UNIT 2

Subject Name	Subject Code	Semester	Prepared by
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Marketing Environment

Definition: The **Marketing Environment** includes the Internal factors (employees, customers, shareholders, retailers & distributors, etc.) and the External factors(political, legal, social, technological, economic) that surround the business and influence its marketing operations.

Some of these factors are controllable while some are uncontrollable and require business operations to change accordingly. Firms must be well aware of its marketing environment in which it is operating to overcome the negative impact the environment factors are imposing on firm's marketing activities.

The marketing environment can be broadly classified into three parts:

Internal Environment – The Internal Marketing Environment includes all the factors that are within the organization and affects the overall business operations. These factors include labor, inventory, company policy, logistics, budget, capital assets, etc. which are a part of the organization and affects the marketing decision and its relationship with the customers. These factors can be controlled by the firm.

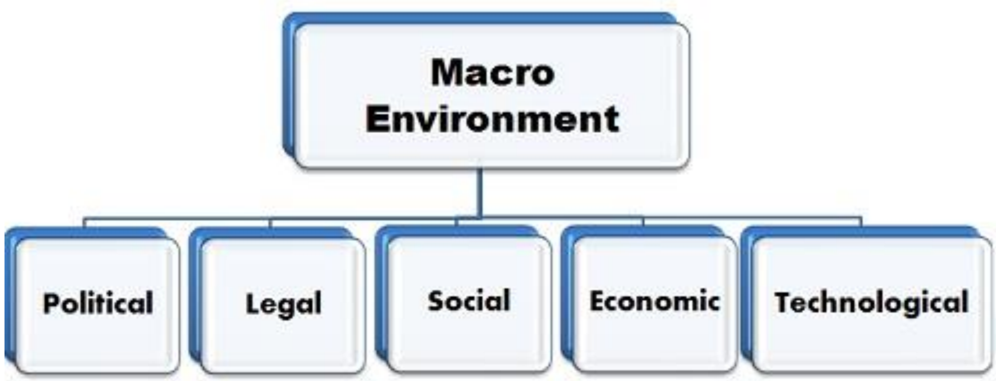
Microenvironment- The Micro Marketing Environment includes all those factors that are closely associated with the operations of the business and influences its functioning. The microenvironment factors include customers, employees, suppliers, retailers & distributors, shareholders, Competitors, Governmnt and General Public. These factors are controllable to some extent.

These factors are further elaborated:

- **Customers**– Every business revolves around fulfilling the **customer's needs and wants**. Thus, each marketing strategy is customer oriented that focuses on understanding the need of the customers and offering the best product that fulfills their needs.
- **Employees**– Employees are the main component of a business who contributes significantly to its success. The quality of employees depends on the training and motivation sessions given to them. Thus**, Training & Development** is crucial to impart marketing skills in an individual.
- **Suppliers**– Suppliers are the persons from whom the material is purchased to make a finished good and hence are very important for the organization. It is crucial to identify the suppliers existing in the market and choose the best that fulfills the firm's requirement.
- **Retailers & Distributors**– The channel partners play an imperative role in determining the success of marketing operations. Being in direct touch with customers they can give suggestions about customer's desires regarding a product and its services.
- **Competitors**– Keeping a close watch on competitors enables a company to design its marketing strategy according to the trend prevailing in the market.
- **Shareholders**– Shareholders are the owners of the company, and every firm has an objective of maximizing its shareholder's wealth. Thus, marketing activities should be undertaken keeping in mind the returns to shareholders.

- **Government**– The Government departments make several policies viz. Pricing policy, credit policy, education policy, housing policy, etc. that do have an influence on the marketing strategies. A company has to keep track on these policies and make the marketing programs accordingly.

- **General public**– The business has some social responsibility towards the society in which it is operating. Thus, all the marketing activities should be designed that result in increased welfare of the society as a whole.3. **Macro Environment**-The Macro Marketing Environment includes all those factors that exist outside the organization and can not be controlled. These factors majorly include Social, Economic, Technological Forces, Political and Legal Influences. These are also called as **PESTLE framework.**



The detailed description of Macro factors is given below:

- **Political & Legal Factors**– With the change in political parties, several changes are seen in the market in terms of trade, taxes, and duties, codes and practices, market regulations, etc. So the firm has to comply with all these changes and the violation of which could penalize its business operations.

- **Economic Factors**– Every business operates in the economy and is affected by the different phases it is undergoing. In the case of recession, the marketing practices should be different as what are followed during the inflation period.
- **Social Factors**– since business operates in a society and has some responsibility towards it must follow the marketing practices that do not harm the sentiments of people. Also, the companies are required to invest in the welfare of general people by constructing public conveniences, parks, sponsoring education, etc.
- **Technological Factors**– As technology is advancing day by day, the firms have to keep themselves updated so that customers needs can be met with more precision.

Therefore, marketing environment plays a crucial role in the operations of a business and must be reviewed on a regular basis to avoid any difficulty. Market Segmentation - Meaning, Basis and Types of Segmentation

What is Segmentation?

Segmentation refers to a process of bifurcating or dividing a large unit into various small units which have more or less similar or related characteristics.

Market Segmentation

- Market segmentation is a marketing concept which divides the complete market set up into smaller subsets comprising of consumers with a similar taste, demand and preference.
- A market segment is a small unit within a large market comprising of like minded individuals.
- One market segment is totally distinct from the other segment.
- A market segment comprises of individuals who think on the same lines and have similar interests.
- The individuals from the same segment respond in a similar way to the fluctuations in the market.

Basis of Market Segmentation

- **Gender**

  The marketers divide the market into smaller segments based on gender. Both men and women have different interests and preferences, and thus the need for segmentation.

  Organizations need to have different marketing strategies for men which would obviously not work in case of females.

  A woman would not purchase a product meant for males and vice a versa.

  The segmentation of the market as per the gender is important in many industries like cosmetics, footwear, jewellery and apparel industries.

- **Age Group**

  Division on the basis of age group of the target audience is also one of the ways of market segmentation.

  The products and marketing strategies for teenagers would obviously be different than kids.

  Age group (0 - 10 years) - Toys, Nappies, Baby Food, Prams

  Age Group (10 - 20 years) - Toys, Apparels, Books, School Bags Age group (20 years and above) - Cosmetics, Anti-Ageing Products, Magazines, apparels and so on

- **Income**

  Marketers divide the consumers into small segments as per their income. Individuals are classified into segments according to their monthly earnings.

  The three categories are:

  High income Group

  Mid Income Group

  Low Income Group

Stores catering to the higher income group would have different range of products and strategies as compared to stores which target the lower income group.

Pantaloon, Carrefour, Shopper's stop target the high income group as compared to Vishal Retail, Reliance Retail or Big bazaar who cater to the individuals belonging to the lower income segment.

- **Marital Status**

  Market segmentation can also be as per the marital status of the individuals. Travel agencies would not have similar holiday packages for bachelors and married couples.

- **Occupation**

  Office goers would have different needs as compared to school / college students.

  A beach house shirt or a funky T Shirt would have no takers in a Zodiac Store as it caters specifically to the professionals.

Types of Market Segmentation

- **Psychographic segmentation**

  The basis of such segmentation is the lifestyle of the individuals. The individual's attitude, interest, value help the marketers to classify them into small groups.

- **Behaviouralistic Segmentation**

  The loyalties of the customers towards a particular brand help the marketers to classify them into smaller groups, each group comprising of individuals loyal towards a particular brand.

- **Geographic Segmentation**

  Geographic segmentation refers to the classification of market into various geographical areas. A marketer can't have similar strategies for individuals living at different places.

  Nestle promotes Nescafe all through the year in cold states of the country as compared to places which have well defined summer and winter season.

  McDonald's in India does not sell beef products as it is strictly against the religious beliefs of the countrymen, whereas McDonald's in US freely sells and promotes beef products.

The marketers thus came with the concept of **STP**.

STP stands for:

S – Segmentation

T – Targeting

P – Positioning

- Step 1: **S**egment your market.

- Step 2: **T**arget your best customers.
- Step 3: **P**osition your offering.

The first step in the process of product promotion is **Segmentation**

The division of a broad market into small segments comprising of individuals who think on the same lines and show inclination towards similar products and brands is called Market Segmentation.

Market Segmentation refers to the process of creation of small groups (segments) within a large market to bring together consumers who have similar requirements, needs and interests.

The individuals in a particular segment respond to similar market fluctuations and require identical products.

In simpler words market segmentation can also be called as Grouping.

Kids form one segment; males can be part of a similar segment while females form another segment. Students belong to a particular segment whereas professionals and office goers can be kept in one segment.

Targeting

Once the marketer creates different segments within the market, he then devises various marketing strategies and promotional schemes according to the tastes of the individuals of particular segment. This process is called targeting. Once market segments are created, organization then targets them.

Targeting is the second stage and is done once the markets have been segmented.

Organizations with the help of various marketing plans and schemes target their products amongst the various segments.

Nokia offers handsets for almost all the segments. They understand their target audience well and each of their handsets fulfils the needs and expectations of the target market.

Tata Motors launched Tata Nano especially for the lower income group.

Positioning

Positioning is the last stage in the Segmentation Targeting Positioning Cycle.

Once the organization decides on its target market, it strives hard to create an image of its product in the minds of the consumers. The marketers create a first impression of the product in the minds of consumers through positioning.

Positioning helps organizations to create a perception of the products in the minds of target audience.

Ray Ban and Police Sunglasses cater to the premium segment while Vintage or Fastrack sunglasses target the middle income group. Ray Ban sunglasses have no takers amongst the lower income group.

Garnier offers wide range of merchandise for both men and women.

Each of their brands has been targeted well amongst the specific market segments. (Men, women, teenagers as well as older generation)

Men - Sunscreen lotions, Deodorant

Women - Daily skin care products, hair care products

Teenagers - Hair colour products, Garnier Light (Fairness cream)

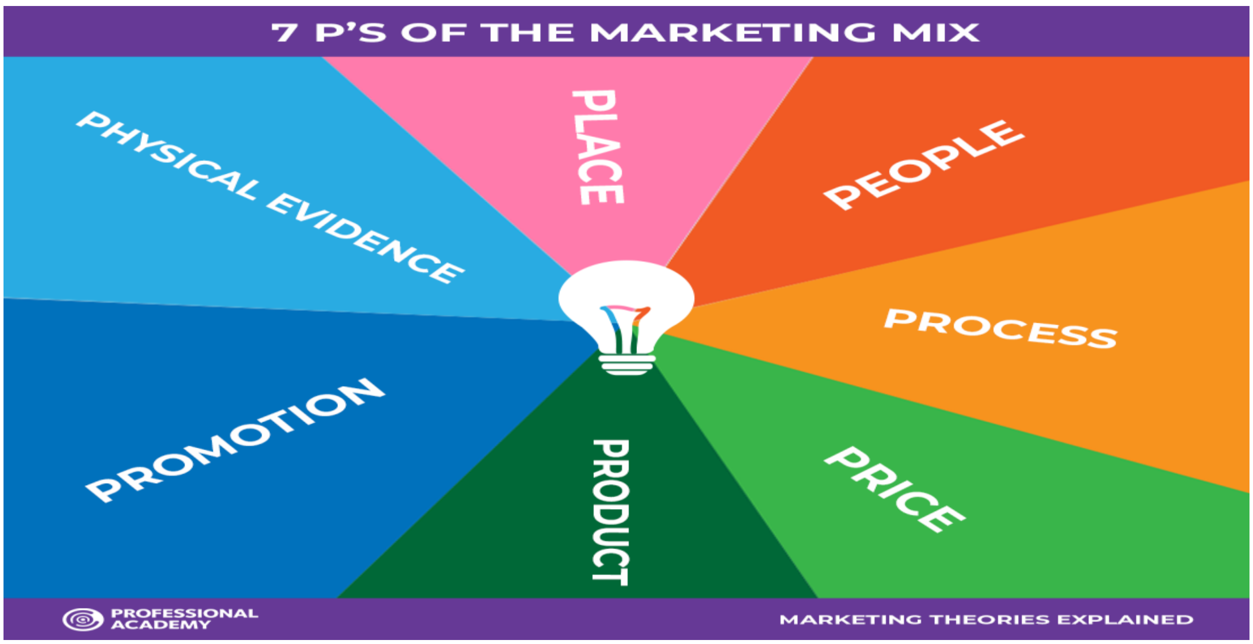
Older Generation - Cream to fight signs of ageing, wrinkles

A female would never purchase a sunscreen lotion meant for men and vice a versa. That's brand positioning.

The Marketing Mix 4 Ps:

- **Product** - The Product should fit the task consumers want it for, it should work and it should be what the consumers are expecting to get.
- **Place** – The product should be available from where your target consumer finds it easiest to shop. This may be High Street, Mail Order or the more current option via e-commerce or an online shop.
- **Price** – The Product should always be seen as representing good value for money. This does not necessarily mean it should be the cheapest available; one of the main tenets of the marketing concept is that customers are usually happy to pay a little more for something that works really well for them.
- **Promotion** – Advertising, PR, Sales Promotion, Personal Selling and, in more recent times, Social Media are all key communication tools for an organisation. These tools should be used to put across the organisation's message to the correct audiences in the manner they would most like to hear, whether it be informative or appealing to their emotions.

In the late 70's it was widely acknowledged by Marketers that the Marketing Mix should be updated. This led to the creation of the Extended Marketing Mix in 1981 by Booms & Bitner which added 3 new elements to the 4 Ps Principle. This now allowed the extended Marketing Mix to include products that are services and not just physical things.



The extended 7 Ps:

- **People** – All companies are reliant on the people who run them from front line Sales staff to the Managing Director. Having the right people is essential because they are as much a part of your business offering as the products/services you are offering.
- **Processes** –The delivery of your service is usually done with the customer present so how the service is delivered is once again part of what the consumer is paying for.
- **Physical Evidence** – Almost all services include some physical elements even if the bulk of what the consumer is paying for is intangible. For example a hair

salon would provide their client with a completed hairdo and an insurance company would give their customers some form of printed material. Even if the material is not physically printed (in the case of PDFs) they are still receiving a “physical product” by this definition.

Though in place since the 1980’s the 7 Ps are still widely taught due to their fundamental logic being sound in the marketing environment and marketers abilities to adapt the Marketing Mix to include changes in communications such as social media, updates in the places which you can sell a product/service or customers expectations in a constantly changing commercial environment.

Is there an 8th P?

In some spheres of thinking, there are 8 Ps in the Marketing Mix. The final P is Productivity and Quality. This came from the old Services Marketing Mix and is folded in to the Extended Marketing Mix by some marketers so what does it mean?

The 8th P of the Marketing Mix:

Productivity & Quality - This P asks “is what you’re offering your customer a good deal?” This is less about you as a business improving your own productivity for cost management, and more about how your company passes this onto its customers.

Consumer Behaviour – Meaning and Definition:

Consumer is the pivotal point in marketing. Consumer behaviour is very complex and is influenced by various factors. All the consumers have different tastes and preferences, likes and dislikes and they adopt different behaviour patterns while purchasing goods. In this light it becomes important for the marketing manager to understand his consumer and his behaviour before he formulates his marketing strategy. The behaviour of consumer as to why they buy a product?

What motivates them to buy a product? What induce him to buy? Why he switches from one product to another? How does he react to a new product? etc. is very important here. Marketer should collect answer to these questions before he goes to formulate his marketing strategy. Thus, detail knowledge about the consumer, his behaviour, buying motives and habits provide us with reasons why consumer differ from one to another in buying and using product and services.

The term Consumer behaviour is the behaviour shown by the consumer at the time of searching, purchasing, using, and disposing of product and services which satisfy his needs and wants. It is concerned with the activities of individuals in buying and using the goods and services.

It includes the decision making process that precedes his actual purchase. The study of behaviour is the study of individuals i.e. how they take decisions to spend their available resources i.e. time, money and effort on buying goods and services.

Prof. Philip Kotler defines Consumer behaviour as “the study of how individual, groups and organisation select, buy, use and dispose of goods and services, ideas or experiences to satisfy their needs and wants.”

American Marketing Association defines Consumer behaviour as “the dynamic interaction of affect and cognition, behaviour and environmental events by which human being conduct the exchange aspect of their lives.”

Prof. Bearden and Associates defines Consumer behaviour as “the mental and emotional processes and the physical activities of the people who purchase and use goods and services to satisfy particular needs and wants.”

Consumer behaviour thus, relates to all social, psychological and physical behaviour of potential customers as they become aware of the product, evaluate its features, purchase the goods, consume it and tell others about the product and services.

Consumer Buying Process:

To understand consumer behaviour, it important to first understands consumer buying process. Buying process represent different stages through which the consumer goes through when he has to purchase something. Consumer has a bundle of desires, needs, out of which the pressing needs move to the top. This is known as need recognition. After this consumer searches relevant information related to product on the basis of which decision is taken and purchase is made.

After consuming the product the post purchase behaviour is evaluated and a dissatisfied customer again has an unsatisfied need, and the process starts again. Each stage in the consumer buying process is a challenge to the marketer, for which he must have a careful understanding of behaviour before he develops the marketing programme.

The various stages in consumer buying process are:

1. Need Recognition:

The starting point of the buying process is an unsatisfied need. It is the perceived want or desire that paves the way for next stage. As we know every customer has bundle of desire or needs, many of which are not satisfied. When such unfulfilled needs are identified, the buying process starts. It is important to note that need recognition should be of those needs without whose satisfaction, consumer is restless and under tension. He should feel that he has desire or need which has arisen and which needs to be satisfied.

Dissatisfaction from the existing product or service may also give rise to restlessness and again a need to satisfy the urge. Need or wants arise due to internal or external situations. A person may be having deep rooted desires which may suddenly become dominant and pressing under conducive environment.

Needs may also arise due to external situations where consumer is exposed to different advertisements and people. It is the intensity or urgency of wants which decides the speed at which it has to be satisfied. The pressing or urgent wants are first satisfied as resources are limited.

2. Information Search:

For satisfying the need which has aroused, he has to look for suitable product which will best satisfy his needs. For this, consumer is willing to gather more information about the product. Alternative sources are there from where information can be gathered.

He may contact his family, friends, colleagues, neighbours who are personal sources, or he may look for commercial sources like – advertisement, retailers etc. or he may look at other people which constitute the public source. In this way before purchasing the product, he tries to collect the relevant information, as he is willing to satisfy this need.

3. Evaluation:

The desire to satisfy need, gives way to evaluation stage where the consumer try to evaluate the information he has received in the pre- purchase stage of information search. This is a stage of mental trial of the product by consumer. On the basis of the information received, he has number of alternatives before him, out of which he has to choose one.

His selection will be based on the relative worth of each alternative i.e. how suitable the product will be to satisfy his wants i.e. product’s want satisfying potential. On the basis of factors like- product attributes, brand image, facilities, convenience, etc. he accepts or rejects the alternatives. His final decision to buy will depend upon the relative strength of the positive intention to buy.

4. Purchase Decision:

The positive decision or evaluation of product leads to purchase decision. This decision implies consumer’s commitment for a product or a service. Here he purchases the product and exchange process is thus complete. Purchase can be trial purchase or adoption purchase.

Trial purchases are mostly done for non-durable goods where the consumer buys the goods for the first time. For consumer durable goods, adoption purchase is done because; these items are not purchased frequently. On consuming the goods, consumer may be satisfied or dissatisfied. Satisfaction leads to repeat purchase.

5. Post Purchase Reaction:

This stage is concerned with the behaviour of the consumer after he consumes the product. This post-purchase reaction may be positive or negative. If consumer is satisfied, repeat purchase may be there or he may recommend the product to other people. Dissatisfaction leads to anxiety and makes a person restless. He has a problem before him and again he tries to solve it by going for other alternative products or services.

A marketer help the buyer feel good about the product purchased. In order to reduce his anxiety about the product, the after-sale services are very important as it develops loyalty, increases sales and profit.

Types of Consumer Behaviour:

An important worth-mentioning information on types of consumer behaviour as given by Henry Assael has been reproduced here. Consumer decision making varies with the type of buying decision. There is a great difference between buying toothpaste, a tennis racket, a personal computer and a new car.

The more complex and expensive decisions are likely to involve more buyer deliberation and more buying participants. Henry Assael distinguished four type of consumer buying behaviour based on the degree of buyer involvement in the purchase and the degree of differences among brands.

The four types are:

(1) Complex Buying Behaviour:

Consumer go through complex buying behaviour when they are highly involved in a purchase and are aware of significant differences existing among brands. Consumers are highly involved in a purchase when it is expensive, bought infrequently.

Risky and highly expensive. Typically, the consumer does not know much about the product category and has much to learn. For e.g. – a person buying a personal computer may not even know what attributes to look for.

This buyer will pass through a cognitive learning process. It is characterized by first developing beliefs about the product, then moving towards attitudes towards the product, and finally making a deliberate purchase choice, the marketer of high-involvement product has to understand the information-gathering and evaluation behaviour of high-involvement consumers.

He needs to develop strategies to assist the buyer in learning about the attributes of the product class, their relative importance and the high standing of his brand on the more important attributes. He needs to differentiate the features of his brand, and enlist sales personnel and the buyer friend to influence the final brand choice.

(2) Buying Behaviour Reducing Dissonance:

Sometimes the consumer who is highly involved in a purchase sees little difference in the brands. His high involvement is based on the fact that the purchase is expensive, in-frequent and risky. The buyer will shop around to learn what is available but he will buy fairly quickly because brand differences are not pronounced.

He may respond primarily to a good price or the convenience of purchasing at time or place. For e.g. – carpet' buying is an involving decision because it is expensive and relates to self-identification, yet the buyer is likely to consider most carpeting in a given price range to be the same.

The consumer might experience past purchase dissonance due in noticing certain disquiet features of the carpet or hearing favourable things about carpets. He starts learning more things and seeks to justify his or her decision to reduce the dissonance. He passes first through a state of behaviour, acquires some new benefits and ends up evaluating his choice favourably.

In this situation pricing, good location and effective sales personnel are important influences of brand choice. The major role of market communication is to supply beliefs and evaluations that help the consumer feel good about his or her choice after the purchase.

(3) Buying Behaviour Based on Habits:

Many products are purchased under conditions of low consumer involvement and the absence of significant brand differences. For example- in purchase category.

They go to store and reach for the brand, having no strong brand loyalty. They have low involvement with most low cost, frequently purchased products. Their behaviour in these cases does pass through the normal belief/attitude/behaviour sequences. They do not search extensive information about the brands.

They evaluate their characteristics and make a weighty decision on which one to buy. They are passive recipient of information as they watch T.V. or see a print ad. Ad repetition creates brand familiarity rather than brand conviction. Consumers do not really form an attitude towards a brand but select it simply because of its familiarity.

After purchase, they may not evaluate it because they are not involved with the product. So in the buying process, brand beliefs are formed by passive learning and followed by purchase behaviour, which may be or may not be followed by evaluation.

In case of low involvement products marketers with few brand differences find it effective to use price and sales promotions are an incentive to product trial, since buyers are not highly committed to any brand. A number of things should be observed in advertising a low involvement product. The ad copy should street only a few key points.

Visual symbol and integer are important because, they can be easily remembered and associated with the brand. The ad campaigns should go for high repetition with short- duration messages. Television is more effective than print-media. It is a low involvement medium that is suitable for passive learning.

(4) Variety-Seeking Buying Behaviour:

Some buying situation depicts low consumer involvement but significant brand differences. Consumers are often observed to do a lot of brand switching. For example – in purchasing cookies the consumer has some beliefs, chooses a brand of cookies without much evaluation and evaluates it during consumption. In future, the consumer may reach for another brand out of boredom or a wish to experiment. Here brand switching occurs for the sake of variety rather than dissatisfaction.

In this product category and the minor brands the marketing strategy is different for the market leader who will try to encourage habit of buying behaviour by dominating the shelf space, avoiding out-of-stock conditions and sponsoring frequent reminder advertising, on the other hand, challenging firms will encourage variety by offering lower prices, deals, coupons, free samples and advertising that features reasons for trying something new.

Buying Motives of Consumers:

Consumer behaviour basically starts with needs. Need may be of different types, at different point of time. The need hierarchy as given by Abraham Maslow classifies the needs into five types viz. Basic need, Safety need, Social need, Esteem need and Self-actualization needs. A person moves from one level need to another, as one need is satisfied, he moves on to next need. It is for this need that consumer shows some behaviour pattern.

When a need is sufficiently aroused, it becomes a motive. William J. Stanton points out that "a motive is a need sufficiently stimulated to move an individual to seek satisfaction". He further adds that "the motive become the buying motive when the individual seeks satisfaction through the purchase of something". According to D. J. Durian "Buying motives are those influences or considerations which provide the impulse to buy induce action or determine choice in the purchase of goods or services".

Buying motives are those motives of consumer's which are sufficiently stimulated so as to induce the consumer to buy the product. These are the needs, which are pressing needs, causing anxiety and restlessness to the customers, so much so that the consumer has to make efforts to buy a suitable product. Buying motive is a motive which can be satisfied by the purchase of the commodities.

Types of Buying Motives:

Buying motives can be grouped into different levels. First, when the need is recognised by buyer and he talks about the motives for buying the product (conscious). Second the buyer is convinced that he has a need to buy but is not in position to understand the motives (sub-conscious) and last buyer is not in position to explain the factors which influence their purchase decisions (unconscious). These motives are known as conscious, sub-conscious and unconscious motives.

Another classification of motives which is widely accepted is by Ramaswamy and Nama Kumari as:

1. Product Motives
2. Patronage Motives

1. Product Motives:

Product motives are those motives which are related to the product that induce the consumer to buy the product. Product motive may relate to different attributes of the product.

It can be further classified as:

I. Emotional product motives

II. Rational product motives

III. Operational product motives

IV. Socio-psychological motives

Emotional product motives are those which invoke a person emotionally so that he buys the product, without analysing and evaluating its various attributes. Examples of emotional product motives are love, pride fear, comfort, ego, habits etc. Here consumer has the motive of only buying the product because he is emotionally attached to it. Other factors are absent here. As against the emotional motives, there are rational motives.

These are the motives which are concerned with the logical analysis of the various aspect of the product. Here the consumer makes a rational evaluation of different product attributes so as to determine its want satisfying potential, only then he buys the product. The various utility attributes of the product, credit facilities, transportation facilities etc. are included here.

On the basis of functions performed and socio-psychological benefit provided, buying motives are classified as operational product motive and socio-psychological product motives. Operational product motives refer to the satisfaction derived from the function or physical utility of the product. More efficiently the functions are performed, and more are the functions performed, better are the chances of product being purchased.

Socio- psychological motives are different from operational motives. Here the consumer buys the product because of the prestige attached to it. The product here is, evaluated on the basis of its social status and prestige. It must satisfy the psychological need of the buyer of having a product which is perceived high by the society.

2. Patronage Motive:

Patronages motives refers to those motives which make a consumer buy from a particular shop.
Many time consumers have reasons to buy the goods from a particular shop only. The patronage of that shop attracts him. Patronage motive may also be classified as emotional patronage motive and rational patronage motive.
Many times the buyer buy goods from a specific shop for reason not clear to them also. Such motives are called emotional patronage motives. Here the reason for buying from that shop is purely subjective. Each buyer may have his own personal reason. On the other hand rational patronage motive are the logical reason that a consumer has for buying the goods from a particular shop only.
Here the consumer is aware of advantages of that shop in terms of wide variety of goods, wide selection, good quality, easy availability, good behaviour of salesman, after sale services etc. and therefore he is attached to the shop. Thus, we see that motives have significant influence on the consumer behaviour. A marketer should therefore develop a clear understanding of the product and patronage buying motives before he goes to attract the customers and develop their loyalty.