

**Semester: S.Y. B.com Sem 4**

**Subject: Marketing Management**

**Unit: Unit – 2 Marketing Environment**

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## **Unit – 2 Marketing Environment**

### **□ CONCEPT**

#### **□ MEANING OF MARKETING ENVIRONMENT**

Marketing Environment concerns the influences or variables of the external and internal environment of a firm that controls the marketing management's capability to construct and preserve the flourishing relationships with the consumer. An assortment of environmental forces affects a company's marketing arrangement. A few of them are governable while others are unmanageable. It is the task of the marketing manager to modify the company's policies together with the shifting environment. Macro and micro environment comprise the structure of the marketing environment.

#### **➤ DEFINITIONS OF MARKETING ENVIRONMENT**

- **According to Philip Kotler**, "A company's marketing environment consists of the internal factors & forces, which affect the company's ability to develop & maintain successful transactions & relationships with the company's target customers."
- **According to Cravens**, "Marketing environment is that which is external to the marketing management function, largely uncontrollable, potentially relevant to marketing decision making and changing and constraining in nature."

### **□ FACTORS AFFECTING MARKETING ENVIRONMENT**

Every business firm consists of a set of internal factors and it also confronts with a set of external factors. The following figure gives a clear and comprehensive picture about the different factors.

#### **□ INTERNAL ENVIRONMENT**

There are number of factors which influence various strategies and decisions within the organization's boundaries. These factors are known as internal factors and are given below:

**1. Human Resources:**

It involves planning, acquisition, and development of human resources necessary for organisational success. It points out that people are valuable resources requiring careful attention and development. Progressive and successful organisations treat all employees as valuable human resources. The organisation's strengths and weaknesses are also determined by the skill, quality, morale, commitment and attitudes of the employees. The support from different levels of employees helps the management in making decisions and implementing them.

**2. Company Image:**

One company may issue shares and debentures to the public to raise money and its instruments are oversubscribed while the other company makes seek the help of different intermediaries like underwriters to generate finance from the public. This difference underlines the distinction between the images of the two companies. The image of the company also matters in certain other decisions as well like forming joint ventures, entering contracts with the other company or launching new products etc. Therefore, building company image should also be a major consideration for the managers.

**3. Management Structure:**

Remaining are the days when business was carried out by the single entrepreneur or in the shape of partnerships. Now it has reshaped itself into the formation of company where it is run and controlled by the board of directors who influence almost every decision. Therefore, the composition of board of directors and nominees of different financial institutions could be very decisive in several critical decisions. The extent of professionalization is also a decisive factor while taking business decisions.

**4. Physical Assets:**

To enjoy economies of scale, smooth supply of produced materials, and efficient production capacity are some of the important factors of business which in turn depends upon the physical assets of an organisation. These factors should always be kept in mind by the managers because these play a vital role in determining the competitive status of a firm or an organisation.

**5. R & D and Technological Capabilities:**

Technology is the application of organized knowledge to help solve problems in our society. The organisations which are using appropriate technologies enjoy a competitive advantage over their competitors. The organisations which do not possess strong Research and Development departments always delay behind in innovations which seem to be a precondition for success in today's business. Therefore, R & D and technological capabilities of an organisation determine a firm's ability to innovate and compete.

**6. Marketing Resources:**

The organisations which possess a strong base of marketing resources like talented marketing men, strong brand image, smart sales persons, identifiable products, wider

and smooth distribution network and high quality of product support and marketing support services make effortless in infrastructure in the target market. The companies which are strong on above-mentioned counts can also enjoy the fruits of brand extension, form extension and new product introduction etc. in the market.

## **7. Financial Factors:**

The performance of the organisation is also affected by the certain financial factors like capital structure, financial position etc. Certain strategies and decisions are determined on the basis of such factors.

The ultimate survival of organisations in both the public and private sectors is said largely by how proficiently available funds are managed.

So, these are some of factors related to the internal environment of an organisation. These factors are generally regarded as controllable factors because the organisation commands a fair amount of control over these factors and can modify or alter as per the requirement of the organisation.

## **□ EXTERNAL ENVIRONMENT**

Companies operate in the external environment as well that forces and shape opportunities as well as threats. These forces represent “uncontrollable”, which the company must monitor and respond to. SWOT (Strengths, weaknesses, opportunities and threats) analysis is very much essential for the business policy formulation which one could do only after examination of external environment. The external business environment consists of macro environment and micro environment.

### **A. MICRO ENVIRONMENT**

It is the company's immediate environment where routine activities are affected by the certain actors. Suppliers, marketing intermediaries, competitors, customers and the public's operate within this environment. It is not necessary that the micro factors affect all the firms. Some of the factors may affect a particular firm and do not disturb the other ones. So, it depends on what type of industry a firm belongs to. Now let's discuss in brief some of the micro environmental factors.

#### **1. Suppliers:**

The supplier to a firm can alter its competitive position and marketing capabilities. These can be raw material suppliers, energy suppliers, suppliers of labour and capital. The relationship between suppliers and the firm characterizes a power equation between them. For the smooth functioning of business, reliable source of supply is a prerequisite. If any kind of uncertainties prevail regarding the supply of the raw materials, it often compels a firm to maintain a high inventory which ultimately leads to the higher cost of production. Therefore, dependence on a single supplier is a risky proposition. Because of the sensitivity of the issue, firm should develop relations with different suppliers otherwise it could lead to a confused situation. At the same time firms should reduce the stock so as to reduce the costs.

## **2. Customers:**

**According to Peter F. Drucker** “the motive of the business is to create customers”, because a business survives only due to its customers. Successful companies recognize and respond to the unmet needs of the consumers profitably and in continuous manner. Because unmet needs always exist, companies could make a fortune if they meet those needs. A firm should also target the different segments on the basis of their tastes and preferences because depending upon a single customer is often risky. So, monitoring the customer sensitivity is a pre-condition for the success of business.

## **3. Competitors:**

A firm's products/services are also affected by the nature and intensity of competition in an industry. A firm should extend its competitive analysis to include substitutes also besides scanning direct competitors. The objective of such an analysis is to assess and predict each competitor's response to changes in the firm's strategy and industry conditions. This kind of analysis not only ensures the firm's competitive position in the market but also allow it to identify its major rival in the industry. Besides the existing competitors, it is also necessary to have an eye on the potential competitors who may enter the industry while forecasting of such competitors is a difficult task. Thus an analysis of competition is serious for not only developing competitive strategy but also for strengthening a firm's capabilities.

## **4. Marketing Intermediaries:**

Marketing intermediaries provide a vital link between the organization and the consumers. These people include middlemen such as agents or brokers who help the firm to reach out to its customers. Physical distribution unit such as stockists or warehouse providers or transporters ensure the smooth supply of the goods from their origin to the final destination. There are certain marketing research agencies which assist the organization in finding out the consumers so that they can target and promote their products to the right consumers. Financial middlemen are also there who finance the marketing activities such as transportation and advertising etc. A firm should ensure that the link between organization and intermediaries is appropriate and smooth because a wrong choice of the link may cost the organization heavily. Therefore, a continuous vigil(constant observation) of all the intermediaries is a must.

## **5. Publics:**

An organization has an interface with many publics during its life time. According to Cherrunilam, “A public is any group that has an actual or potential interest in or impact on an organization's ability to achieve its interests”. The public includes local publics, media and action groups etc. The organizations are affected by certain acts of these publics depending upon the circumstances.

# **B. MACROENVIRONMENT**

The Macro Environment consists of 6 different forces. These are: **Demographic**, **Economic**, **Political**, **Ecological**, **Socio-Cultural** and **Technological** forces. This can

easily be remembered: the **DESTEP** model, also called **DEPEST** model, helps to consider the different factors of the Macro Environment.

## **1. Demographic Forces in the Macro Environment**

Demographic forces relate to people. The name refers to the term Demography. The latter refers to the study of human populations. This includes size, density, age, gender, occupation and other statistics. Why are people important? Because, on the whole, their needs are the reason for businesses to exist. In other words, people are the driving force for the development of markets. The large and diverse demographics both offer opportunities but also challenges for businesses. Especially in times of rapid world population growth, and overall demographic changes, the study of people is crucial for marketers. The reason is that changing demographics mean changing markets. Further, changing markets mean a need for adjusted marketing strategies.

Therefore, marketers should keep a close eye on demographics. This may include all kinds of characteristics of the population, such as size, growth, density, age- and gender structure, and soon. **Some of the most important demographic trends that affect markets are:**

- **World population growth**

The world population is growing at an explosive rate. Already in 2011, it reached 7 billion, while being expected to reach 8 billion by the year 2030. By the end of the century, it is likely to double. However, the strongest growth occurs where wealth and stability is mostly absent. More than 70% of the expected world population growth in the next 40 years is expected to take place outside of the 20 richest nations on earth. This changes requirements for effective marketing strategies and should be kept in mind.

- **Changing age structure**

The changing age structure of world population is another critical factor influencing marketing. In the future, there will be countries with far more favorable age structures than others. For example, India has one of the youngest populations on earth and is expected to keep that status. By 2020, the median age in India will be 28 years. In contrast, the countries of the European Union and the USA have to face an aging population already today. This may lead to harmful reductions in dynamism and challenges regarding the supply of young workers who, at the same time, have to support a growing population of elderly people.

- **Changing family structures**

Also, families are changing which means that the marketing strategies aimed at them must undergo an adjustment. For example, new household formats start emerging in many countries. While in traditional western countries a typical household consisted of husband, wife and children, now a days there are more married couples without children, as well as single parent and single households. Another factor comes from the growing number of women working fulltime, particularly in European nations.

Together with further forces, changing family structures require the marketing strategy to be changed.

- **Geographic shifts in population**

One – and the most important – element of geographic shifts is migration. By 2050, global migration is expected to double. This has a major impact on both the location and the nature of demand for products and services. The reason is that the place people can be reached has changed, as have their needs because of the new situations. Other important factors are the ethnic diversity that provides new opportunities, as well as urbanization.

## **2. Economic forces in the Macro Environment**

The Economic forces relate to factors that affect consumer purchasing power and spending patterns. For instance, a company should never start exporting to a country before having examined how much people will be able to spend. Important criteria are: GDP, GDP real growth rate, GNI, Import Duty rate and sales tax/VAT, Unemployment, Inflation, Disposable personal income, and spending patterns.

## **3. Socio-Cultural forces in the Macro Environment**

The Socio Cultural forces link to factors that affect society's basic values, preferences and behaviour. The basis for these factors is formed by the fact that people are part of a society and cultural group that shape their beliefs and values. Many cultural blunders occur due to the failure of businesses in understanding foreign cultures. For instance, symbols may carry a negative meaning in another culture.

## **4. Technological forces in the Macro Environment**

Technological forces form a crucial influence in the Macro Environment. They relate to factors that create new technologies and thereby create new product and market opportunities. A technological force everybody can think of nowadays is the development of wireless communication techniques, smart phones, tablets and so further. This may mean the emergence of opportunities for a business, but watch out: every new technology replaces an older one. Thus, marketers must watch the technological environment closely and adapt in order to keep up. Otherwise, the products will soon be outdated, and the company will miss new product and market opportunities.

## **5. Ecological forces in the Macro Environment**

Ecological or natural forces in the Macro Environment are important since they are about the natural resources which are needed as inputs by marketers or which are affected by the marketing activities. Also, environmental concerns have grown strongly in recent years, which make the ecological force a crucial factor to consider. For instance, world, air and water pollution are headlines every marketer should be aware of. In other words, you should keep track of the trends in the ecological environment.

Important trends in the ecological environment are the growing shortage of raw materials and the care for renewable resources. In addition, increased pollution, but also increased intervention of government in natural resource management is an issue.

Because of all these concerns and the increased involvement of society in ecological issues, companies more than ever before need to consider and implement environmental sustainability. This means that they should contribute to supporting the environment, for instance by using renewable energy sources. There by, businesses do not only support the maintenance of a green planet, but also respond to consumer demands for environmentally friendly and responsible products.

## **6. Political forces in the Macro Environment**

Every business is limited by the political environment. This involves laws, government agencies and pressure groups. These influence and restrict organisations and individuals in a society. Therefore, marketing decisions are strongly influenced and affected by developments in the political environment.

Before entering a new market in a foreign country, the company should know everything about the legal and political environment. How will the legislation affect the business? What rules does it need to obey? What laws may limit the company's ability to be successful? For example, laws covering issues such as environmental protection, product safety regulations, competition, pricing etc. might require the firm to adapt certain aspects and strategies to the new market.

## **□ CONCEPT OF CONSUMER BEHAVIOR**

Consumer behaviour is the study of how individual customers, groups or organizations select, buy, use, and dispose ideas, goods, and services to satisfy their needs and wants. It refers to the actions of the consumers in the market place and the underlying motives for those actions.

Marketers expect that by understanding what causes the consumers to buy particular goods and services, they will be able to determine which products are needed in the marketplace, which are obsolete, and how best to present the goods to the consumers.

## **□ DEFINITIONS OF CONSUMER BEHAVIOR**

- **According to Engel, Blackwell, and Mansard**, 'consumer behavior is the actions and decision processes of people who purchase goods and services for personal consumption'.
- **According to Loudon and Bitta**, 'consumer behavior is the decision process and physical activity, which individuals engage in when evaluating, acquiring, using or disposing of goods and services'.

## **□ SCOPE OF CONSUMER BEHAVIOUR**

### **1. Consumer behavior and marketing management:**

Effective business managers realize the importance of marketing to the success of their firm. A sound understanding of consumer behaviour is essential to the long run success of any marketing program. In fact, it is seen as a cornerstone of the Marketing concept,

an important orientation of philosophy of many marketing managers. The essence of the Marketing concept is captured in three interrelated orientations consumers' needs and wants, company integrated strategy.

**2. Consumer behavior and nonprofit and social marketing:**

In today's world even the non-profit organisations like government agencies, religious sects, universities and charitable institutions have to market their services for ideas to the "target group of consumers or institution." At other times these groups are required to appeal to the general public for support of certain causes or ideas. Also they make their contribution towards eradication of the problems of the society. Thus a clear understanding of the consumer behaviour and decision making process will assist these efforts.

**3. Consumer behavior and government decision making:**

In recent years the relevance of consumer behavior principles to government decision making. Two major areas of activities have been affected:

- **Government services:** It is increasingly and that government provision of public services can benefit significantly from an understanding of the consumers, or users, of these services.
- **Consumer protection:** Many Agencies at all levels of government are involved with regulating Business practices for the purpose of protecting consumer's welfare.

**4. Consumer behavior and de marketing:**

It has become increasingly clear that consumers are entering an era of scarcity in terms of some natural gas and water. These scarcities have led to promotions stressing conservation rather than consumption. In other circumstances, consumers have been encouraged to decrease or stop their use of particular goods believed to have harmful effects. Programs designed to reduce drug abuse, gambling, and similar types of conception examples. These actions have been undertaken by government agencies nonprofit organizations, and other private groups. The term "de marketing" refers to all such efforts to encourage consumers to reduce their consumption of a particular product or services.

**5. Consumer behavior and consumer education:**

Consumer also stands to benefit directly from orderly investigations of their own behaviour. This can occur on an individual basis or as part of more formal educational programs. For example, when consumers learn that a large proportion of the billions spent annually on grocery products is used for impulse purchases and not spend according to pre-planned shopping list, consumers may be more willing to plan effort to save money. In general, as marketers that can influence consumers' purchases, consumers have the opportunity to understand better how they affect their own behavior.

□ **SIGNIFICANCE OF CONSUMER BEHAVIOR**



**1. Facilitates Decisions Regarding Sales Promotion:**

A number of important marketing decisions regarding sales promotion, brand, packaging, gifts, discounts etc., are taken on the basis of consumer behaviour. The producer comes to know about the motive behind the consumers' purchase and they utilize the same in advertising to awaken their desire to purchase.

**2. Price Policies:**

The buyers of some products purchase only because particular articles are cheaper than the competitive articles available in the market. In such a case the price of such products cannot be increased.

On contrary, some other articles are purchased as they enhance the prestige and social status of persons. The prices of such things can easily increase or fixed higher prestige and social status of the persons. Some articles are purchased under particular attitudes and emotions such as khadi garments are purchased who think themselves the followers of Gandhi. Prices of articles purchased under emotional motives, can also be raised.

**3. Facilitates Decisions Regarding Channels of Distribution:**

The goods, which are sold and purchased solely on the basis of low price, must have cheap and economical distribution channels. Articles requiring after sale

Service such as TV sets, refrigerators etc., should have different channels of distribution. Hence, decisions regarding channels of distribution are taken on the basis of consumer behaviour.

**4. Implementing the "Marketing Concept":**

This calls for studying the consumer behaviour, as customers' needs have to be given priority. Hence, identification of target market before production becomes essential to deliver the desired customer satisfaction and delight.

**5. Helps in Exploiting Marketing Opportunities:**

A study of consumer behaviour assists the marketers to understand the consumers, needs, aspirations, expectations, problems, etc. This knowledge will be utilised to the marketers in exploiting marketing opportunities and meeting the challenges of the market.

**6. Consumers do not always Act or React Predictably:**

The consumers of the past used to react to price levels as if price and quality had positive relation. Of late, consumers seek value for money, lesser price but with superior features. The consumers' response indicates that the shift had occurred.

**7. Consumer Preferences are Changing and becoming Highly Diversified:**

This shift has occurred due to availability of more choice now. Hence, study of consumer behavior is important to understand the changes.

**8. Speedy Introduction of New Products:**

Speedy introduction of new product with technological advancement has made the job

of studying consumer behaviour more imperative. For instance, the information technologies are changing rapidly in personal computer industry.

#### 9. Helps in Forming Production Policies:

The study of consumer behavior affects production policies of the enterprise. Consumer behaviour discovers the habits, tastes and preferences of consumers and such discovery enables an enterprise to plan and develop its products according to these specifications. It is important for an enterprise to be in continuous touch with the changes in consumer behaviour so that required changes in products can be made.

### **Market Segmentation : Meaning and Base**

Market segmentation: Marketing efforts should be directed towards the specific groups of people. This is known as market segmentation.

According to R.S. Davar, “ Grouping of buyers and segmenting, the market is described as market segmentation.”

### **Bases of Market Segmentation**

Separate market segmentation can be made according to each class of customers. It can be made from other angles also. But market segmentation for consumer products and industrial products cannot be made on the same base. According to **Philip Kotler** the base of market segmentation for consumer products can be divided as under:

<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>
<b>Geographic Base</b>	<b>Demographic Base</b>	<b>Behaviouristic Base</b>	<b>Psychographic Base</b>
1. Local market 2. Urban market 3. Rural market 4. Regional market 5. National market 6. International market 7. Climate market	1. Age 2. Size of Family 3. Income of the person 4. Family life cycle 5. Business/ Profession 6. Education 7. Religion 8. Customs 9. Marriage	1. Faithfulness towards firm 2. Products 3. Place 4. Rate of Consumption 5. Festival ceremonies 6. Status of a customer 7. Benefits of a products 8. Intensity for purchase 9. Supply 10. Attitude	1. Personality 2. Life cycle 3. Social Status 4. Economic status 5. Purchase intension

**A. Geographic Base:** When market segmentation is made on the basis of village, city, state, nation or on the basis of climate, it is known as market segmentation on Geographic Base. These basis are as under:

**(1) Local market:** The area in which the company is established is known as the local market. The scope of the working area of the company differs from company to company. It is easy to make contacts with the customers of the local market. As a result, the work of sales distribution can be done very easily.

Generally newly established company first of all prefer to enter in local market.

**(2) Urban market:** It is said that people living in the urban area desire to purchase goods of quality and fashion. They want variety of luxurious goods. In city market clothes of best quality, ornaments, variety of furniture and such other products are available. Villages cannot be selected for the sales of these products. Cities like Ahmedabad, Chennai, Mumbai, Kolkata, Delhi, Jaipur, Rajkot, Pune are selected.

**(3) Rural market:** There are some products which can be sold more in villages than in cities. Coarse cloth, simple wooden furniture, wooden cases, quality of note books, utensils for routine use and such other products can be sold very easily in rural market. For this district centres and the neighbouring villages should be selected.

**(4) Regional market:** Some products are sold in different territories. Such products have Regional market Example: High quality of readymade garments, certain types of mixtures, Camlin pencils and colours, Nirma washing powder and such other products are sold in Gujarat, Maharashtra, and UP markets.

**(5) National market:** There are some products which are sold in the entire country and so we can say that such products have a National market. Bata Shoes, lamps of Philips, ceiling fans by Crompton, BPL TV, Philips radio and transistor, Colgate toothpaste, Lux soaps, Taj Tea and such other products have a national market.

**(6) International market:** There are some products which are not sold only in the country but they are sold in the foreign countries also. These products are said to have International market. HMT wrist watches, woollen shawls of Kashmir, Raymond suitings, Vimal suitings gold and silver ornaments, sports goods, tea, rubber, petrol and such other products have international market.

**(7) Market segmentation on the basis of climate:** Environment plays an important role in market segmentation. Climatic condition is a major factor in market segmentation. In areas where there is cold climate throughout the major part of the year and where winter is very severe, there will be more demand for woollen clothes. In the same way, there is a market for air-condition machine in hot areas. In some places there is a mixed climate and as such the market segmentation will be formed accordingly.

## **B. Demographic Base:**

**(1) Sex:** The market segmentation formed on the basis of the percentage of males and females residing in a particular area becomes very useful. Market segmentation made on the bases of sex proves very much useful to beauty parlours, dealers in cosmetic items, jewellers and dealers of readymade garments. In modern times there is much change in the fashions both amongst males and females. Females also put on T-shirts, shirts, trousers and pyjamas. In the same way both males and females make use of scooters, motorcycles, bicycles and cars. In India the smoking and drinking habit is very less in females. But in western countries

the percentage of females smoking and drinking is equal to that of the males. Among women who are servicing there will be more and more use of pressure cookers, appliances for kitchen, washing machines and such other products.

**(2) Age:** Classification can be made on the bases of the age as under-

(1) new born child (2) children (3) school going boys and girls (4) youngsters (5) aged persons (6) retired persons.

There can be market segmentation as per the above classification.

The requirements of a new born child are different from other children. Effective sales can be achieved if the requirements of a new born child are sold at particular places. In modern times we find such stores where people go to purchase for the requirements of a new born child.

In the same way, school going boys and girls need stationary and books. They go to such stores where these things are available. There are also stores selling uniforms for schools. It is convenient for them to purchase from such stores. In the same way, the youngsters and aged persons buy their requirements from the particular markets.

**(3) Size of the family:** People purchase goods and articles according to their requirements. The number of persons in a family also decides the quantity of products or number of articles to be purchased. In a family where there are 2 or 3 persons, the requirement will be limited and there will be more demand of products in small packages. In the same way, the members of a large family will prefer to purchase in a bulk.

**(4) Income:** From the viewpoint of income market segmentation can be made into two groups - lower income group and higher income group. Majority of the people belonging to lower income group will spend their income on satisfying their primary needs. They do not demand luxurious products. The people belonging to higher income group will demand goods of high quality as well as goods for luxuries. Taking this aspect into consideration textile manufacturing companies produce cloth of medium quality as well as superfine quality. The Bata Shoe Company puts in the market shoes for middle and higher class people. The purchasing capacity of consumers depends upon his income. Taking into consideration various factors pertaining to market functioning, market segmentation made on the basis of income proves very useful.

**(5) Life cycle of the family:** The life cycle of the family plays an important role in market segmentation. The age of the different members of the family, their approach to life, their maturity, custom and their standard of living are included in life cycle. The requirements of newly married couple will be different from those of the aged members of the family. In the same way the requirements of the old members will be different from those of the young members of the family. In short, market segmentation done on the basis of life-cycle of the family is very useful. At the same time, we should not forget that the life cycle of the family goes on changing.

**(6) Business and Profession:** There are various means of livelihood. There are people who maintain themselves by rendering services. In the same way, there are businessmen, farmers, labourers and persons engaged in different professions. Keeping in mind various kinds of means of livelihood, market segmentation can be made. The requirements of the service class

people are different from those of the businessmen and the industrialists. The persons engaged in service will be satisfied with cycles, mopeds or scooters, while the businessmen and industrialists will require cars for going from one place to other place. The doctors, advocates will also require cars to maintain the status and dignity of their profession. In this way the life style of each is different from the other. All these factors are taken into account at the time of market segmentation.

**(7) Education:** In a society, there are educated persons as well as illiterate persons. Market segmentation can be made on the basis of education. This sort of segmentation will be helpful for business in stationery and books.

**(8) Religious customs:** Different people believe in different religions. People having faith in one religion have a particular style of living. Their way of wearing clothes is different from that of the people belonging to other religion. The religious customs observed by Hindus are different from those of Muslims, Christians, Parsis and Sikhs. Moreover, certain traditions observed in villages are different from those observed in cities. In every religion there is a different system of marriage celebration. All these factors affect the market segmentation. The demands of each group are different from those of others, and so market segmentation takes place accordingly.

**C. Behaviouristic Base:** For purchase of certain products market segmentation can be made on the basis of the behaviour of customers as under:-

**(1) Faith in the manufacturer:** When a particular product of the manufacturer becomes famous and popular, people begin to trust any product of that company. In the beginning, Bajaj Company introduced electric bulbs. Day by day, the bulbs became popular. Then the company introduced fans, irons, scooters and other products. All these products have become popular and people purchase because they have faith in the quality of the products of the company. Similar examples of the other companies can be cited.

**(2) Faith in the product:** When consumers are satisfied with the use of a particular product, they never demand any other product. Those who are habituated to use Colgate toothpaste will never demand any paste made by any other company.

Examples of this type can be given from our practical experience.

**(3) Importance of place:** There are people who insist on purchasing certain things from a certain place. In this way, market segmentation can be made from these viewpoints. It is for this reason that there is development of certain types of industries in a particular place. Consumers would like to purchase woollen clothes from Ludhiana, shawls from Kashmir, wall-clocks from Morvi, silk sarees from Benaras, shoes from Kanpur and so on.

**(4) Rate of consumption:** Every customer does not make use of the product at the same rate. Some customers use certain products permanently while some customers use these products occasionally. Some customers always use scent while some use it only on some occasions. Some customers make use of perfumes only on marriage occasions.

**(5) Functions and festivals:** The demand of certain products increase on special functions and festivals. During marriage season demand for clothes, gold and silver ornaments, articles of gifts, utensils, sweets etc. increases. The demand of flowers for decoration also increases

during this season. Market segmentation can be made according to celebration of various occasions like birthday celebration, marriage day celebration, silver jubilee celebration in the life of a person. Demand in various products increases during festivals like Rakshabandhan, Janmashtami, Dashera, Diwali, Makarsankranti, Ganesh Chaturthi, Paryusan and such other festivals.

**(6) Status of consumers:** Consumers make use of products. But all consumers do not always make the same use of the products. From this viewpoint consumers can be divided in separate status groups as under:

- (1) Consumers who have never used the products.
- (2) Consumers who have used the products in the past.
- (3) Consumers who are likely to use the products in future.
- (4) Consumers who make the use of the products permanently.
- (5) Consumers who are going to make use of products for the first time.

Taking the above status groups into consideration, producers can make appeal to them through advertisement.

**(7) Product benefits:** Market segmentation can be made on the basis of benefits derived from the products. Manufacturers of soaps give benefits to the customers on the purchase of soaps and powders. In the same way, manufacturers of various products attract the customers to buy their products and get various gifts. The customers purchase products for definite purpose. Some customers purchase Lifebouy soaps for protection or good health. Some customers purchase Lux soaps for becoming fair. In the same, consumers make use of washing soaps from which they derive maximum satisfaction and benefits of gift schemes.

**(8) Consumer's eagerness:** Classification of customers can be made from the viewpoint of the consumer's eagerness to purchase products. This classification can be made as under:

- (1) Consumers not aware of the product.
- (2) Consumers aware of the product.
- (3) Consumers intending to purchase the product.
- (4) Consumers purchase the products in future.

By making classification of this type consumers intending to purchase the product can be diverted to purchase the product. In the same way, those who are unaware of the product can be made aware through advertisement and other means of publicity. Further, the consumers who are to purchase in future can be made to purchase in the present time. In this way, segmentation done from this viewpoint is helpful.

**(9) Supply of goods:** Sometimes there is more supply of goods while at times there may be less supply of goods. When there is more supply of goods, the market is said to be in surplus. When there is less supply of goods, the market is said to be in scarcity of supply. On the basis of this type of segmentation, market strategy can be arranged in such a manner that goods from the market where the supply is in surplus can be transported to the market where there is scarcity of goods.

**(10) Trend of consumers:** The expectation of one customer is different from the other. In the same way, the mental capacity of customers are different. The trends in different customers are not the same. The classification of the customers on this basis can be made as under:-

(1) Customers having negative trends (2) Customers having, positive trend (3) Customers having normal trends (4) Customer having opposite trends. (5) Customers having ideal trends.

Taking into consideration, the market segmentation can be made on this basis. Market Strategy should be formulated in such a way that customers can come to know about the special characteristics and benefits of the products. By arranging this sort of Strategy, customers having negative trend can be made to have positive trend.

**D. Psychographic Base:** Psychographic base depends upon psychological background and hence, changes are bound to come in this. These changes are important from the viewpoint of marketing and so they are to be examined in their true perspectives.

**(1) Personality:** Man's personality affects purchasing power. Business executives prefer to live in bungalows with latest furniture. When they go on business tours they stay in luxurious hotels. They move in prestigious cars and put on costly clothes. The same persons belonging to middle class purchase goods according to their income. In short, every person tries to purchase according to his nature as well approach to life.

**(2) Life style:** Life style of one person differs from that of the other. Market segmentation can be made from this viewpoint as under :-

(1) Persons living a simple life. (2) Persons living a traditional life. (3) Persons living a modern life. (4) Persons living according to western style.

Persons living a traditional life will live according to old traditional life. They will make use of traditional things in their day to day life. e.g. dantmanjan, homemade oil etc.

While persons living a modern life will purchase from the market goods which suit their way life. Education also plays an important role in moulding man's life style.

**(3) Social status:** Market segmentation can be made according to the social status. The status of a doctor differs from that of a businessman or a government servant. The status of a professor is higher than that of a teacher or other class of serving persons. However, it is difficult to decide about the status of a person in the society. The respect given to a particular person from the society helps in deciding the status of a person.

**(4) Economic status:** Status of every person can be decided from the viewpoint of economic condition as under:

(1) Wealthy Persons

(2) Higher middle class persons

(3) Middle class persons

(4) Lower middle class persons

(5) Poor persons

The purchasing capacity of a person depends on his economic condition. Persons belonging to rich class will give priority to quality rather price of product. The purchasing capacity of each group differs from the other.

### **Assignment Questions:**

- 1. What is Market Segmentation? Discuss the various bases of Market Segmentation.**
- 2. What is Marketing Environment? Discuss the various factors affecting Market Environment.**