the market and through various means they are they might either be looking at a product or they might buy your product. So, shoppers are those people who actually venture into the market and through maybe it is an online market, maybe it is an offline market, maybe it is some other kind of market, which is their so, they are just there for a particular purpose. So, shoppers are those people who actually venture into the market and interact with the product or interact with the experience of the product.

Who are the buyers? Buyers are those people who complete the exchange transactions. So, what does it really mean so, people who go into the market, and look at different products and are there for a particular purpose and interact with them shoppers, but when the same shopper actually gives in money or actually parts with money and buys that particular product he becomes a buyer.

So, shoppers are people going into the market and just and just doing window shopping or just looking around, but buyers are those people. And the same shopper becomes a buyer or buyers those people who actually go into the market and finish a transaction in terms of buying the product. And so, this is the slight difference between what a shopper and buyer is.

And the third category here is called the consumer and so, as that is what I have written the shopper is often the buyer, but not always and there will be times when the shopper is not actually the buyer. So, it may be possible that small child he likes toys he goes into the mall, he looks around finds a particular toy, but of course, he does not have that much money to buy the particular toy. So, later on he calls his father and mother, who later on at some other point of time going to the market and buy that particular toy for this particular child.

Now in terms of looking around interacting with the product and deciding on the product the shopper in this case is the child whereas, the buyer in this case who actually pays the money and buys the product is the parent and so, here the shopper and buyers are different. But in most cases the person who looks around, who interacts with the products who goes in to the market is turns out to be the buyer.

Who are the consumers? The consumers are the people who actually use the product or possess the product which has been brought from market. And so, it could also be possible it is also possible that the consumer may be entirely different people or entirely different person. Genetically speaking, shopper turns out to be a buyer and also turns out to be a consumer, but there are situations in which consumers might be entirely different from the shoppers and buyers.

For example, think about gift giving. Now if you are giving a gift to someone you are the shopper and you are the buyer, but once you shop particular thing in a buy particular thing you are not the one who actually possesses these things you gift it to someone else. Who actually on the other end goes ahead and uses this product and so, he becomes the buyer of the product or the consumer of the product. So, you are the shopper and the buyer and the consumer is the third person to which you give the gift.

And so, in this case the shopper buyer and consumer might be different, but in most generic cases the shopper turns out to be the buyer and the buyer turns out to be the consumer. So, going into the market for buying a cell phone paying money into the market buying that particular cell phone and then later on this using this cell phone is actually an example of where the shopper is the buyer and the buyer is the consumer. So, this is the distinction between 3 different roles that any individual can play in the market the as the role of a shopper, the role of a buyer and the role of a consumers.

Now, there with when you are doing the marketing when you are into the market and make and buying products there can be several influences.

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Shopper, Buyer, and Consumer Benefits

- “Influencers” exert various levels of power over the choices a person makes in certain product categories
- Different types of people seek different benefits
 - A watch (Student vs Gift)
- The **marketplace** is anywhere that a transaction can be completed

Which exert the various level of power over a choice and in due course of time we will look into these influences. They can be influences like for example, sale and when you go into a market a very good influencer for you to make a purchase is sale. So, some companies announces a sale and so, even if you do not have a need of that particular product people hold things and that is the nature of consumers.

So, basically you go into the market tomorrow you are venturing into let us say big bazaar and then once you suddenly see that there is a sale for a particular thing or one thing comes as a gift to another thing or added on or less price or there is a sale for something what you tend to do is buy excess of that product and so, this particular thing the use of sale or reducing prices or some other situational factors or other factors can help you make a purchase and can help you actually become turn from a shopper to a buyer and a consumer and these factors are called inferences.

So, there are several differences in to the market and we will see how these influences really work. So, influence is one another factor which has a lot of power and it can make a person choose between particular kinds of the product. Now the benefits, the benefits that people buy from a product the benefits that people are looking from the product are different.

So, different people when they go into the market they actually look for different benefits and that is why there are so many choices, why is it that we do not have just one product

in the market, why are the number of alternatives or choices which are different in the market. Now the choices are different in the market the reason for that being there is that because people different people require different benefits for example, let us look at the process of buying a particular item which is called the watch.

Now, for a student the benefit that he wants to desire out of the watch is basically timekeeping, he wants to buy the watch, because he wants to know the time or it could be setting time for getting up early in the morning for studying and some other purpose. But, the same watch when it is given as a gift to someone on an anniversary or a birthday or something, some other occasions that particular watch serves a different purpose, because at times it never comes out of its packaging, it remains in its mint condition because it is a gift and so, people do not take it out.

And so, in one case the benefit that the student takes out of the watch is basically timekeeping, where in another case in the gift giving scenario the watch offers a different benefit altogether which is the position the higher the feeling of possession of this particular watch or the feeling of heightened feeling of the benefit that you get because of owning that particular brand.

So, different, different people look for different, different benefits and this is the reason why in the market is so, diverse the consumer market is so, diverse and there are so, many choices out there. Now what is a marketplace? Now so let us define a marketplace. So, what we understood is, there are 3 types of people the individual who was in the market can have 3 roles to play into it and once he goes into the market there he gets influenced by so, many factors.

Now the fact the thing is that there are so, many choices in the market the reason for different choices is, because people have different desires or different desire for benefits from the production that is why there are so many choices onto the market. So, the same product can be offered or may offer different benefits for different consumers, and that is why the choices are there into the particular market.

Now, where do these consumers actually go to buy a particular product and the place that these consumers actually go to buy a particular product is called the marketplace. So, any market any place or any space where a consumer goes ahead and completes the transaction of buying a particular product is called a marketplace. Now the reason why

define I define a marketplace as a space as a 3 dimensional space is because it could be as real space or it could be a virtual space. Now I had times the marketplace is the market plain in it is physical sense for example, going to a showroom or going to particular retail outlet or going to particular superstore retail store and so on and so forth.

And so, in these cases what really happen is the marketplace is a physical object, there are times when you actually purchase things online and in this case the physicalness the physical aspect of the marketplace disappears and the market place becomes a virtual place where so, the idea of Amazon introducing the idea of a bookstore or how did Amazon come aboard the idea of a bookstore is a great example here.

Another thing is Amazon for looking for selling the books and so, what they did, they were the pioneers in this Jeff Boss was the pioneer in this. And so, he designed a virtual marketplace where people can not feel the same way as they actually field why going into the market. And so, although and in the present day the Amazon sells a lot of products, but initially Amazon was for all 4 books and so, it looked like a virtual bookstore.

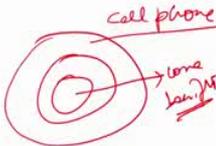
If you look at the design of an Amazon or the old days Amazon it actually look like a marketplace in the sense that you have different sections just like you have in a bookstore. And so, when you go into fiction you will find books on fictions and they have been labeled from a to z and so on and so forth, the from fiction to some other place to some other place to some other romance, to fiction, to war stories, to children stories and so on and so forth. And so, this is the how they design this actual store into the virtual world which is called a virtual store and so, basically that became the marketplace.

So, marketplace is somewhere where a consumer actually goes ahead and makes the transactions or actually finishes the transactions and buys the product. Now the benefits that, anybody that any consumer gets out of a product can be both tangible and intangible in nature; so, the first thing that I defined in this particular section is that people derive benefits from products and what I would like to add here is that the benefits that people get out of products are both tangible and intangible in nature.

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Benefits and the Total Product Concept

- **Tangible benefits** are in some sense measurable
- **Intangibles** are associated with feelings experienced when owning or using a product or service
- **Total product concept** is a broader view of goods and services as a sum of their benefits
 - Basic core
 - Accessory ring
 - Psychological ring
 - Time dimensions



So, what are the tangible benefits, tangible benefits has some sense of measure now those benefits that you can measure for example, you buy a laptop. Now when you buy a laptop it helps you in doing your work it has particular RAM size, it has a particular disk space, it has a particular bright LED size or the easiness it is making you to work around and all those things that you get the product in itself that you get all those things that can be measured as a benefit are tangible benefits.

What are the intangible benefits, now these are associated with feelings experience when a knowing a particular product or service. Now intangible benefits are indirect benefits that you get out of a product. And so this can be the feelings of possessing a product. So, the next time you buy a laptop, the moment you buy a apple laptop the proudness that you feel by carrying it, the proudness that you feel when opening in front of everyone is the intangible benefit that you are getting.

Or the proudness that you feel when you receive email from apple saying that you one a one you are one of the group of apple, you are one of the family of apple that particular is called the intangible benefit. So, it is a mostly it is a psychological variable whereas, the tangible benefit is a physical variable the benefit that you can measure that, you can touch that, you can see are the tangible benefits right. So, any product then has a number of benefits to offer to the consumers. And so, all these taken together all the benefits that

a product has to offer to a consumer can be capped together, can be encapsulated together into format and that is called the total product concept.

So, any product that that consumer actually buys offers a number of benefits to people and compressing these two together into one whole is called the total product concept. Now what is the total product concept, it is a broader view of goods and services as the sum of the benefits, the benefits that these goods and services offer to the people. And so, there are 4 different benefits that people get out of any product.

So, let us say if I have a product any product; let us say if I have new cell phone, now this cell phone new cell phone will have 4 different benefits that it can offer people. The central part is called the core benefits, what is the core benefit of a product? The core benefit as of the product is the actual benefit that you get off buying a product.

So, next time when you buy a camera into the marketplace the very fact that you can click pictures out of it beautiful pictures out of it, and can increase it is memory can take different modes of pictures out of it or can use it for traveling and during traveling, and non traveling, and can lot of other benefits that you get out of buying a camera or having a camera is called the core benefits.

So, all those benefits that are camera can offer all those benefits that can be measurable and then a camera can offer to a person are called the core benefits. What is the core feature of a camera taking pictures? And so, if the camera is offering you the fact or the benefit of taking pictures beautiful pictures in different format, in different ways, I am going different lightings and a different conditions. And if it is giving you this chance to carry it to different places and take pictures, because the need that arose for you buying the camera was taking pictures and if it is satisfying that need in all particular way it is said to have the core benefit or said to satisfy the core benefit of people.

The second benefit or the particular thing benefit that any product has to offer to the people is there something called the accessory benefit. Now, what is the accessory benefit, all those benefits that consumers go ahead and actually derive from a product which is not the core benefit, additional benefits that you derive from the product are called the accessory benefit.

For example, things like good show room, things like happy salesmen, things like pleasurable visit to the sale shop or the sales atmosphere or all those extra things which are not directly to the product, but are surrounding the product that that you are going to buy are called the accessory benefits. So, those benefits which help you in deciding that particular product or residing in bank that particular product or call the accessory benefit or the fact that you have a very good service center.

The availability of a service center for a laptop, the availability of a good consumer store where you can for that particular laptop or a showroom for the laptop where you can go ahead and see various types of or various versions of that laptop which is there with a particular software with without a particular software with a particular kind of hardware and so on and so forth. Or the kind of service that the particular company provides you, the kind of payment methods that that particular company provides you, the kind of options of buying for example, whether the company is offering you an EMI, out of an EMI or a card payment and so, many other things.

So, this is this particular feature is not directly related to the product itself, but this is an extra feature off which is associated with the product and which actually makes your buying pleasurable and these are called the accessory benefits or the accessory ring or accessory benefit ring of a product.

The third benefit that you get a third benefit there are product can give you is called the psychological benefit. And so, these benefits are derived are those benefits that that people get by buying a particular product and the feeling that gets associated with it. So, by just owning a new Audi the kind of feeling that it gives to you the kind of social status you get by owning or Audi itself the kind of pleasure that you feel the kind of social elevation that you feel by buying a Audi or the kind of ego boost that you feel by a buying the particular new car. Or an Audi is new car is basically the psychological benefit or the psychological ring of benefit that the particular product gives to you.

So, it is basically dependent on the consumer's psychology or the consumers psyche. So, those benefits that the consumer derive by just processing a product the feeling that happens by just processing a product is called the psychological benefits that a particular product can give you. And the fourth benefit that you can get out of a particular product is called the time dimension or the time benefit.

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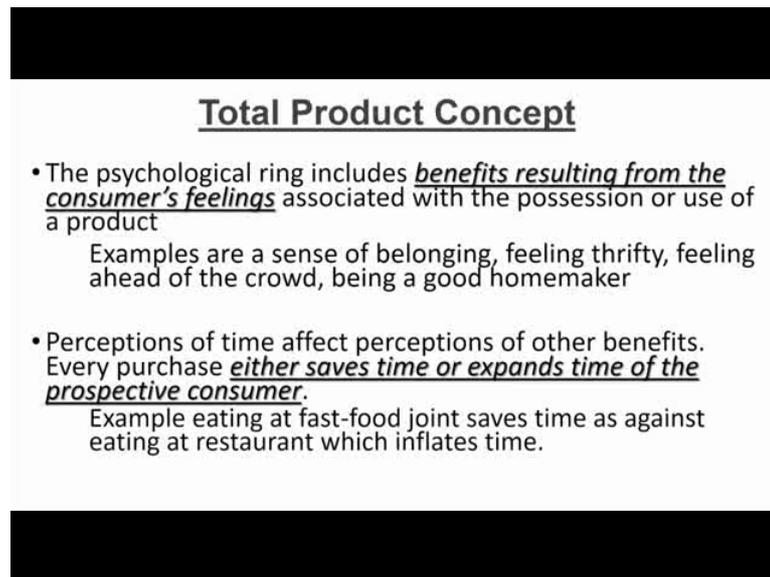
Total Product Concept

- The basic core is the bundle of utilitarian benefits purchased
Examples are laptop design, features, memory, speed, operating system, installed software, etc.
- The accessory ring includes "added-value" benefits
Examples are store reputation, manufacturer prestige, location convenience, salesperson's friendliness, etc.

Now this benefit is not a direct benefit and so, what it does is time is something which is either increase or decrease when you make a particular purchase. And so, when you buy a particular product it either engages you in buying it. And so, it is away your time or particular product buying a particular product decreases your time. So, this increase or decrease of time is another factor which is that benefits that you guy go out of buying a particular product and not choosing any other product.

And so, this time dimension the time when if it is very much dependent on different kind of individuals for example, some people have a lot of time and so, they are free to shopping. And so, they love spending time for other people they are time crunch and so, they buy a particular product because it saves a time. And so, as I was saying the basic core is the bundle of utility in benefits that you can purchase out of a product and so, examples are laptop design, features, memory, speed, operating system, installed software and so on and so forth.

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Total Product Concept

- The psychological ring includes benefits resulting from the consumer's feelings associated with the possession or use of a product
Examples are a sense of belonging, feeling thrifty, feeling ahead of the crowd, being a good homemaker
- Perceptions of time affect perceptions of other benefits. Every purchase either saves time or expands time of the prospective consumer.
Example eating at fast-food joint saves time as against eating at restaurant which inflates time.

The second ring or the second type of benefit that you can derive out of a product is basically the added value benefit that we were looking at the accessory benefit. And these are the store reputation, the manufacturer's prestige, the location convenience, salesperson friendliness and so on and so, forth.

The third benefit that you can get out of buying a particular product is resulting from consumers feeling associated with the position of a particular product. And the examples of sense of belongingness or feeling thrifty, feeling ahead of the crowd, being a home makes a good home maker and so on and so, forth. So, it is basically those psychological variable which actually go ahead and help you into buying a product of the benefit is indirect.

And the fourth as I explained to you the time dimension so, perception of time is actually affects your other benefits for example, how much time are devoting in buying a particular product. And so, every purchase either it takes away time or it saves time for you and so, as I said this time dimension is something which is not felt by a number of people, not felt by number of people when making a purchase.

So, it is very individualistic a difference from individual to individual. So, time is another benefit that people can get for example, eating in a fast food joint saves time and eating at a restaurant it takes away time. So, people who feel that they do not have too

much time they prefer eating in or at situations at times people feel that they do not have time and so, they try to eat in a food fast food joint which saves time.

For example, let us say that I am returning from the present location that I am living in from the city and mostly it is crowded. So, what I do is when it becomes evening time when the rushes too much traffic rushes too much I try when I am trying to eat out I try to eat out in a fast food restaurant. So, that it save times and that can be spent into the traffic. So, that I can reach home early, but then when it is in the afternoon that I decide to eat out and I have a lot of time I try to go to a restaurant, because in those cases spending time is because there is no time crunch and so, time as I said depends upon individual to individual and situation to situation and person to person.

So, time is another benefit that is provide that the product provides to you or the particular buying of the product provides to you and so, it effects or it basically decides how you make the particular purchase. So, purchasing any product into from the market is a nice thing are and that offers you a number of benefits. And these benefits are and different or upon or different for different individuals, but how are the products made it to the market, how are the product distributed into the market and for that you need to understand something called market segmentation.

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Market Segmentation

- Different consumers seek different benefits packages in different situations
- Consumers usually fall into groups or clusters of individuals seeking similar benefits
- Segmenting markets means identifying like-minded clusters behaving in similar ways and making similar decisions in the marketplace in similar situations

Now, if a company makes just one product and puts it to the market nobody is going to buy it, now as I said that people require benefits right from a product. And so, these

benefits are different for different people like take the example of the student buying a watch and the anniversary gift giving person buying a watch. So, different people require different benefits from the different products and that is why there are different products in the market.

Now if there are so many products in the market, how does a consumer, how does a market and know which product to offer to which consumer, how does he know how which place should he go ahead, and how should we in which market should be push what product, for which person should he should put what product. And for that the simplest thing is to understand the segmentation of the market.

So, what is the, why is the market segmentation has done why is the market divided the market that you go into is divided into different zones depending on who is buying what. Now, one reason for doing segmenting the market or in the marketplace that you go is segmented the one reason for that is because different consumers they seek different benefits packages in different situations.

So, first of all any consumer when so, the student when he is buying a watch at that point of time it is for timekeeping, but the same student after graduating and during a marriage when he is marrying someone when he buys a watch it is not for timekeeping, it is for gift giving. And so, the products would be different the benefits package would be different and the situations as they vary the benefit packages are different. And so, one good idea of how people make choices or how people go ahead and purchase items in the market is understanding the segmentation of the market or how the market is segmented.

So, consumers they usually fall into groups or clusters of individual seeking similar benefits know when a marketer puts a product into the market if he cannot just make one product. Now one good example is Henry Ford model t car. Now when he Henry Ford started producing the first line of cars in the United States in then for early 1900s, he produced something called the modern t which was a black car which was a mass market product out there.

And so, that was what through what thrown into the consumer and the consumer had to buy it and whether thing is if you just make one product this is called again called mass marketing, if you throw it to the market most people will not like it. And so, why they do not like it because different people have different choices and so, them well they may not

like. And so, Henry Ford understood at that very point of time that I have to come up with different types of cars because different people have different benefits, what he was trying to offer to the market was just one a car.

Take another example the case of Levi Strauss the jeans company in the 1900s they were a mass market manufacturer and they were just making jeans for everyone at the same time. Now soon sooner or later they realized that people were different and people were with that with the coming of the new generation people were looking for different, different benefits and they were different, different kind of people, even the same person in different situations was looking for different products.

And so, they took a setback and they changed their product lines and they came up with newer products or they stopped doing the mass marketing and bringing up different kinds of jeans. Now they came up with they bought new companies and they came up with the type of khakis, which are there which are called the lawn pants and then you have the jeans the formal sensors and so forth. And so, Levi Strauss learns from that and started making different products because even the same consumer at different point of point time from the same product want different benefits and so, they had to make a new product.

Now, this very is the reason why we need to understand what the market is and the segmentation of the market and that is what it says. So, usually consumers in the market they fall under different, different segments based on the benefits that you are looking at. So, segmenting markets what it actually means is identifying likeminded clusters behaving in similar ways and making similar decisions in the marketplace and similar situations.

Now market segmentation is important because if we consider a consumers to be totally varied each consumer is different from another if we look at that that is the extreme end of how a product should be sold in the market. If you look at in that case what would happen is we will have to make products for each individual. On the other side if we do mass marketing every individual is not same there is something called in psychology, there is something called individual difference which we individual differences are in each individual is different from another.

So, how does the consumer, how does the marketer who is making a product actually sell his product, for that he has to understand he has to make clusters in the market he has to identify clusters in the market where which comprised of people who are looking for similar benefits from the product and who and in similar situations.

So, those people who actually look at similar benefits or particular benefit from a product in one situation, the same people can actually look for different benefits in the different situation. So, within situations how people or different people come under the same umbrella and look for benefits is what market segmentation is all about example, let us look at students now all students oh buying a watch it is believed that we are looking for the time functionality of the board.

But the same student under a different situation; let us say when there is a birthday or where there is a gift giving scenario when he is giving gift to someone may require some other functionality from the watch or if he decides to go into space tomorrow or he does some he goes into running or an athletics the same watch will be now required not for timekeeping for. But for some other purpose for or he go goes into exploring the world, now the same watch will be used for as a chronometer and no more as a simple watch.

And so, basically the same consumer and the different-different regions or different, different situations would differ in that choices or different differ in the benefits that they require. So, market segmentation is the process through which marketers identify people who are like minded, who wants same kind of benefits and in different situations so, that they can make a product to satisfy that particular segment.

Now in very simple words what market segment actually means is that identifying people who are like, once you do that you will be able to make a product that could satisfy the needs of that particular not only that particular segment, but other segments also. So, you have to look at, all the benefits which are required by different people and how to club them together.

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Consumer Benefits and Market Segmentation

- Marketers *do not create market segments; they find them*
- Firms help marketers find and understand market segments
Example: Market segments occur in college education

Now, the first thing that you should know in market segmentation is that consumers actually the marketers actually do not segment a market they do not go and divide the market physically right. So, what do they do, they do not create markets, but they find them and how do they find the markets there are several companies which actually helped marketers in finding markets or finding people who are like mine together.

So, the data of how people like minded people are together or come together for looking for similar benefits can be provided by companies like signals and who constantly look at data or purchase data from several shops and or it could be given by several other companies which are in the business of doing that.

So, basically in a marketer actually gets this data from these companies who gathers these data from either the points of sales or it gathers the data from the real market from market surveys or so many other things. So, the thing to remember here is that marketers actually do not go into the market and segment them, they take the help of companies who actually have data regarding consumer purchases, regarding consumer needs. And they tell these companies these marketers what is the segment which is available and which market they should be functioning into.

So, firms helped marketers to find and understand market segments. So, basically that is what I was trying to tell you that how do they find these segments, the segmentation is done by certain phones which are there for example, market segments occur or occurs in college educations. So, let us say a very simple situation of college education. How do

people go to college, now they will be within this college education group will be all those students who are college going and when in that there will be several subgroups. So, how do I find or if I am a college how do I know that what are the segments which are available?

So, I go to a company which does that which collects data from people and gives me that the these are why it is different because college goes are also different, there will be some people who would like to go to a college far from their place where they have been standing, for other people they would like to go to a college which is very nearby to their home place, for some people they would like to go to an arts college. There are some people they would like to go to a science college, for some people college education is all about going to Ivy league schools, for other people it is some other schools where they can go to college, for some people they will go to college which offers a number. Of courses, some people would look for colleges which are just offering you basic courses for example, the applied school.

So, some people look for applied school, some people look for theoretical schools and so on and so forth. So, basically within the college going community itself the people who go to college there are several sections or there are several segments which are out there and. So, companies or colleges who actually want people who actually want people to apply to them or students to apply to them. Actually take the help of these companies out there which provide them that, how many segments or what are the segments which are available. And based on that they can do the advertisement of their college that come to me we offer this, we offer that and so on and so forth. So, basically that is how segmentation is done and these are the firms which actually provide you what are the segments which are available.

Now, how do we do the market segmentation, how does the process of market segmentation actually takes place. So, there are 3 or 4 steps into it; the first step in dividing a market or segmenting a market starts with something called segment bounding.

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Consumer Benefits and Market Segmentation

- **Segment bounding** is a means to differentiate among consumers and among market segments
 - Develop a set of descriptors: combinations of characteristics
 - Bound segments to a specific geographic location
 - Bound segments in time: relevant and up-to-date data
- Segment viability requires distinctiveness and sufficient potential to be pursued
 - Sufficient size, measurable, clearly differentiated, reachable

Now the first step in segmenting a market is differentiating a market in identifying what are the cluster of people which are available which requires similar benefits or which are like minded under different situations that requires you to start with something called segment bounding. What is segment bounding? It is a means of differentiating among consumers and among market segments. So, that that process of how we differentiate between what a consumer is and what are the consumer segments are available that is called segment bounding.

So, how do we bound a consumer to a particular segment, the thing is the first step that we do is, we outlay some number of descriptors which are a combination of characteristics. Now these descriptors could be in terms of demographics these descriptors will be terms of likeness of particular things, it could mean terms of as social status, it could mean terms of family income. So, based on that we actually find consumers and then we actually find the markets.

So, we look at for example, let us say that within the college going scenario there will be consumers or there will be people who can pay high fees and they are looking for good colleges. And there will be consumers who can pay low fees and good colleges. On the other end there will be colleges which are expecting high fees and looking for those people who can pay high fees.

So, basically segment bonding is finding this particular common descriptor which is the fees that can be paid or the fees that a particular college charges and based on this descriptor it can now collect people which can pay high fees and low fees and get them associated with higher education. For example, a college could be out there which can which thinks of charging low fees, but gives good quality education. And so, what it could do is, map this particular college to a particular segment of people who actually can pay low fees, but are looking for good quality education.

On the other hand there could be people which pay high fees and they are not looking for that quality of education, they are actually looking at the status of a college whether it is an ivy look school or not. And so, what happens is that, we can actually match these two together and this is how this segment bonding really happen. So, the first step in segment bonding of relating a particular college or relating a particular segment of people to a particular market segment which is out there is something called segment bounding.

The next step is bound segments to a specific geographic location, the next step or the next thing that can happen in segment bonding is we can also do this boundary segments to particular geographic locations, for example different-different segment geographic locations are there and so, what we can do is that, it could happen that a particular person is looking for good quality education. So, a particular student in the U S is looking for good quality education in cheap price, but a college may not be there.

So, what these companies do is, find that college which is abroad which is basically looking for lower fees, but and giving your higher education and this is called global location or bonding to global location. So, it may be possible that in the same area you may not get in the same market, you may not get the appropriate market for a particular kind of a consumer. And so, what you tend to do a particular benefit that consumer is seeking. So, you would go global and find consumers for them.

And the third thing that happens is time relevance and up to date. So, when I am bounding segments I should also be bonding segment also requires you to be up to date with time. When I am bounding segment, when I am finding segments in a market I should be very sure or I should be able to predict when this segment will actually be available.

I can think about a product which is not there in market and I am looking for a segment like that for example, when tablets came in or note book, PC, PCs came in the market marketers were confused they did not have these kind of people. So, a market segment was created and so, people did not knew what a tablet is, what is the use of a tablet because tablet was between a PC and a Smartphone and so, market was created out of it or when an apple music box was created.

Now, there was no need for this and so, market was created or. So, time is also fastens of when the market segment is available or when the market segment will be available based on that the particular bonding of the consumer and the segment can be done, the second thing in market segmentation. So, once I have bound a segment to a particular kind of a consumer a particular market to a particular kind of consumer the second thing that people who do market segmentation are looking at is the viability of the segment and this requires the segment viability requires distinctiveness and sufficient pot potential to be pursued.

The idea is that if a segment is available and if a consumer is available should that segment we ventured into and there are 4 different factors 4 different variables which affect or which decide whether you should venture into a market or not. The first factor is called sufficient size, if a market is available, but the number of consumers is very small or if a market is very small the number of consumers is very high there is a insufficiently.

So, let us say I want to float car which is costing 4 crores and if I want to bring it to the Indian in scenario then I will have an insufficient sign market, because most people in India do not own that much I am not ready to spend that much and so, this is not the sufficient size. So, one of the things that in segmentation you have to look at is whether the segment that you are looking at whether the number of people that you are looking at are sufficient in size so, that companies can derive profit out of it.

So, if you come to an Indian market you are coming with a 4 corode or 6 corode car you are not going to get benefit of course, some people will buy it, but you cannot buy a car. So, I can think of a redesigned version of the car which is lower in price, lower in things, but people give people feeling it and that is why the Audi as it says the company came up with the q series of cars for the Indian sector, not the one that people can buy

and can still have the feeling of buying an Audi or riding an Audi, but it does not give that much of a price.

The second thing is measurability, the second thing that marketers look at in segment market segmentation is they how if they can measure the particular market. If I cannot measure the market the market is too distributed if the market is too wild if it is all over the place all over geographic locations I cannot basically measure the market. And in those cases what will happen is that segment viability or basically looking at segmenting the market is not a good exercise.

The third is clearly differentiated, if I have markets which are overlapping each other which basically means that there could be particular market. And there could be particular kind of consumer which is interested in one particular product, but is also interested in some other particular product or if the differentiation between two markets are not there.

So, food and drinks market for example, now food and drinks markets the food and drinks the consumables the chips and the coca cola or the soft drink they go together. And so, there is no clear lined of differentiation between it because they go together. So, if I do not have a clear distinction of how where the market boundaries are or where one boundary one segment ends and the other segment starts I will not go into this market or marketers will not go into selecting that market.

And the first is fourth thing is reachable if a market I have identified cannot be reached for example, I am a company which manufactures would good car and I want to send it to Ethiopia, now there is no way to reach Ethiopia or the population of Ethiopia and send my products at lower price so, that I can earn profit for it. So, if a market is not reachable if you cannot reach that particular market then there is no point in looking at that segmentation or doing that particular kind of segmentation.

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Consumer Benefits and Market Segmentation

- Segmentation strategies used by marketers
 - Mass marketing or undifferentiated marketing
 - Concentrated marketing, also known as focused or niche marketing; “segments of one” becoming a reality
 - Differentiated marketing

And the third thing that I need to do when I am looking at market segmentation, when I am doing market segmentation of one marketers do market segmentation is the strategies that they use. Now another important thing is the strategies that they use in marketing. The first kind of strategies that consumers tend to do is something called mass market marketing or undifferentiated marketing. So, within segments there are certain segments where I can do mass marketing or for example, there are certain products for which I can do mass marketing for let us look at a low involvement product called salt.

Now, when I am trying to sell salt I can do mass marketing because no matter which segment I go to of consumers I can sell the salt there is no distinctions in salt or when I am selling phenyl, now that is a mass marketed thing. And so, or I am selling for auto for your cars if I am selling mobile oil; now when I am doing that it is a mass market product in the sense that people do not look at variations.

So, the one strategy one of the important strategies that marketers use across market segmentation within different segments is called market segmentation. So, when it is a low involvement product or a low interest product to people, people marketers generally go for something called market segmentation and one strategy of pushing products into the market is mass marketing where this product is same for across all segments.

Now, second kind of marketing strategy that marketers use across segments is something called concentrated marketing also known as focused on initial marketing. Here what

happens is, I make different-different products for different-different segments for example, let us look at the car market, now I have a car which is for the lower economic group people. So, I have if Maruti is the company who is segmenting the market who was looking at the segments of the market.

Now I will make a car which satisfies the lower income group people. So, I have something called the Aalto on the other hand have a high classic car for the upper segment of course, Maruti is not one of those companies which actually sells cars for the higher segment, but coming up with the idea of an XR brand it tries to push itself into the higher and market the or trying to compete with higher and cars.

So, on the other end I have cars like Baleno or I have other cars which are higher and which tend to offer more to consumers who can pay more. So, when I am doing a market segmentation or when I am offering when I am looking at markets different, different markets and doing concentrated marketing what I am actually doing is I am try trying to make different, different products for different, different market. And so, here the marketing that I am doing is something called concentrated market, now or it is called nation marketing.

Now in these days in the in the newer century there is something called product for one or market for one which has come up and new thing where what happens is the markets are actually targeting one person. So, it is called private marking or individual marketing, now what would be an example a good example; here is let us say clothing now there are there are certain companies in the us which actually offer you clothing which is designed for just for you.

So, consumers they have to go into the market or they have to go into the storeroom or that particular cloth company what happens is there are set of lasers which measures your size and based on your sizes it manufactures cloth just for you and so, this is called the concentrated marketing. What I am trying to do is, I have segmented market into different, different sections and so, what I after that I have provided different markets or different kind of products to different markets to satisfy every segment and every consumer to satisfy the benefit of or provide the benefit to have different segments and different consumers.

And then there is something called differentiated marketing, in differentiated marketing again it is kind of differentiate clear distinction between the high and the low market. So, if I am a company which is just looking for high and consumers now I am doing differentiated marketing for example, if I am let us say BMW. Now if I am BMW I do not care for those consumers which cannot pay less than let us say one crore.

Now when I am doing that I am doing the differentiated marketing, because I am targeting only one market which is the high consumer product, or I could be a market product manufacturer which is just targeting the lower market, and just manufacturing things for the lower market and this is called differentiated marketing.

And in addition to that there is something called counter segmentation also, this is also segmentation strategy. Now in this segmentation strategy what really happens is marketers actually go ahead and reduce the number of markets. So, one strategy which is contra counter to the strategy that I have explained before in consumer behavior or in identifying consumers into the market is called counter segmentation.

In this what marketers actually do is, they reduce the number of market segments which is served and in that way they retain more people. So, they say that I pull up so, from company comes in and says that I all although I had 4 or 5 different products serving different, different consumers, now what I have done is, I have reduced 3 products and I am only looking at the 2 products. So, that I can offer them benefit and so, this is called the counter segmentation strategy for marketing.

Now in the next class what we will do is, we will go ahead and take this further and understand how the consumers once a market is decided once a particular product has been chosen. Or once a particular kind of benefit is expected out for product, how does consumer actually go into the market and decides of what to buy and what to not buy.

So, this decision process the consumer takes in buying a particular product is what we are going to look at in the next class. And in addition to that we will also look at how do consumers research is carried out, what is the process or what is the methodology which is used by marketers for doing consumer research, gathering data from consumers and doing this segmentation of market or identifying water market is and providing. Or basically matching the consumer with the product, matching the consumer with the kind

of product which is there and how they make the match between the benefited sort and the benefit that the product is going to give you.

So, in the next class we will dwell into these topics.

Thank you.