



**[Academic Script]
[Introduction to Consumer
behavior & Marketing Ethics]**

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Introduction to Consumer Behavior & Marketing Ethics

Introduction:

Consumer behavior is the study of individuals, groups, or organizations and the processes they use to select, secure, use, and dispose of products, services, experiences, or ideas to satisfy needs and the impacts that these processes have on the consumer and society.

Scope of Consumer Behavior :

The scope of a subject refers to everything that is studied as part of that subject. When we set out to explain the scope of consumer behaviour we need to refer to all that which forms part of consumer behaviour.

Consumer behaviour includes not only the actual buyer and his act of buying but also the various roles played by different individuals and the influence they exert on the final purchase decision. Hence we will understand in detail the scope of consumer behaviour

(1) ANALYSING MARKET OPPORTUNITY :

Consumer behaviour study helps in identifying the unfulfilled needs and wants of consumers. This requires examining the trends and conditions operating in the marketplace, consumers' lifestyles, income levels and emerging influences.

The trend towards increasing number of dual income households and greater emphasis on convenience and leisure have led to emerging needs for household gadgets such as washing machine, mixer grinder, vacuum cleaner and childcare centres etc.

Mosquito repellents have been marketed in response to a genuine and unfulfilled consumer need.

(2) SELECTING TARGET MARKET :

A review of market opportunities often helps in identifying distinct consumer segments with very distinct and unique wants and need.

Identifying these groups, learning how they behave and how they make purchase decisions enables the marketer to design and market products or services particularly suited to their wants and needs.

For example, consumer studies revealed that many existing and potential shampoo users did not want to buy shampoo packs priced at Rs. 60 or more and would rather prefer a low priced sachet containing enough quantity for one or two washes. The finding led companies to introduce the shampoo sachet which became a good seller.

(3) MARKETING MIX :

Once unsatisfied needs and wants are identified, the marketer has to determine the right mix of product, price, distribution and promotion. Here too, consumer behaviour study is very helpful in finding answers to many perplexing questions.

(4) USE IN SOCIAL AND NON-PROFIT MARKETING :

Consumer behaviour studies are useful to design marketing strategies by social, governmental and not-for-profit organisations to make their programmes such as family planning, awareness about AIDS, crime against women, safe driving, environmental concerns and other more effective.

UNICEF (greeting cards), Red Cross and CRY etc. make use of consumer behaviour understanding to sell their services and products and also try to motivate people to support these institutions.

Marketing Concept And Consumer Behavior :

Marketing Concept – Its main focus is on the needs of the target markets & delivering value better than competitors. The marketing concept believes in the pull strategy that means our brand should be so strong that every customer is willing to use our brand over every other competitor and therefore says that this could only be achieved by marketing..

Relationship between marketing concept and consumer behavior :

It is the companies who use marketing to promote and sell their products or services, and [consumer behavior](#) explains how consumers act and respond in the environment. For a strong marketing campaign it is important for the company to understand that the consumers will react to the market. This relationship between marketing and consumer behavior involves studies, [focus groups](#), psychological analyses and other methods of studying the market for a particular product or service.

When a company can understand the reason behind a consumer's purchase and why they are so eagerly interested in doing so , the company can create a marketing campaign that addresses those elements of the purchasing decision. It is not that all products are liked by all people; the key for successful marketing is to understand the values of a specific consumer group — that's where focus groups, studies and [psychology](#) are made to understand.

By studying the relationship between marketing and consumer behavior, it enables the companies to develop campaigns that effectively approaches their targeted consumer. Focus groups are a method of consumer research that involves small groups of people in which a product is discussed which provides a small sample and enables us to know the brand which is most liked by the consumers.

Customer value, satisfaction and retention:

In the era of this competition, companies with a total focus on customer are going to be the winner. Companies must understand the importance of a customer's satisfaction and then build processes around it.

According to various research and studies it is confirmed that consumer will purchase products, which gives them maximum perceived value. This value comes from calculating the cost associated with the emotional level decision like the brand image, corporate brand, sales personnel image and functional image. This value converts to total customer cost by including purchase cost, time-energy in evaluation of product.

Consumers take decisions after considering the total cost. If after the purchase product performs well as expected than customer is considered satisfied. A completely satisfied customer is likely to repurchase the product and by speaking about it to his/her near and dear ones. A company's aim is for total customer satisfaction and this satisfaction can be achieved after understanding the customer's expectation and then producing as per the expectation.

Companies are able to achieve this state of total customer satisfaction by incorporating good business practices. These practices are constructed around stakeholders, business processes, resources and organizations. Company's stakeholders consist of employees, suppliers, distributors and customers. Earlier focus has always only been on shareholders, but now stakeholders need to be satisfied for shareholder's profit. Companies need to define boundaries of relation with stakeholders as to get maximum value for every participant. To ensure maximum value, companies need to develop business processes, which understand and fulfill customer expectations.

Companies through creating and delivering value can develop total customer satisfaction:

A company itself is considered as a value chain consisting of primary and secondary activities. **Primary activities** consist of inbound materials, operations, delivering finished products, sales/marketing and servicing clients. **Secondary activities** consist of functional departments like technology department, procurement department, human resource and finance department. This value created is delivered to customer through the distribution channel under the principle of supply chain management.

Customers in current era are much more conscious and aware of their need and wants, making them a difficult lot to please. Companies run marketing campaign highlighting points of similarity and difference with competitor's products. The art is at retaining the customer and creating long term relation with them. Companies usually suffer from churning effect where customers do not make the repurchase. Companies need to work hard in identifying reasons behind this churning.

Once reasons are identified we need to separate them on the basis of manageable and non-manageable issues and then work hard at eliminating manageable issues.

Companies are in business to make the profit. Therefore, profitable customers are to be identified. Profitable customers provide a revenue stream more than the expense stream on retaining them and this revenue stream should be higher for a company to have a competitive advantage.

Marketing Ethics and Social Responsibility:

Ethical responsibilities and constraints: Businesses and people face some constraints on what can ethically be done to make money or to pursue other goals. Fraud and deception inhibit the efficient functioning of the economy. There are also behaviors that, even if they are not strictly illegal in a given jurisdiction, cannot be undertaken with a good conscience. There are a number of areas where an individual must consider his or her conscience to decide if a venture is acceptable. Some “paycheck advance” loan operators charge very high interest rates on small loans made in anticipation of a consumer’s next paycheck. Depending on state laws, effective interest rates may exceed 20% per *month*. In some cases, borrowers put up their automobiles as security, with many losing their only source of transportation through default. Although some consider this practice unconscionable, others assert that such loans may be the only way that a family can obtain cash to fill an immediate need. Because of costs of administration are high, these costs, when spread over a small amount, will amount to a large percentage.

Sustainability: Sustainability is a notion that proposes that socially responsible firms will somehow financially outperform other less responsible firms in the long run. This might result from customer loyalty, better employee morale, or public policy favoring ethical conduct. Empirical results testing this hypothesis are mixed, neither suggesting that more responsible firms, on the average, have a clear financial advantage nor a large burden. Thus, a useful approach may be to determine

- 1) Specific circumstances under which a firm may actually find the more responsible approach to be more profitable,
- 2) Under which circumstances responsible behavior can be pursued without an overall significant downside, and
- 3) The ethical responsibilities that a firm faces when a more responsible approach may be more costly.

The individual, the firm, and society: Different individuals vary in their ethical convictions. Some are willing to mislead potential customers while others will normally not do this. There are, however, also broader societal and companywide values that may influence the individual business decision maker. Some religions, including Islam, disfavor the charging of interest. Although different groups differ somewhat in their interpretations of this issue, the Koran at the very least prohibits *usury*—charging excessive interest rates. There is some disagreement as to whether more modest, fair interest rates are acceptable. In cultures where the stricter interpretation applies, a firm may be unwilling to set up an interest-based financing plan for customers who cannot pay cash. The firm might, instead, charge a higher price, with no additional charge for interest. Some firms also have their own ethical stands, either implicitly or explicitly. Other firms, on the other hand, may actively encourage lies, deception, and other reprehensible behavior. Some firms elect to sell in less developed countries products that have been banned as unsafe in their own countries.

“Win-win” marketing: In some cases, it may actually be profitable for companies to do good deeds. This may be the case, for example, when a firm receives a large amount of favorable publicity for its contributions, resulting in customer goodwill and an enhanced brand value.

Sponsored Fundraising: It has been observed that non-profit organizations often spend a large proportion of the money they take on fundraising. This is problematic both because of the inefficiency of the process and the loss of potential proceeds that result and because potential donors who learn about or suspect high fundraising expenses may be less likely to donate. This is an especially critical issue now that information on fundraising overhead for different organizations is readily available on the Internet.

An alternative approach to fundraising that does not currently appear to be much in use is the idea of “sponsored” fundraising. The idea here is that some firm might volunteer to send out fundraising appeals on behalf of the organization. For example, Microsoft might volunteer to send out letters asking people to donate to the American Red Cross. This may be a very cost effective method of promotion for the firm since the sponsor would benefit from both the positive publicity for its involvement and from the greater attention that would likely be given a fundraising appeal for a group of special interest than would be given to an ordinary advertisement or direct mail piece advertising the sponsor in a traditional way.

Commercial Comedy: Another win-win deal potential between industry and non-profit groups involves the idea of *commercial comedy*. Many non-profit groups are interested in finding low cost, high quality entertainment for fundraising events. After all, money spent on buying entertainment reduces the net proceeds available for the organization’s program. Firms, on the other hand, have difficulty getting current and potential customers to give attention to advertising in traditional media. If firms were able to create some high quality entertainment involving their mascots—e.g., the Energizer Bunny, the Pillsbury Doughboy, and the AFLAC Duck—the audience at a fundraising event would give attention for an extended period of time.

Summary:

So, in today's session we have learnt about-

Consumer behavior- It is the study of individuals, groups, or organizations and the processes they use to select, secure, use, and dispose of products, services, experiences, or ideas to satisfy needs and the impacts that these processes have on the consumer and society.

Marketing mix - Once unsatisfied needs and wants are identified, the marketer has to determine the right mix of product, price, distribution and promotion.

“Win-win” marketing: In some cases, it may actually be profitable for companies to do good deeds. This may be the case, for example, when a firm receives a large amount of favorable publicity for its contributions, resulting in customer goodwill and an enhanced brand value.