

Buyer's Behavior

Consumer and organizational buyer behavior: distinguishing features, consumer buying decision process and determinants, recent developments in organizational buying.

#Consumer and organizational Buying behavior:

Both individuals and organizations need to purchase items to accomplish their daily tasks. There is a large difference, however, in how and why an organization purchases goods and services versus how and individual shops. Understanding these differences is important if you want to tap into both an organizational and a consumer market.

Consumer Buying Behavior refers to the **buying behavior** of the ultimate **consumer**. A firm needs to analyze **buying behavior** for:Buyers reactions to a firms marketing strategy has a great impact on the firms success.

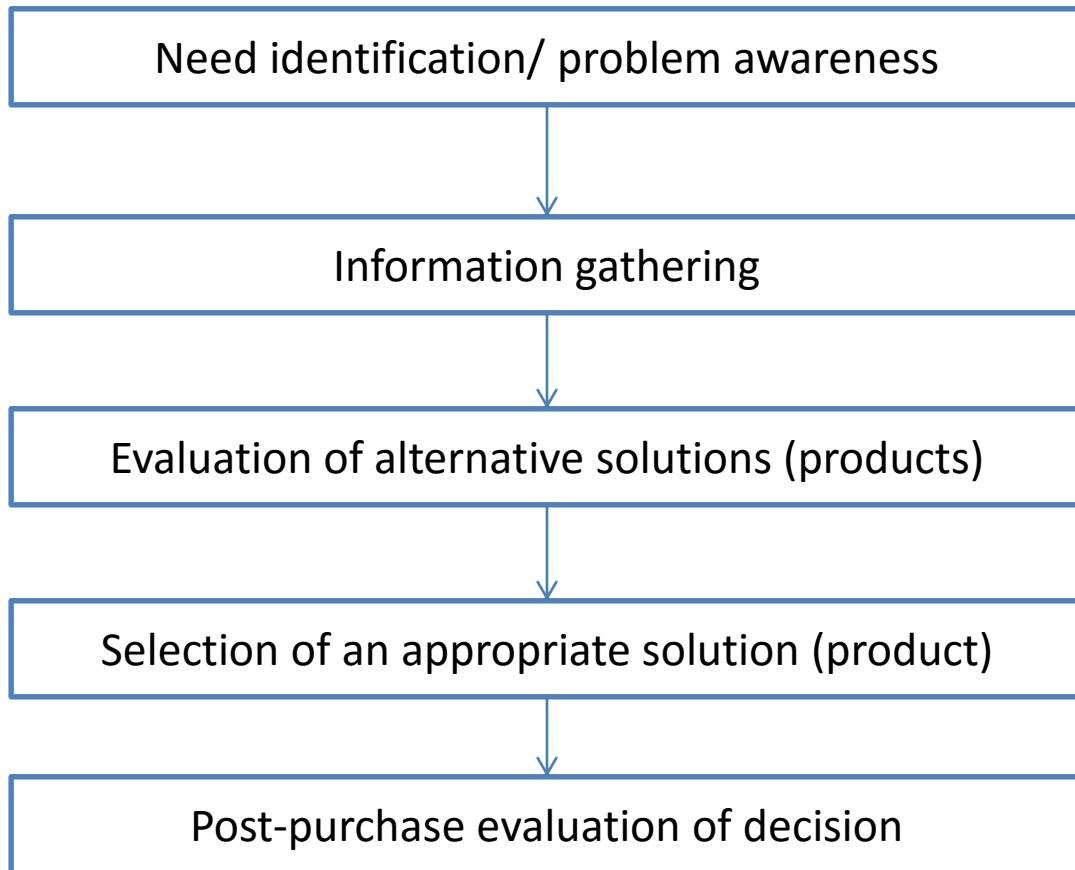
AREA	ORGANIZATIONAL	CONSUMER
BUYER BEHAVIOR	<ul style="list-style-type: none"> • Functional involvement • Rational/task motives • Technical expertise • Interpersonal , stable relation 	<ul style="list-style-type: none"> • Family involvement • Social/psychological motives • Less technical • Non personal relation to some extent
DECISION MAKING	<ul style="list-style-type: none"> • Distinct, observable stages 	<ul style="list-style-type: none"> • Unobservable mental stages

Consumer Buyer Behavior: Determines Marketing Strategy.

Consumer are individual who buy products and services for personal consumption. Sometimes it is difficult to classify a product as either a consumer or an organizational good. Cars, for example sell to consumers for personal use and to organization for use in carrying their activities(eg. To provide transport for a sales executive.). For both types of buyer can be distinguished by answering the following five questions:

1. Who is important in the buying decision?
2. How do they buy?
3. What are their choice criteria?
4. Where do they buy?
5. When do they buy?

Consumer decision making process- how they buy



Evaluation of alternative:

1. Evaluative criteria (eg fuel economy, purchase price, and reliability)
2. Beliefs (eg: roominess)
3. Attitudes (eg liking and disliking)
4. intentions (favorable attitude to buy....)

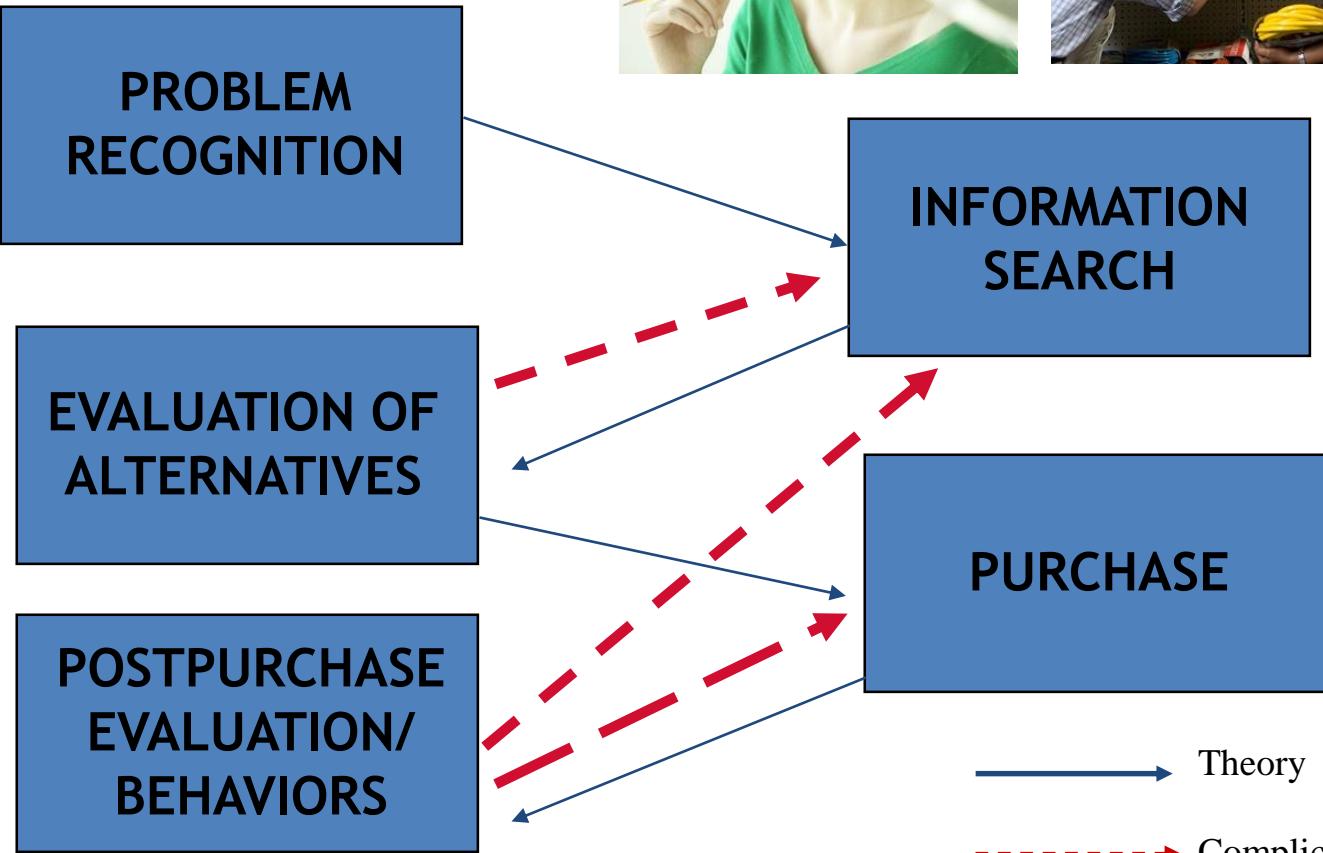
Choice criteria

1. Economic : performance, reliability, price.
2. Social : status and need for social belonging.
3. Personal: psychological, personal self-image

fig: consumer buying decision

CONSUMER DECISIONS:

Theory and Reality in Consumer Buying



#Factor affecting the consumer decision-making: And Marketing Approaches associated

1. The buying situation: Howard and Sheth identified three types of buying situation:

- extensive problem-solving. (high degree of information search and close examination of alternative solutions)- Marketing strategies will highlight competitive advantage/edge- i.e- car (make , price, used, sports, suv, economy ,luxury,hybrid)
- Limited problem solving.(some knowledge about product and services –brand previously purchase)-s5 to s6- phone-
- Automatic problem solving.(companies with large brand franchise will wish to move their customers to the state of automatic response.) –Health products- Toothpase, Soap, Tissue

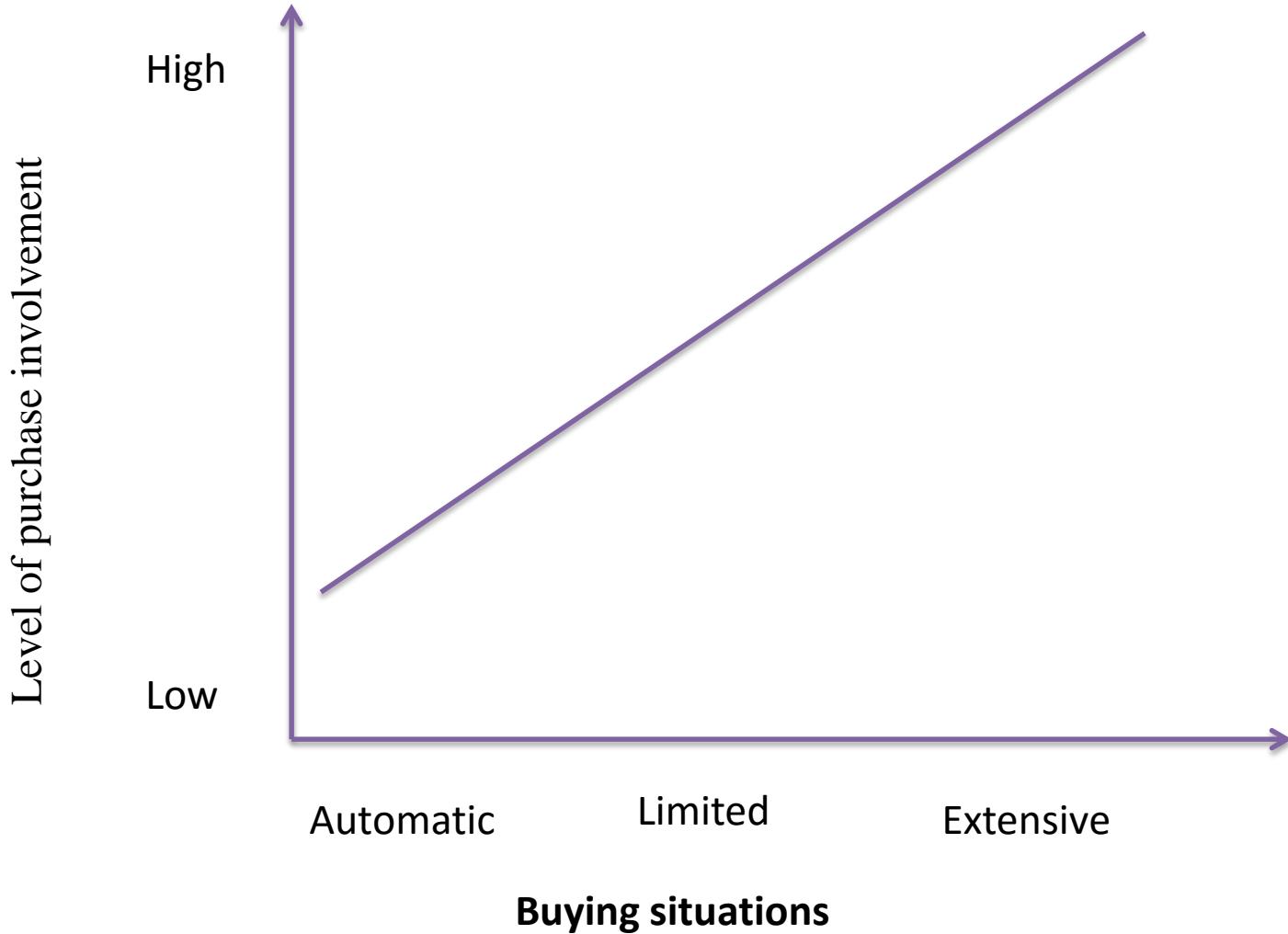


Fig: level of purchase involvement and the buying situation

2. Personal influences: consumer decision making process concern the psychology of the individual concerned. Each behavior of consumer is defined as follows:

- I. Dominant: strong desire to be independent, challenge the situation
- II. Submissive: let other take to lead.
- III. Warm: warmth is having a regard for others. Is describe as one who is outgoing, good humored, optimistic and willing to place trust in others.
- IV. Hostile: Hostility is having lack of regards for others. It suggest a person who is cold, distrustful and disdainful of others. Hostile people like to be in a position to say “I told u so”

(source: David Jobber-selling and sales mgmt page 87)

3. Social influence:

Major social influences on consumer decision-making include social class, reference groups, culture and the family.

Social grade	Social status	occupation
A	Upper middle class	Higher managerial, administrative or professional
B	Middle class	Intermediate managerial, administrative or professional
C1	Lower middle class	Supervisory or clerical and junior managerial, administrative
C2	Skilled working class	Skilled manual workers
D	Working class	Semi and unskilled manual workers
E	Those at the lowest level of subsistence	State pensioners or widows (no other earner), casual or lowest grade workers

4. Other factors:

- Demographic
- Economic
- Social class
- Personality
- Life style
- Beliefs and attitude
- Family unit
- Reference group

Organizational Buyer Behavior

Organizational buyer behavior has usefully been broken down into three elements:

1. **Structure:** the ‘**who**’ factor- who participates in the decision making process and their particular roles. Role of Decision Making Unit (DMU) are as follows:
 - Initiators: those who begin the purchase process.
 - Users: those who actually use the product.
 - Deciders: those who have the authority to select the supplier/model.
 - Influencers: those who provide information.
 - Buyers: those who have authority to execute the contractual arrangement.
 - Gatekeepers: those who control the flow of information eg. Secretaries.
2. **Process:** The ‘**how**’ factor- the pattern of information getting, analysis, evaluation and decision-making which takes place as the purchasing organization moves towards a decision.
3. **Content:** the ‘**what**’ factor- the choice criteria used at different stages of the process and by different members of the decision-making unit.

Process (organizational Buying process)

1. Recognition of a problem (need)
2. Determination of characteristics, specification and quantity of needed item
3. Search for and quantification of potential sources
4. Acquisition and analysis of proposals
5. Evaluation of proposals and selection of suppliers
6. Selection of an order routine
7. Performance feedback and evaluation

Content

the choice criteria used at different stages of the process and by different members of the decision-making unit.

Economic :

1. Price
2. Delivery
3. Productivity(cost vs revenues)
4. Life-cycle costs
5. Reliability
6. Durability
7. Upgradability
8. Technical assistance
9. Commercial assistance
10. safety

Emotional:

1. Prestige
2. Personal risk reduction
3. Office politics
4. Quiet life
5. Pleasure
6. Reciprocity
7. Confidence
8. convenience

factors affecting organizational buyer behavior

1. The buy class:
 - Straight re-buy
 - Modified re-buy
 - New task
2. The product type:
 - Product constituents (materials, component parts, plant and equipment)
 - Product facilities: products and services for maintenance, repair and operation (MROs) eg. Welding equipment and lubricants
3. The importance of the purchase to the buying organization
4. Other factors:continue...

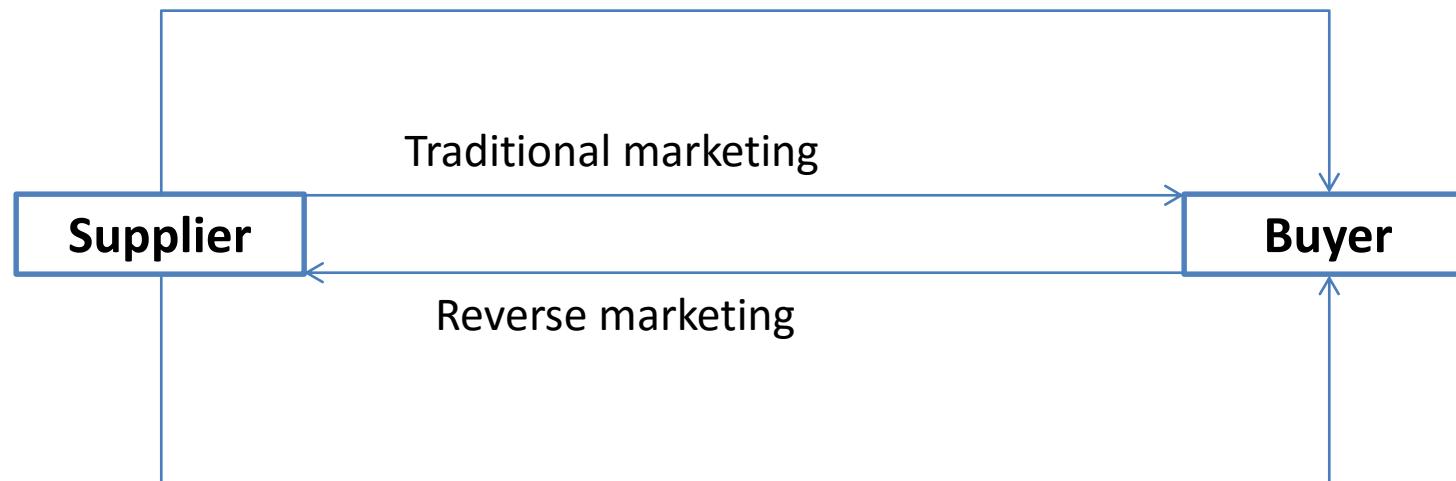
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- Environmental factors: level of demand, economic outlook, rate of technological change, political and legal changes, competitive development, social environment.
- Organizational factors: objectives, purchasing policies, buying procedure, organizational structure, production system
- Interpersonal factors: interest of users and buyers within organization, authority to buy, status of the buying center, persuasiveness of the buying center.
- Individual factors: age of the buyer, income, educations status, job position, personality, risk attitude, culture

Recent development in organizational buying:

- ❖ Just-in-time purchasing
- ❖ Centralized purchasing
- ❖ Reverse marketing:

Supplier sells by taking initiative



Buyer takes initiative to persuade suppliers to provide what the organization wants

Fig: reverse marketing

❖Leasing:

- financial lease: is a longer term agreement that is fully amortized over the term of contract , lease payment in total-usually exceed the purchase price of the item.
- Operating lease: is for a shorter period of time, is cancellable and not completely amortized. Operating lease rates are usually higher than financial lease. It sometimes called as rental agreement