



## UNIT - 4

# BUYER BEHAVIOR

### Contents

- Organization buyer behavior- Buying process and influencing factors.
- Consumer behavior- Buying process and influencing factors.
- Global consumer movements and consumer protection.

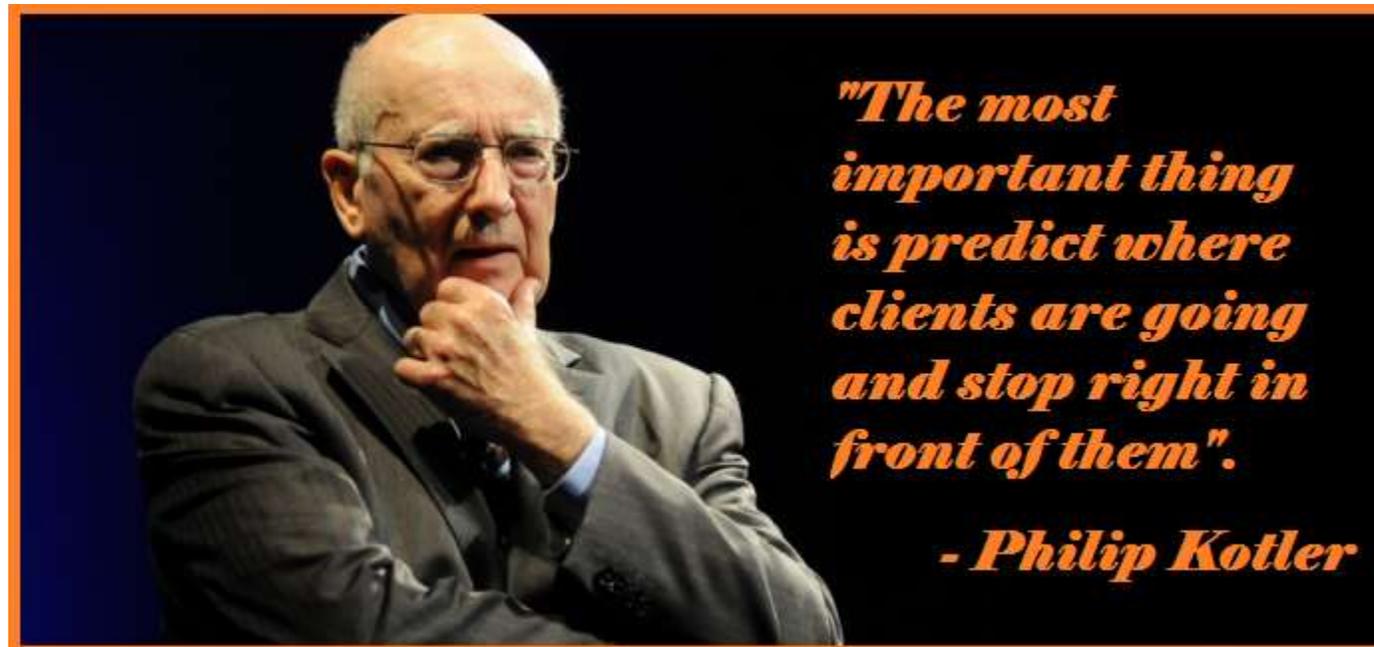


# MEANING

The buyer behavior relates to the purchase behavior of individuals, groups and organizations who buy products to meet their needs and solve problems.

Philip Kotler-

Buying behavior is the decision processes and acts of customers involved in buying and using products.



# MEANING

Marketing attempts to provides answers to the following questions by studying buyer behavior.

Who participates in buying?

What do they buy?

Why do they buy?

When do they buy?

Where do they buy?

How often do they buy?

How often they use it?

What they do to the residual part of the product after the use?

Participants in buying.

Objects of buying.

Reasons for buying.

Occasions for buying.

Channels/Place for buying.

Frequency for buying.

Frequency of use.

Disposal methods.

Buyer behavior is the study of how individuals and groups make their decisions to use their resources in terms of time, money and effort.

It includes the study of various aspects of buying, using and disposing products and services.

# **IMPORTANCE OF BUYER BEHAVIOR**

**Customer Need Satisfaction**

**Market Mix Development**

**New Market Opportunities**

**Target Market Selection**

**Product Positioning**

**Efficient Resource Use**



# CONSUMER BEHAVIOR

Consumer behavior is the buying behavior of ultimate consumers who buy products and services for personal and family use.

It involves the buying decision process and major influences in a consumer's buying decision.

Consumer behavior is the study of the decision making units and processes involved in acquiring, consuming and disposing of goods, services, experiences and ideas.



# CONSUMER BUYING PROCESS

## Low Involvement Purchase

- Routine purchase decision.
- Familiar with the product.
- Many brands.
- Low risk.
- Small amount of money.
- Short purchase time.
- Less effort.
- Passive interest in product information.
- Positive attitude towards the product.
- Short term product benefits.
- Limited interest in the product characteristics.
- Low social importance.



# CONSUMER BUYING PROCESS

## High Involvement Purchase

- Extensive decision making.
- Buyer behavior is complex.
- Consumers are unfamiliar with the product.
- Few brands.
- High risk.
- Large amount of money.
- Long purchase time.
- Active interest in product information.
- Uncertain attitude toward the product.
- Long term product benefits.
- High interest in the product characteristics.
- High social importance.



# CHARACTERISTICS OF BUYING DECISIONS

**Low Involvement  
Purchase**

**High Involvement  
Purchase**

## Characteristics

	Low Involvement Purchase	High Involvement Purchase
<b>Brand of the product</b>	<b>Many</b>	<b>Few</b>
<b>Level of buying risk</b>	<b>Low</b>	<b>High</b>
<b>Amount of money involved</b>	<b>Small</b>	<b>Large</b>
<b>Purchase time needed</b>	<b>Short</b>	<b>Long</b>
<b>Interest in product information</b>	<b>Passive</b>	<b>Active</b>
<b>Attitude toward the product</b>	<b>Positive</b>	<b>Uncertain</b>
<b>Product benefits</b>	<b>Short term</b>	<b>Long term</b>
<b>Interest in the product</b>	<b>Limited</b>	<b>High</b>

# **STAGES OF CONSUMER BUYING PROCESS**



## **Need or Problem Recognition**

Internal: Hunger, thirsts, sleep, shelter etc.  
External: Advertisement, window display etc.



## **Information Search**

Collection of information about products, brands, stores, prices, quality, features, advantages and other attributes and benefits from internal and external sources.



## **Evaluation of Alternatives**

Product class attributes: Features, name, price, quality, services, warranty etc.

Brand belief: Use past experience, opinions of other people.

Utility function attributes: Expected total satisfaction form various attributes of the different brands of a product.



## **Purchase Decision**



## **Post Purchase Behavior**

Consumption and usage, satisfaction and dissatisfaction, consumer complaints, disposal.

# PRODUCT DISPOSAL

**Dispose  
Temporarily**

**Rent it**

**Lend it**

**Dispose  
Permanently**

**Give it  
away**

**Trade it**

**Sell it**

**Throw it  
away**

**Keep It**

**Use it for  
original purpose**

**Use it for new  
purpose**

**Store it**

# **FACTOR DETERMINING CONSUMER BUYING DECISIONS**

**Economic  
Factor**

**Personal  
Factor**

**Psychological  
Factor**

**Socio-  
Cultural  
Factor**

# **FACTOR DETERMINING CONSUMER BUYING DECISIONS**

## **1. Consumer's Income**



# FACTOR DETERMINING CONSUMER BUYING DECISIONS

## 2. Liquid Assets

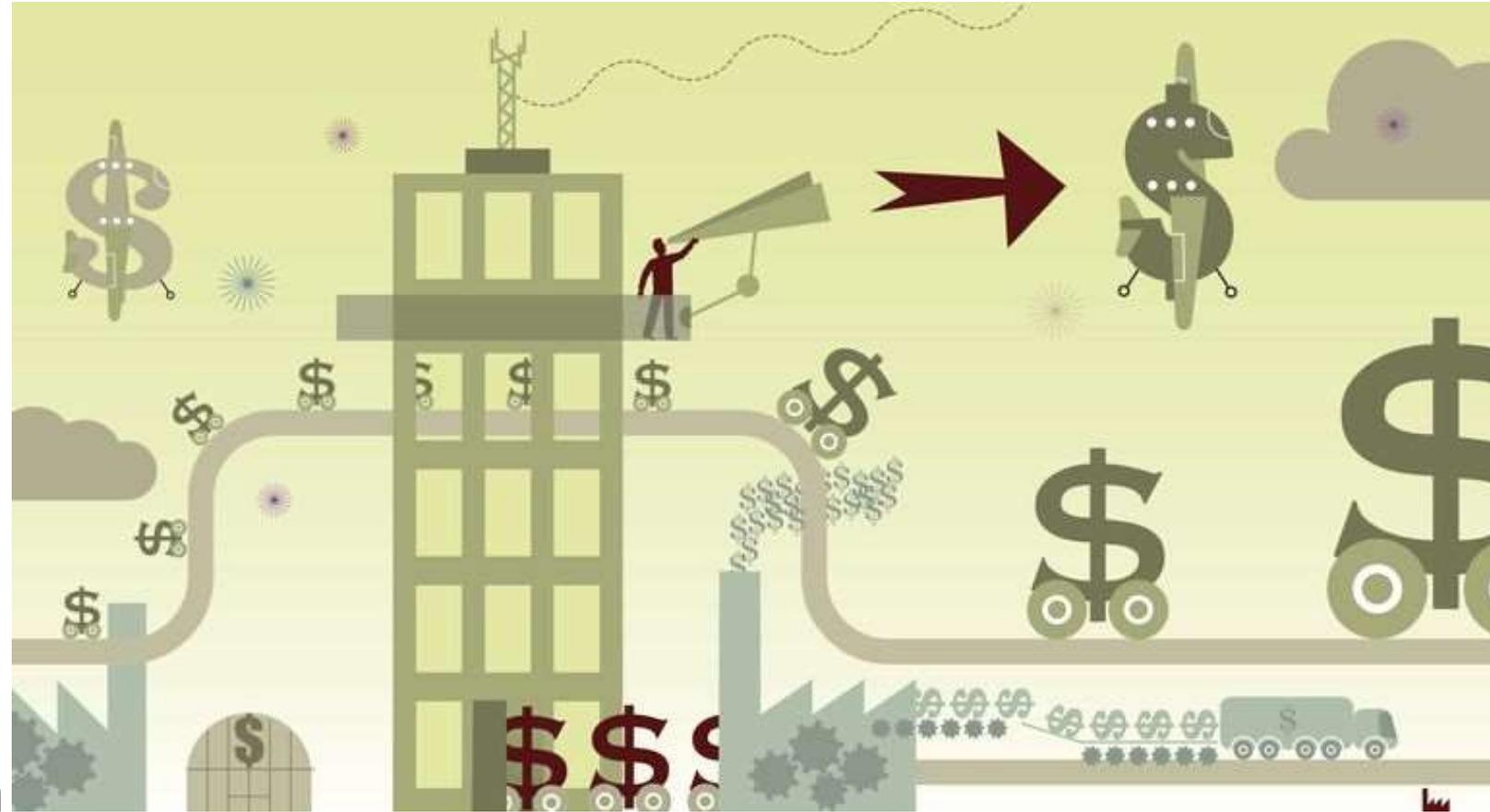


# FACTOR DETERMINING CONSUMER BUYING DECISIONS

## 3. Saving, Debt and Credit Availability



# FACTOR DETERMINING CONSUMER BUYING DECISIONS



## 4. Economy Condition

Business cycle, inflation, money supply, interest rates, economic development etc.

# FACTOR DETERMINING CONSUMER BUYING DECISIONS



## 5. Attitude towards spending



# **FACTOR DETERMINING CONSUMER BUYING DECISIONS**



- 1. Consumer's Income**
- 2. Liquid Assets**
- 3. Saving, Debt and Credit Availability**
- 4. Economy Condition**
- 5. Attitude Towards Spending**



# FACTOR DETERMINING CONSUMER BUYING DECISIONS



## 1. Age

- Young is fashion conscious and middle-aged person is status conscious.
- Young consumers are more likely to visit departmental stores and middle-aged consumer prefer discount stores.
- Young consumers show more risk taking behavior in buying new products than older consumers.
- Young consumers like to experiment new products whereas older consumers prefer brand loyalty.



# FACTOR DETERMINING CONSUMER BUYING DECISIONS

## 2. Family size and the family life cycle



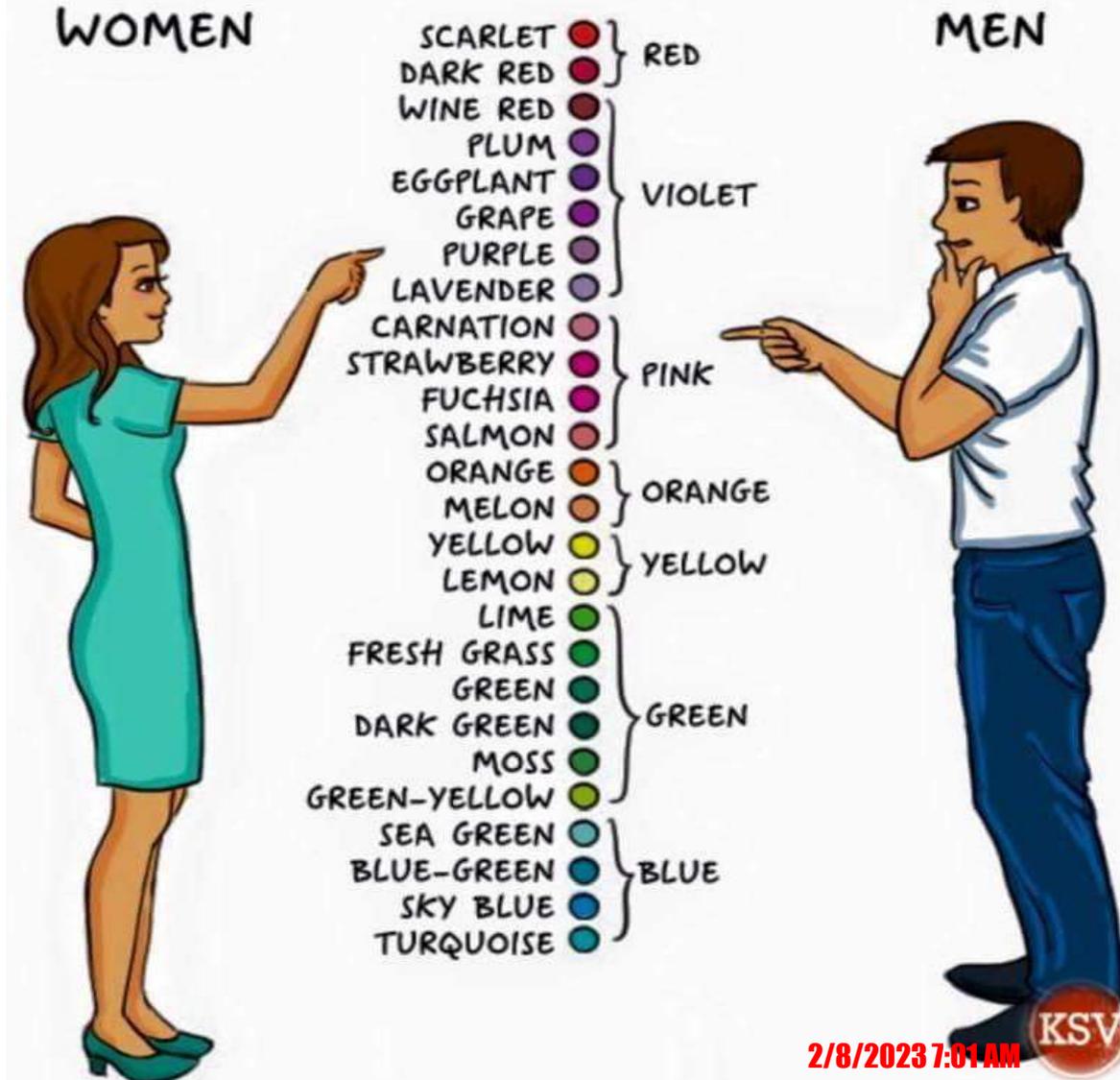
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# FACTOR DETERMINING CONSUMER BUYING DECISIONS

## 3. Gender



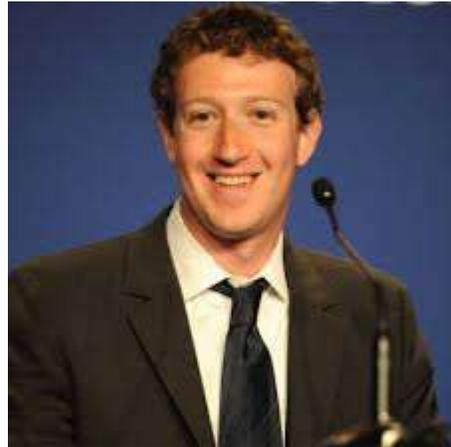
### HOW WE SEE COLORS



# FACTOR DETERMINING CONSUMER BUYING DECISIONS

## 4. Life style

It is defined as the patterns in which people live and spend time and money.



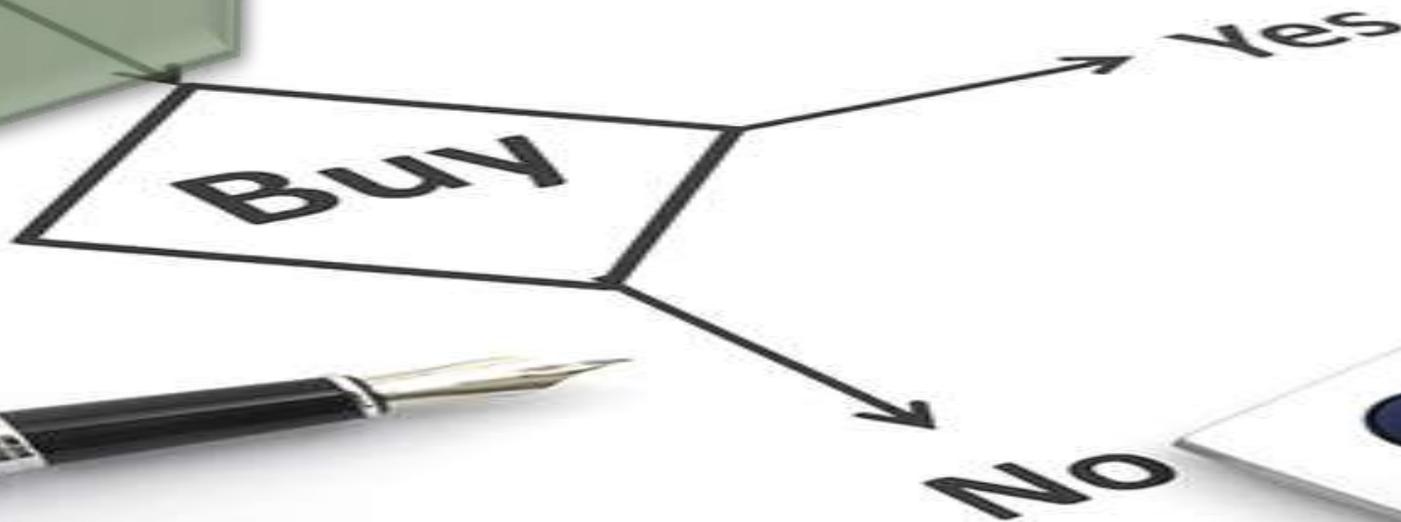
# FACTOR DETERMINING CONSUMER BUYING DECISIONS

## 5. Occupation



# **FACTOR DETERMINING CONSUMER BUYING DECISIONS**

1. Age
2. Family size and the family life cycle
3. Gender
4. Lifestyle
5. Occupation



# **FACTOR DETERMINING CONSUMER BUYING DECISIONS**



## **1. Motivation**

A motivation is an energizing force that directs an individual towards doing something in some manner.

## **2. Perception**

Perception refers to the process of receiving and interpreting stimuli by the individual and translating into response.

## **3. Learning**

Learning refers to a more or less permanent change in behavior which occurs as a result of practice or experience.

# **FACTOR DETERMINING CONSUMER BUYING DECISIONS**



## **4. Attitudes**

Attitude is person's judgement toward some object, people or event. It reflect likes and dislikes of consumers. Personal experience, environment and situation molds attitude.

## **5. Belief**

A belief is a descriptive thought that a consumer holds about something. It can be knowledge, opinion or faith.

## **6. Personality**

Personality is the sum total of ways in which an individual reacts and interacts with others. It is an individual's psychological traits that lead to enduring behavioral responses.



# ORGANIZATIONAL BUYER BEHAVIOR

Organizational buying process refers to the buying behavior of organizations that buy products for business use, resell or to make other products.

All formal organizations-manufactures, business firms, intermediaries, government, educational institutions and social institutions purchase products, services and ideas for conducting their operations.

Eg. Recharge cards by NTC/NCELL/DISH HOME, paper cups by McDonald's, computer chips by Toshiba, oil by NOC, accountancy services by other companies etc.

## Webster and Wind-

“Organizational buying is the decision making process by which formal organizations establish the need for purchased products and services and identify, evaluate and choose among alternative brands and suppliers.”

# **CONSUMER & ORGANIZATIONAL BUYER**

Characteristics	Organizational Market	Consumer Market
1. Few buyers	Yes	No
2. Close supplier / customer relationship	Yes	No
3. Geographical concentration of market	Yes	No
4. Derived and fluctuating demand	Yes	No
5. Large buyers	Yes	No
6. Inelastic demand	Yes	No
7. Fluctuating demand	Yes	No
8. Professional purchasing	Yes	No
9. More buying influences	Yes	No



# ORGANIZATIONAL MARKET

Organizational markets are those that buy goods for business use, production purposes or for reselling purposes.



# ORGANIZATIONAL BUYING PROCESS



## Need or Problem Recognition

Starts from diminishing inventory levels of raw materials, parts, spares and supplies or breakdown in current operations from new product developments, expansion of organizational operations and other reasons.



## Preparing Product Specifications

Detail specifications of the product or service requirements by technical committee.



## Supplier Search

Internal search and external search.



## Proposal Evaluation

Evaluation in terms of product, price, capability, service, delivery and other terms and conditions of supply.



## Purchase Behavior

Buying of goods and services.



## Post Purchase Behavior

Consumption and usage, satisfaction and dissatisfaction, consumer complaints, disposal.

# **FACTOR DETERMINING ORGANIZATIONAL BUYING DECISIONS**

**Environmental  
Factor**

**Organizational  
Factor**

**Interpersonal  
Factor**

**Individual  
Factor**

# **FACTOR DETERMINING ORGANIZATIONAL BUYING DECISIONS**

**Environmental  
Factor**

**Economic  
Factor**

**Technological  
Factor**

**Political &  
Legal  
Factor**

**Social  
Responsibility  
Factor**

# FACTOR DETERMINING ORGANIZATIONAL BUYING DECISIONS

## Economic Factor

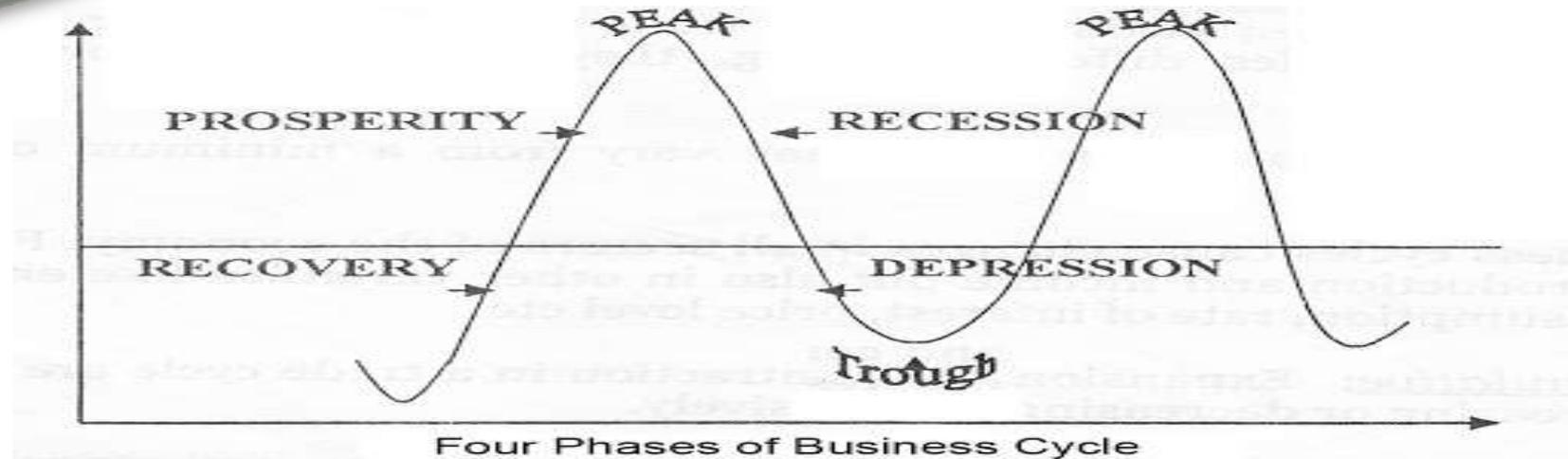
1. Level of demand
2. Economic health

Prosperity  
Recession  
Recovery

3. Competition

Pure competition (many competitors with similar products)  
Oligopoly (few competitors with similar products)  
Monopolistic (many competitors with different products)

## Environmental Factor



# **FACTOR DETERMINING ORGANIZATIONAL BUYING DECISIONS**

## **Technological Factor**

1. Level of technology
2. Pace of technological change

E-commerce and development in information technology have revolutionized purchasing and inventory management by business buyers.

Technological changes have destroyed existing industries and started entirely new industries.



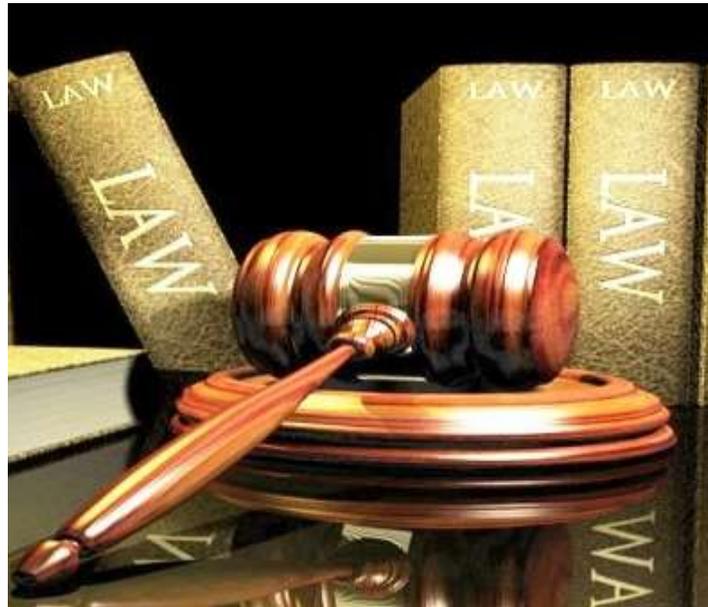
# **FACTOR DETERMINING ORGANIZATIONAL BUYING DECISIONS**

**Political  
& Legal  
Factor**

- 1. Political Factors:**
  - Government policies
  - Regulations
  - Political climate

- 2. Legal Factors:**
  - Legal provisions
  - Business Laws

**Environmental  
Factor**



# **FACTOR DETERMINING ORGANIZATIONAL BUYING DECISIONS**

**Social  
Responsibility  
Factor**

- Pursuit of goals that are good for society.
- Should protect society's interest.
- Should protect environment and meet community needs.
- Buying of domestic products should be preferred.
- Organizational buying should be sensitive to the interests of the various pressure groups.

**Environmental  
Factor**



# **FACTOR DETERMINING ORGANIZATIONAL BUYING DECISIONS**

**Environmental  
Factor**

**Economic  
Factor**

**Technological  
Factor**

**Political &  
Legal  
Factor**

**Social  
Responsibility  
Factor**

# FACTOR DETERMINING ORGANIZATIONAL BUYING DECISIONS

Organizational  
Factor

Objectives

Policies

Procedures

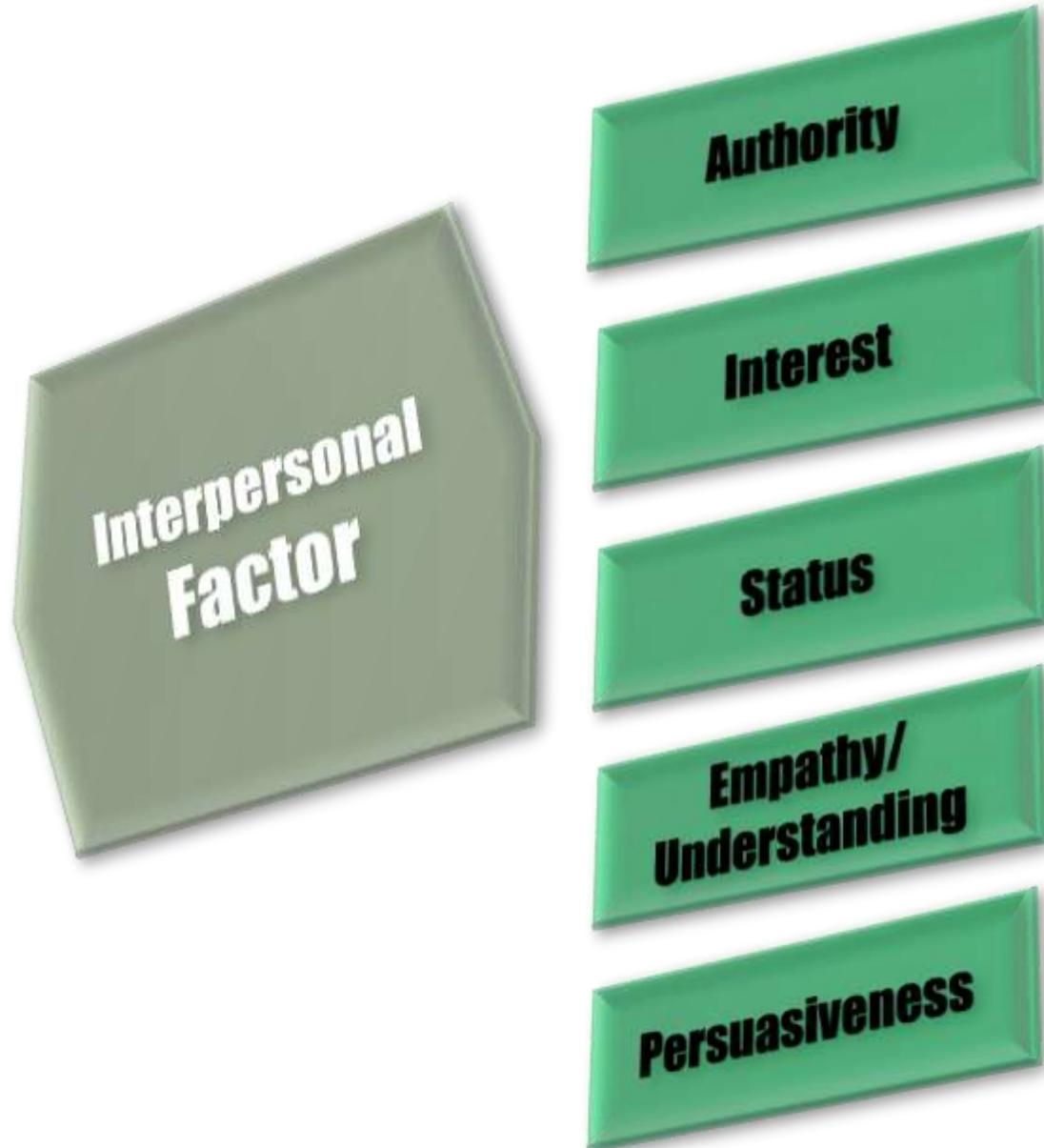
Structure

Business firm-Quality  
Government-Lowest bidders  
Intermediaries-Favor products with greater brand value.

Centralization & Decentralization



# **FACTOR DETERMINING ORGANIZATIONAL BUYING DECISIONS**



# **FACTOR DETERMINING ORGANIZATIONAL BUYING DECISIONS**



# **CONSUMER BUYING PRACTICES IN NEPAL**

Consumer buying practices have not been properly taken into account while creating and offering market mixes.

Nepalese marketers lack knowledge of consumer buying practices. Very little research has been done in this area.

Product positioning has remained largely neglected because of the lack of knowledge about the behavior of consumer niches.

Marketers know very little about the consumer behavior at every stage of the consumer buying process. The post-purchase stage is hardly considered. The disposal aspect is neglected which has created serious environmental problems due to the rising levels of pollution.

Marketers have not given proper attention to the psychological and social factors that influence consumer buying practices. Economic, demographic and cultural factors have been dominant in the design of the marketing mixes and market positioning. Only the price is given high consideration.

The marketing resources have not been efficiently utilized. Rural markets have been neglected.

# GLOBAL CONSUMER MOVEMENT

The Consumer Movement defined:

- An effort to promote consumer protection through an organized social movement which is in many places led by consumer organizations.
- Policies aimed at regulating products, services, methods and standards of manufacture, selling, advertising in the interests of the buyer.

## Philip Kotler and G. Armstrong

"Consumerism is an organized movement of citizens and Government to impose the rights and powers of buyers in relation to sellers".

## Cravens and Hills

"Consumerism is a social force within the environment designed to aid and protect the consumer by exerting legal, moral and economic pressure on business".

# GLOBAL CONSUMER MOVEMENT



- Started in the year 1920.
- Protect the interest of the consumers and to give them satisfaction in purchase.
- Advocates for the rights of consumers.
- Adam Smith wrote Wealth of Nations in 1776. He said that consumers will make choices that give them the greatest amount of satisfaction.

# IMPORTANCE OF GLOBAL CONSUMER MOVEMENT

Protection from Unsafe Products

Bringing consumer together

Protection against unfair trade practices

Timely supply of essential commodities

Protection Against Pollution

Creating consumer awareness

# CONSUMER PROTECTION

## EMERGE

-1985 UN GUIDELINES-"LET THE BUYER BE AWARE".

-1988 IN NEPAL.



# IMPORTANCE OF CONSUMER PROTECTION

- ADVISE THE GOVERNMENT ON CONSUMER ISSUES
- CONDUCT MARKET SURVEYS AND RESEARCH INTO CONSUMER PROTECTION PROBLEMS
  - CONDUCT PRODUCT TESTING FOR SAFETY AND QUALITY

## PROBLEMS

- LACK OF AWARENESS AMONG CONSUMERS ABOUT THEIR RIGHT AND DUTIES.
  - MAJORITY OF POOR AND ILLITERATE.
  - CONSUMER NEGLIGENCE.

## SOLUTIONS

- ORGANIZED CONSUMER TOGETHER
- IMPLEMENT PUNISHMENT FOR THE SERVICE PROVIDER.
- INSPECT MARKET REGULARLY.
- EDUCATE THE CONSUMER.

# **CONSUMERS ARE ENCOURAGED TO AVOID PRODUCTS THAT:**

- CAUSE ENVIRONMENTAL DEGRADATION DURING THE EXTRACTION OF NATURAL RESOURCES OR DURING THEIR MANUFACTURE, USE AND DISPOSAL
- UTILIZE LARGE AMOUNTS OF ENERGY DURING THEIR MANUFACTURE, USE OR DISPOSAL
- CAUSE UNNECESSARY WASTE, DUE TO OVER-PACKAGING OR SHORT LIFE SPAN

## **Routinized Response Behavior**

- Customer is aware of his or her choices.
- Knows what he/she is looking for.
- Decisions is based on personal experience of either self or others.
- Customers spends little or no time choosing an alternative.
- Brand loyalty is relatively higher.
- Customer perceives a low risk in buying the products.
- E.g. Typical shopping behavior of a housewife.

## **Limited Problem Solving or Modified Re Buy**

- The buying situation with a difference.
- Introduction of a new brand or product often requiring a change in the customer's decision criteria.

## **Extended Problem Solving (EPS)**

- High degree if complexity.
- Often occurs with expensive items or can be fueled by doubts and fears.
- All consumer decision making stages are often used.
- Dissatisfaction often leads to negative word of mouth.
- A longer time is taken to decide.

# BOARD QUESTIONS

1. Point out the process of organization buying. -1
2. List any two points of importance of consumer behavior. -1
3. State any three types of purchase situation faced by the consumer. -1
4. Write down the steps of consumer buying decision process. -1
5. List the determinants of organizational buying behavior. -1
6. Explain the buying process of consumer. -1
7. What is buying behavior? -1
8. List out the buying process of organization buyer behavior. -1
  
9. What is consumer behavior? Explain the determinants of consumer buying decision. -10
10. What are the determinants of organizational buying behavior? Explain them. -5
11. What is organizational buying? How does it differ from consumer buying? Explain. -5
12. Explain the determinants of industrial buying process. -5
13. Discuss the consumer buying decision process. -5
14. Describe the importance of global consumer movements for consumer protection. -5

# CASE I- WOMEN SHOPPERS OVER THE YEARS

1980 AD: A housewife plans a shopping trip MS Rita Shrestha is married with two teenage kids, husband a manager in a private firm. Shrestha's are upper middle class Family. After sending husband to work and children to school, Rita takes off her apron, puts on lipstick, picks up her shopping list and carry bag and is off to the near by market. She makes the shopping list once a week, which includes grocery, toiletry, washing powder and occasional chocolate for the kids. She walks the half of kilometer distance to the market. On return journey she will take a taxi as she would be carrying her shopping too.

2010 AD: Working women plan shopping well in advance. Holidays are meant for shopping, house cleaning and visiting friends. Today, miss Rina Sharma is planning a shopping expedition. She calls her friends Prema and Rimi on her cell phone in conference mode. They decide to meet at 11 AM at the city Center at Kamal Pokhari. "Let us do some window shopping first and then we can decide to go for the real thing." They enter the cosmetic area and get busy trying out different shades of lipsticks, eye shadows, and nail polishes. Prema buys some items and flashes her credit card to make the purchase. Next they are in a store for ready to wear dresses. Here Rina wants to buy a dress to wear at the next birthday party. Dress is selected after she has tried out a dozen dresses. Next, she must get matching shoes and accessories which are luckily all available in the same shop at different counters. Time for a Coffee break, food court in the next stop. After shopping and snacks, they visit 4D movies for the final thrill.

## Questions for Discussions

Analyze the changes in shopping behavior of the middle-class and the upper middle-class in the context of the cultural transformation in the urbanites of Nepal.

How should marketers in Nepal response to those changes ?

## Case Study II: Cool Corporation

The marketing manager of Cool Corporation was wondering about the marketing strategy for a new brand of air-conditioner that his company was shortly going to introduce. The model of the air-conditioner, he knew, had been tested successfully for its technical qualities and series. He felt that he did not know enough about the prospective buyers of air-conditioners.

Cool Corporation had been manufacturing and marketing household refrigerators for the last twenty years. The company was a market leader in the refrigerator field. Over the years, the company had built up a large network of sales, distribution and service facilities. The company also enjoyed good reputation for service. The company had added deep freezers to its product line five years ago. The market for these was, however, largely institutional, the marketers of ice cream and soft drinks being the primary customers.

The research and development department had successfully developed an air-conditioner, which was found to be efficient in terms of both, cooling power as well as energy consumption. The cost structure was such that the product could be competitively priced.

The marketing manager wanted to first introduce the product in a few cities and then extend it elsewhere. However, in order to formulate the marketing strategy, the marketing manager felt he needed to know about the customer's purchasing decision process. Therefore a research group was asked to submit their findings and recommendations.

### Finding of the study:

1. **Need initiator:** It was found that 44% felt the need for an air-conditioner by themselves and 36% said that the need was initiated by family members. The most important par in initiating the need was played by the head of the family and the wife.
2. **Need influencer:** The survey showed that atmospheric condition was ranked as first important factor, financial condition as second, building a house as third and status symbol as fourth important factor as need influencer.
3. **Awareness:** Newspaper advertisement was considered in top priority followed by television, magazines and hoardings.
4. **Source and type of information:** Respondents collected information from users, friends, dealers, and company show-rooms.
5. **Product attributes:** The most important attribute of an air-conditioner was durability followed by service delivered by the air-conditioner and the capacity.
6. **Purchase influencer:** The purchase transaction was finalized mostly by the head of the house and among the family members, by the wife.
7. **Market segmentation:** Higher income groups possessed more number of air-conditioners. Most of the owners of air-conditioners were businessmen and industrialists.
8. **Time taken for buying process:** One group purchased air-conditioner in shorter duration (less than six months) and the other took as much as two or more years. The second group consisted of mainly businessmen.
9. **Post purchase experience:** Experience with regard to performance, electricity consumption and repair service determined the extent to which users were satisfied with their units.

### The marketing managers' dilemma

The marketing manager of Cool Corporation was trying to interpret the finding. He was not sure how he could use this understanding of buyer behavior in formulating the strategy.

### Questions:

- a. Who are the buyers of air conditioners?
- b. Identify the elements of buyers behavior in the above case.
- c. Who are the key actors in making purchase decision?
- d. Based on buyer behavior information, what should be the marketing strategy of air conditioners?