

**Consumer Behaviour Case study on Customer Segmentation
(GME402M)**

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DECLARATION BY THE LEARNER

This is to declare that I have carried out this self-audit work myself in fulfillment of the **Trimester IV** of MBA program in General Management for Marketing Minor subject – **Consumer Behaviour** from Sri Sri University, Cuttack, Odisha.

The work is my original work, with due reference/credit given wherever required. This report is not been submitted to any other University/Institute for an award of any degree/diploma.

Date: 18th Nov, 2015

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Consumer Behaviour: Case study on Customer Segmentation

TABLE OF CONTENTS

I. What is Consumer Behaviour?.....	4
II. Motivation	4
Basics of Motivation:	4
Needs:	4
Goals:	5
Positive and negative motivation:	5
Rational versus Emotional Motives	6
The Dynamic Nature of Motivation	6
III. Model of the Motivation Process:	6
Arousal of Motives:.....	7
Philosophies Concerned with Arousal of Motives	8
IV. The Selection of Goals	8
V. Motivation theories and marketing strategy.....	8
Abraham Maslow’s “Need Hierarchy Theory”	8
Maslow’s hierarchy of needs in marketing (application).....	10
McGuire’s Classification of Motives.....	10
Discovering purchase motives	10
Latent and Manifest Motives.....	11
Marketing Strategies.....	11
VI. Case study on Customer Segmentation.....	13
1. Introduction	13
2. Methodology.....	14
3. Factors of Segmentation	14
4. Assumptions.....	14
5. Products.....	15
Appendix I: References	15

I. What is Consumer Behaviour?

Consumer Behaviour 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.

II. Motivation

Basics of Motivation:

People are motivated by many things, some positive others not. Some motivating factors can move people only a short time, like hunger, which will last only until you are fed. Others can drive a person onward for years.

Motivation is the driving force within individuals that impels them to action. Motivation is the activation or energization of goal-oriented behavior. Motivation may be intrinsic or extrinsic. The term is generally used for humans but, theoretically, it can also be used to describe the causes for animal behavior as well. According to various theories, motivation may be rooted in the basic need to minimize physical pain and maximize pleasure, or it may include specific needs such as eating and resting, or a desired object, hobby, goal, state of being, ideal, or it may be attributed to less-apparent reasons such as altruism, morality, or avoiding mortality.

Needs:

Needs are the essence of the marketing concept. Marketers do not create needs but can make consumers aware of needs. A need is something that is necessary for humans to live a healthy life. Needs are distinguished from wants because a deficiency would cause a clear negative outcome, such as dysfunction or death. Needs can be objective and physical, such as food and water, or they can be subjective and psychological, such as the need for self-esteem. On a societal level, needs are sometimes controversial, such as the need for a nationalized health care system. Understanding needs and wants is an issue in the fields of politics, social science, and philosophy.

Types of Needs

- **Innate Needs:** Physiological (or biogenic) needs that are considered primary needs or motives.
- **Acquired Needs:** Learned in response to our culture or environment. Are generally

psychological and considered secondary needs.

Goals:

A goal or objective is a projected state of affairs that a person or a system plans or intends to achieve—a personal or organizational desired end-point in some sort of assumed development. It is the sought-after results of motivated behavior.

Types of goals:

- **Generic goals:** are general categories of goals that consumers see as a way to fulfill their needs.
- **Product-specific goals:** Are specifically branded products or services that consumers select as their goals.

Positive and negative motivation:

Positive motivation is a response, which includes enjoyment and optimism about the tasks that you are involved in. Positive motivation induces people to do work in the best possible manner and to improve their performance. Under this better facilities and rewards are provided for their better performance. Such rewards and facilities may be financial and non-financial.

Negative motivation aims at controlling the negative efforts of the work and seeks to create a sense of fear for the worker, which he has to suffer for lack of good performance. It is based on the concept that if a worker fails in achieving the desired results, he should be punished. Negative motivation involves undertaking tasks because there will be undesirable outcomes, eg. failing a subject, if tasks are not completed.

Almost all students will experience positive and negative motivation, as well as loss of motivation, at different times during their life at University.

Both positive and negative motivation aim at inspiring the will of the people to work but they differ in their approaches. Whereas one approaches the people to work in the best possible manner providing better monetary and non-monetary incentives, the other tries to induce the man by cutting their wages and other facilities and amenities on the belief that man works out of fear.

Rational versus Emotional Motives

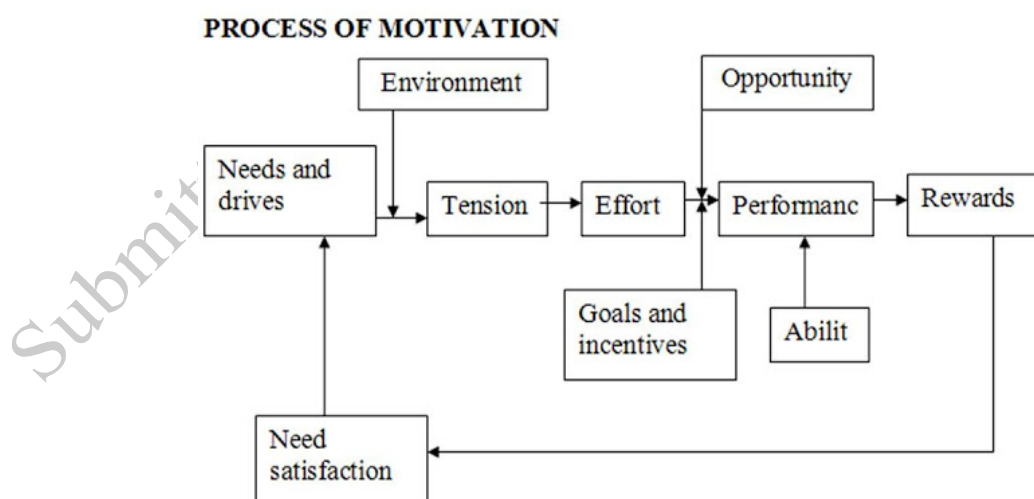
- **Rationality** implies that consumers select goals based on totally objective criteria such as size, weight, price, or miles per gallon. A conscious, logical reason for a purchase. A motive that can be defended by reasoning or logical argument
- **Emotional** motives imply the selection of goals according to personal or subjective criteria. A feeling experienced by a customer through association with a product.

The Dynamic Nature of Motivation

- Needs are never fully satisfied
- New needs emerge as old needs are satisfied
- People who achieve their goals set new and higher goals for themselves

III. Model of the Motivation Process:

The motivational process is the steps that you take to get motivated. It is a process, that when followed produces incredible results. It is amazing what you can do if you are properly motivated, and getting properly motivated is a matter of following the motivational process. Like any other process it takes a little work and foresight and planning on your part. However, the return on your investment of time is significant, and it is important when needing extra motivation that you apply the motivational process.



In the initiation a person starts feeling lacknesses. There is an arousal of need so urgent, that the

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bearer has to venture in search to satisfy it. This leads to creation of tension, which urges the person to forget everything else and cater to the aroused need first. This tension also creates drives and attitudes regarding the type of satisfaction that is desired. This leads a person to venture into the search of information. This ultimately leads to evaluation of alternatives where the best alternative is chosen. After choosing the alternative, an action is taken. Because of the performance of the activity satisfaction is achieved which then relieves the tension in the individual.

Arousal of Motives:

The arousal of any particular set of needs at a specific moment in time may be caused by internal stimuli found in the individual's physiological condition, by emotional or cognitive processes or by stimuli in outside environment.

- Physiological arousal
- Emotional arousal
- Cognitive arousal
- Environmental arousal

Physiological Arousal: Bodily needs at any one specific moment in time are based on the individual physiological condition at the moment. Eg. A drop in blood sugar level or stomach contractions will trigger awareness of a hunger need. Eg. A decrease in body temperature will induce shivering, which makes individual aware of the need for warmth this type of thing, they arouse related needs that cause uncomfortable tensions until they are satisfied. Eg. Medicine, low fat and diet

Emotional Arousal: Sometime daydreaming results in the arousal (autistic thinking) or stimulation of latent needs. People who are bored or who are frustrated in trying to achieve their goals or often engage in daydreaming, in which they imagine themselves in all sorts of desirable situations. Eg. A young woman who may spend her free time in internet single chat room.

Cognitive arousal Sometime random thoughts can lead to a cognitive awareness of needs. An advertisement that provides reminders of home might trigger instant yearning to speak with ones parents.

Environment arousal The set of needs an individual experience at particular time are often activated by specific cues in the environment. Without these cues the needs might remain dormant.

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Eg. The 8'o clock news, the sight or smell of bakery goods, fast food commercials on television, all these may arouse the need for food Eg. New cell phone model display in the store window.

Philosophies Concerned with Arousal of Motives

- Behaviorist School
 - Behavior is response to stimulus
 - Elements of conscious thoughts are to be ignored
 - Consumer does not act, but reacts
- Cognitive School
 - Behavior is directed at goal achievement
 - Needs and past experiences are reasoned, categorized, and transformed into attitudes and beliefs

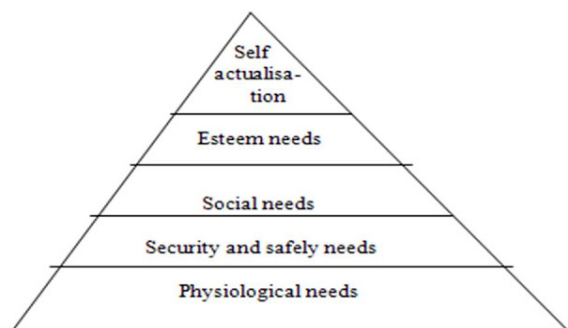
IV. The Selection of Goals

The goals selected by an individual depend on their:

- Personal experiences
- Physical capacity
- Prevailing cultural norms and values
- Goal's accessibility in the physical and social environment

V. Motivation theories and marketing strategy

Abraham Maslow's "Need Hierarchy Theory"



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One of the most widely mentioned theories of motivation is the hierarchy of needs theory put forth by psychologist Abraham Maslow. Maslow saw human needs in the form of a hierarchy, ascending from the lowest to the highest, and he concluded that when one set of needs is satisfied, this kind of need ceases to be a motivator.

As per his theory these needs are:

(i) **Physiological needs:** These are important needs for sustaining the human life. Food, water, warmth, shelter, sleep, medicine and education are the basic physiological needs which fall in the primary list of need satisfaction. Maslow was of an opinion that until these needs were satisfied to a degree to maintain life, no other motivating factors can work.

(ii) **Security or Safety needs:** These are the needs to be free of physical danger and of the fear of losing a job, property, food or shelter. It also includes protection against any emotional harm.

(iii) **Social needs:** Since people are social beings, they need to belong and be accepted by others. People try to satisfy their need for affection, acceptance and friendship.

(iv) **Esteem needs:** According to Maslow, once people begin to satisfy their need to belong, they tend to want to be held in esteem both by themselves and by others. This kind of need produces such satisfaction as power, prestige status and self-confidence. It includes both internal esteem factors like self-respect, autonomy and achievements and external esteem factors such as states, recognition and attention.

(v) **Need for self-actualization:** Maslow regards this as the highest need in his hierarchy. It is the drive to become what one is capable of becoming; it includes growth, achieving one's potential and self-fulfillment. It is to maximize one's potential and to accomplish something.

As each of these needs are substantially satisfied, the next need becomes dominant. From the standpoint of motivation, the theory would say that although no need is ever fully gratified, a substantially satisfied need no longer motivates. So if you want to motivate someone, you need to understand what level of the hierarchy that person is on and focus on satisfying those needs or needs above that level.

Maslow's need theory has received wide recognition, particularly among practicing managers. This can be attributed to the theory's intuitive logic and ease of understanding. However, research does

Consumer Behaviour: Case study on Customer Segmentation

not validate these theories. Maslow provided no empirical evidence and other several studies that sought to validate the theory found no support for it.

Maslow's hierarchy of needs in marketing (application)

To help with training of Maslow's theory look for Maslow's Hierarchy of Needs motivators in advertising. This is a great basis for Maslow and motivation training exercises:

Biological and Physiological needs - wife/child-abuse help-lines, social security benefits, Samaritans, roadside recovery.

Safety needs - home security products (alarms, etc), house and contents insurance, life assurance, schools.

Belongingness and Love needs - dating and match-making services, chat-lines, clubs and membership societies, McDonalds, 'family' themes like the old style Oxo stock cube ads.

Esteem needs - cosmetics, fast cars, home improvements, furniture, fashion clothes, drinks, lifestyle products and services.

Self-Actualization needs - Open University, and that's about it; little else in mainstream media because only 2% of population are self-actualizers, so they don't constitute a very big part of the mainstream market.

McGuire's Classification of Motives

Cognitive (Thinking)	Preservation	Consistency	Attribution	Categorization	Objectification
	Growth	Autonomy	Stimulation	Matching	Utilitarian
Affective (Feeling)	Preservation	Tension Reduction	Self expression	Ego Defence	Reinforcement
	Growth	Assertion	Affiliation	Identification	Modeling

Discovering purchase motives

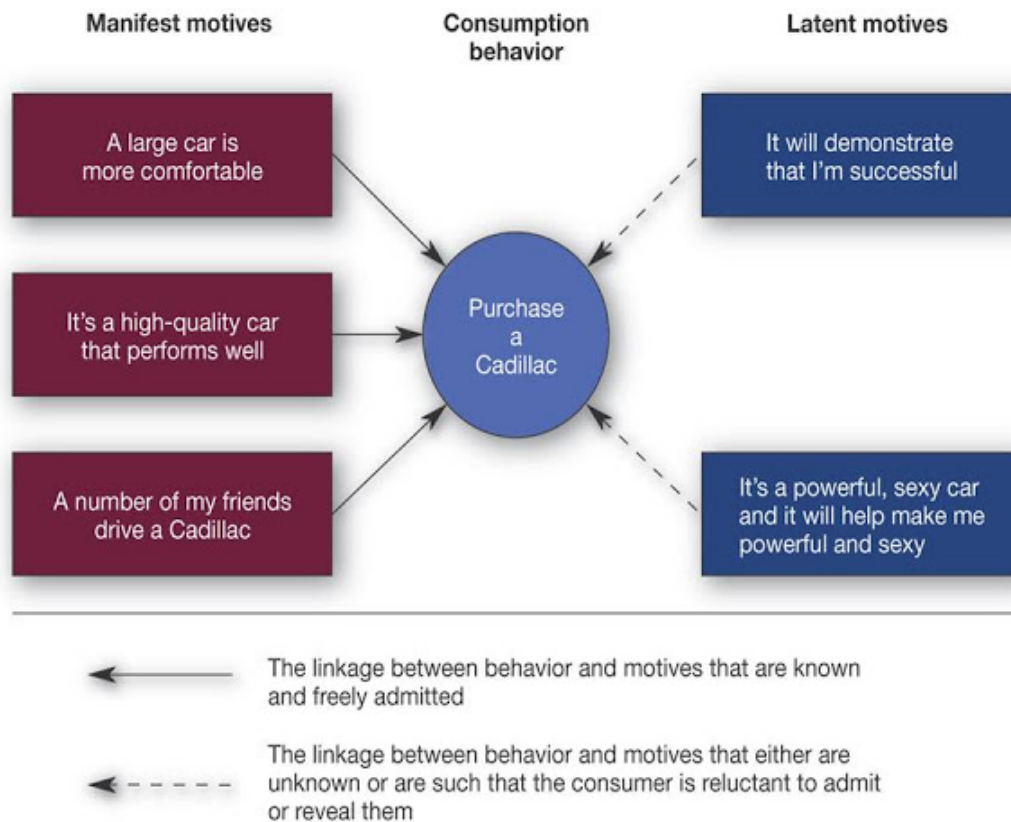
Buying motives determine two things:

- What consumers want to do, and
- How much they want to do it.

To market successfully, purchase motives

- First have to be directed towards your goods, not someone else's.
- Second, the drive has to be strong enough so that people will act on it; they have to be willing to pay the price in terms of dollars, time, and effort.

Latent and Manifest Motives



Marketing Strategies

Motivation Conflict

With (he many motives consumers have and the many situations in which these motives are activated, (here are frequent conflicts between motives. The resolution of a motivational conflict often affects consumption patterns. In many instances, the marketer can analyze situations that are likely to result in a motivational conflict, provide a solution to the conflict, and attract the patronage of those consumers facing the motivational conflict. There are three types of motivational conflict of importance to marketing managers:

- Approach-Approach Conflict
- Approach-Avoidance Conflict
- Avoidance-Avoidance Conflict

Approach-Approach Motivational Conflict A consumer who must choose between two attractive alternatives faces approach-approach conflict. The more equal this attraction, the greater the conflict. A consumer who recently received a large cash gift for graduation (situational variable)

Consumer Behaviour: Case study on Customer Segmentation

might be ton) between a trip to Hawaii (perhaps powered by a need for stimulation) and a new mountain bike (perhaps driven by the need for assertion). This conflict could be resolved by a timely advertisement designed to encourage one or the other action. Or a price modification, such as "buy now, pay later." could result in a resolution whereby both alternatives are selected.

Approach-Avoidance Motivational Conflict A consumer facing a purchase choice with both positive and negative consequences confronts approach-avoidance conflict. A person who is concerned about gain-ing weight yet likes snack foods faces this type of problem. He or she may want the taste and emotional satisfaction associated with the snacks (approach) but does not want to gain weight (avoidance). The development of lower-caloric snack foods reduces this conflict and allows the weight-sensitive consumer to enjoy snacks and also control calorie intake.

Avoidance-Avoidance Motivational Conflict A choice involving only undesirable outcomes produces avoidance-avoidance conflict. When a consumer's old washing machine fails, this conflict may occur. The person may not want to spend money on a new washing machine, or pay to have the old one repaired, or go without one. The availability of credit is one way of reducing this motivational conflict. Advertisements emphasizing the importance of regular maintenance for cars, such as oil tiller changes, also use this type of mo-tive conflict: "Pay me now or pay me (more) later."

Frustration:

Failure to achieve a goal often result in feeling of frustration (inability to attain goal-frustration comes)

--Limited physical or financial resources.

--Obstacle in the physical or social environment such frustration people are likely to adopt a defense mechanism to protect their egos from feelings of inadequacy.

Defense Mechanism: Methods by which people mentally redefine frustrating situations to protect their self-images and their self-esteem

1 **Aggression (attracting)** may react with anger towards his/her boss for not getting enough money for one trip so frustrated consumers have boycotted manufacturers in an effort to improve product quality and have boycotted retailers in an effort to have price lowered.

Consumer Behaviour: Case study on Customer Segmentation

- 2 **Rationalization (Convince themselves)** They may decide that goal is not really worth (reasoning for being unable to attain their goals)
- 3 **Regression:** People react to frustrating situations with childish or immature behavior
- 4 **Withdrawal:** withdrawing from the situation. Eg. Person who has difficulty achieving officer status in an organisation may simply quit the organization or he may decide he can use his time more constructively in other activities.
- 5 **Projection:** an individual may project blame for his/her own failure and inabilities on other objects or persons. Eg. The driver who has an automobile accident may blame the other driver or the condition of the road Eg. Cricket player blame the ground / climate.
- 6 **Autism or Autism thinking:** Day dream that enables the Individual to attain unfulfilled needs (dreaming / thinking emotionally / romantically).
- 7 **Identification Sometime** people feel frustration by subconsciously identifying with other persons or situation that they consider relevant. Eg. Mouth wash, shampoo, soap to attract opposite sex.
- 8 **Repression**– Another way that individuals avoid the tension arising from frustration is by repressing the unsatisfied need Eg. A couple that cannot have children may surround themselves with plants or pets.

VI. Case study on Customer Segmentation

1. Introduction

The consumer segmentation according to their behavior is a very complex process. This is due to the factors that affect the purchasing pattern of the consumers. These factors can be internal or external and immediate or long term effect.

Putting the consumers at different segment by these parameter may vary due to time and other factors.

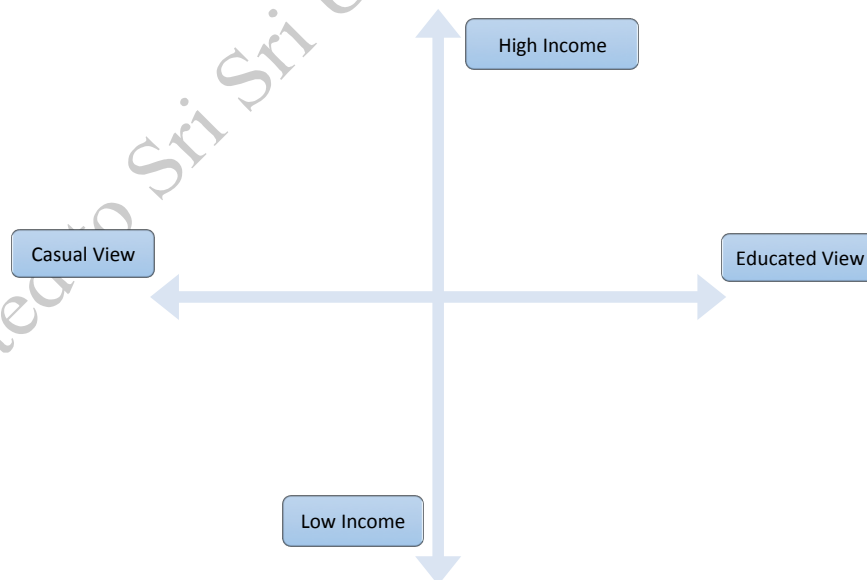
2. Methodology

The methodology adopted here are semi-structural questionnaire, depth interview. This was conducted to the students of Sri Sri University. The domicile of the student at Sri Sri University has high variation. The students comes from different background, culture and family income.

3. Factors of Segmentation

This is scale on which consumers behavior are classified:

- Socio-Cultural factor (Casual Vs Educated)
 - As per this scale consumer purchasing decision can be classified on;
 - Casual View: Casual purchasing pattern without prior knowledge.
 - Educated View: Informed and well researched purchasing decision.
- Income level (Low Income Vs High Income)
 - Income is the major factor in the consumer purchasing decisions.
 - Low Income: Consumer in the category of < 15lacs falls in this category
 - High Income: Consumer with >15 lacs falls in this category.



4. Assumptions

- Family size
- Income group level

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- Influence of Social circle on view levels which can be permanent E.G Going to Malaysia
- Products are generic.

5. Products

- Clothes
- Food
- Tourism
- Entertainment
- Gadgets
- FMCGs and FMCDs
- Financial products Eg. Insurance policies, tax saving bonds, MF, Medical polices. The consumer either takes help of consultant or self researches

The customer may buy a same product but with a different mind set

E.G. Govt bonds, LPG gas , petrol , salts, insurance policy

Appendix I: References

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2. Case study was done as part of academic assignment along with Gobind Gopal and Nitish Khairnar