

Module - 5

CONSUMER BEHAVIOR

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LESSON – 10 Models of onsumer Behavior II

Instructional Objectives:

After completion of this lesson, the student shall know about:

5.3 Models of Consumer Behavior: Basic Models

5.3 MODELS OF CONSUMER BEHAVIOR: Basic Models:

i) Model of Consumer Buying:

The consumer market is defined as end user markets. Also called Business to Consumer markets, or B2C markets, the product and service offering is bought by the consumer for his personal use. The decision making process in consumer markets is different from the one that takes place in business or industrial markets.

According to Kotler and Armstrong, the basic model of consumer decision making process comprises three major components, viz., *marketing and other stimuli* (these act as influences), *the buyer's black box* (these are related to the consumer) and *the buyer responses* (this is the response part). The components/processes as well as the working dynamics are explained as follows:

1. Marketing and other stimuli: A consumer is confronted with a stimulus in the environment. This stimulus could be of two kinds;

a) One that is presented by the marketer through the *marketing mix or the 4Ps*, product, price, place and promotion;

-product: attributes, features, appearance, packaging etc.

-price: cost, value, esteem (prestige)

-place: location and convenience, accessibility

-promotion: advertising, sales promotion, personal selling, publicity, direct marketing.

b) The other that is presented by the environment, and could be economic, technological, political and cultural.

2. Buyer's black box: The stimuli that is presented to the consumer by the marketer and the environment is then dealt with by the buyer's black box. The buyer's black box, comprises two sub components, viz., the buyer's characteristics and the buyer decision process.

The *buyers characteristics* could be personal, psychological, cultural and social.

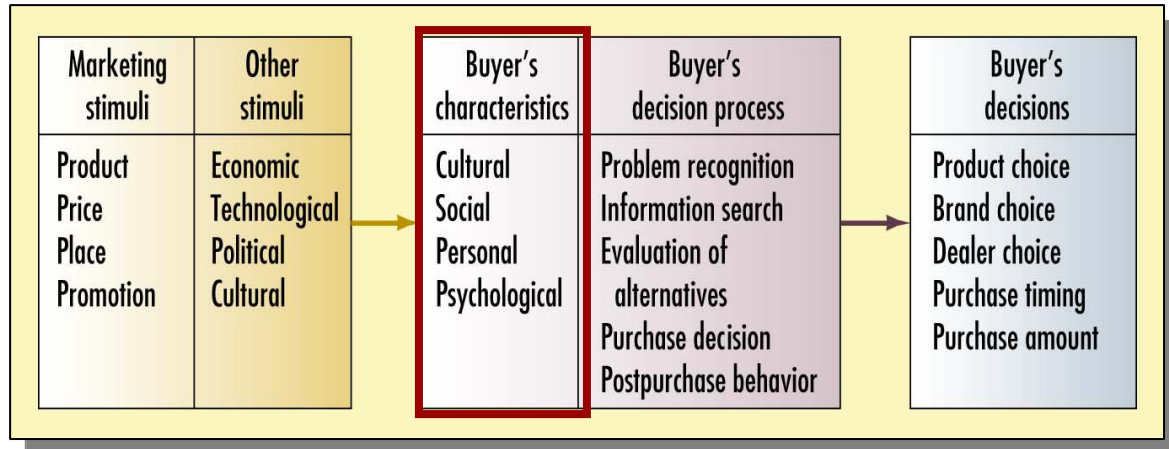


Figure 1: Model of Buyer Behavior

Source: Kotler, P., Marketing Management, 11th edition, Prentice-Hall India,

a) Personal:

- age & life-cycle stage (family life cycle: single, newly married couples, full nest I, full nest II, full nest III, empty nest I, empty nest II, solitary survivor)
- occupation (occupation affects consumption patterns)
- economic situation
- lifestyle (pattern of living as Activities, Interest, Opinions, AIOs)
- personality (personality is defined in terms of traits; these are psychological characteristics which lead to relatively consistent patterns of behavior towards the environment) & self-concept (self-concept is reflective of identity; how a person perceives himself including attitudes, perceptions, beliefs etc). Products and brands also have a personality; consumers are likely to choose such brands whose personalities match their own self.

b) Psychological:

- motivation (motives; urge to act to fulfil a goal or satisfy a need/want)
- perception (ability to sense the environment and give meaning to it through the mechanisms of selection, organization and interpretation).
- learning (a relatively permanent change in behavior as a result of ones' experience; relates to memory; learning could be experiential based on direct experience or conceptual based on indirect experience; consumer learning could be based on marketing communication/seller provided information, personal word of mouth and/or experiential).
- beliefs (thoughts that a person holds about something; these are subjective perceptions about how a person feels towards an object/person/situation) and attitudes (a favorable or unfavorable disposition/feeling towards an object, person or a situation).

c) Cultural:

- culture (a sum total of values, knowledge, beliefs, myths, language, customs, rituals and traditions that govern a society). Culture exerts the broadest and the deepest influence; eg. Influences on our eating patterns, clothing, day to day living etc. Cultural influences are handed down from one generation to the next and are learned and acquired).
- sub-culture (subset of culture: smaller groups of people within culture with shared value systems within the group but different from other groups; identifiable through demographics).
- social class: ordered and relatively permanent divisions/startifications in the society into upper, middle lower classes; members in a class share similar values, interests, lifestyles and behaviors; the division is based on combination of occupation, income, education, wealth, and other variables.

d) Social:

-family: most important influence; (there occurs in a family what is referred to as socialization; family of orientation: parents and siblings; family of procreation: spouse and children; further some decisions are husband dominated, some are wife dominated and some are joint; roles played by family members), family life cycle (stages through which a family evolves; People's consumption priorities change and they buy different goods and services over a lifetime).

-friends and peers, colleagues.

-groups: reference groups {these are people to whom an individual looks as a basis for personal standards; they are formal and informal groups that influence buying behavior; reference groups could be direct (membership groups) or indirect (aspirational groups); reference groups serve as information sources, influence perceptions, affect an individual's aspiration levels; they could stimulate or constrain a person's behavior}.

- opinion leaders (they influence the opinion of others based on skills, expertise, status or personality).

-roles & status: the role refers to the expected activities and status is the esteem given to role by society.

Research and studies into these factors can provide a marketer with knowledge that can help him serve the consumers more effectively. These characteristics affect the buying decision process, which comprises five steps:

a) Problem recognition: This is the first stage where a person recognizes that there is a problem or a need to fulfill. This may either be an actual state (AS Type), where a problem has arisen and needs to be sorted out; the product is failing, or the consumer is running short of it, and thus needs a replacement. A problem could also be a desired state (DS Type), where there is an imbalance between the actual state and the desired state; another product seems better and superior to the one that is being currently used, and so the consumer wants to buy it.

A need could be triggered off by an internal stimulus or an external stimulus. Marketers need to identify what could trigger a particular need.

b) Information search: After a need is recognized, the consumer goes for an information search, so as to be able to make the right purchase decision. He gathers information about the product category and the variations, various alternatives and the various brands. Such a search could be ongoing, specific or incidental.

The consumer could recall information that is stored in his memory (comprising information gathered and stored, as well as his experiences, direct and indirect). He could also seek information from the external environment.

The sources of information search could be personal (family, friends, peers and colleagues), commercial (marketers' communication in the form of advertising, salespersons, publicity etc), public (mass media, consumer forums, government rating agencies) and experiential (self and others' experiences). Personal contacts are highly influential sources, public sources are highly credible.

c) Evaluation of alternatives: Once the consumer has gathered information and identified the alternatives, he compares the different alternatives available on certain features. These are those features that a consumer considers in choosing among alternatives; these could be functional/utilitarian in nature (benefits, attributes, features), or subjective/emotional/hedonic (emotions, prestige etc.). The consumer also uses decision rules that help a consumer simplify the decision process. At the end of the evaluation, purchase intentions are formed.

d) Purchase decision: After the consumer has evaluated the various alternatives, he selects a particular brand. Consumer purchases may be trials/first purchases or repeat purchases. The consumer may further have to make decisions on where to buy from, how much to buy, whom to buy from, when to buy and how to pay. It is noteworthy that a purchase intention (desire to buy the most preferred brand) may not always result in a purchase decision in favor of the brand; it could get moderated by attitudes of others and unexpected situational factors.

e) Post purchase behavior: After the purchase, the consumer uses the product and re-evaluates the chosen alternative in light of its performance viz. a viz. the expectations. He could experience feelings of neutrality (Performance meets expectations), satisfaction (Performance exceeds expectations) or dissatisfaction (Performance falls short of expectations). This phase is significant as it (i) acts as an experience and gets stored in the memory; (ii) affects future purchase decisions; (iii) acts as a feedback.

3. Buyer responses: While in the black box, the buyer also takes a decision with respect to the product, brand, dealer, timing and amount.

ii) Model of Industrial Buying:

The business/industrial market is defined as a market that buys, transforms/processes and sells further, either for further transformation/processing or, for consumer use. The business market consists of all the organizations, that buy goods and services for further use in the production and supply of other goods and services that are sold to others. Also called Business to Business markets, or B2B markets, the product and service offering is bought by one business organization and further processed/transformed/assembled consumer for further sale either to another business consumer or a personal consumer. The business markets are very different from consumer markets; they are huge in terms of size and investment; contain fewer but larger and bulkier buyers; they are geographically concentrated; it's a derived demand and there is more inelasticity; demand also fluctuates very rapidly. The buying situation that an industrial buyer faces could range between a straight rebuy, a modified-rebuy and a new-task. These situations are based on the complexity of the problem being solved, the newness of the product requirement, the risk involved, the number of people involved in the buying process, the time available in hand.

With business markets being different than industrial markets, the decision making process in business/industrial markets is also different from the one that takes place in consumer markets. The buying decision is taken in a very formal and professional manner by a group of people who are referred to as the buying center. It is

highly formalized, bureaucratic and very complex. The buyers and sellers work very closely and try to build long term alliances and partnerships.

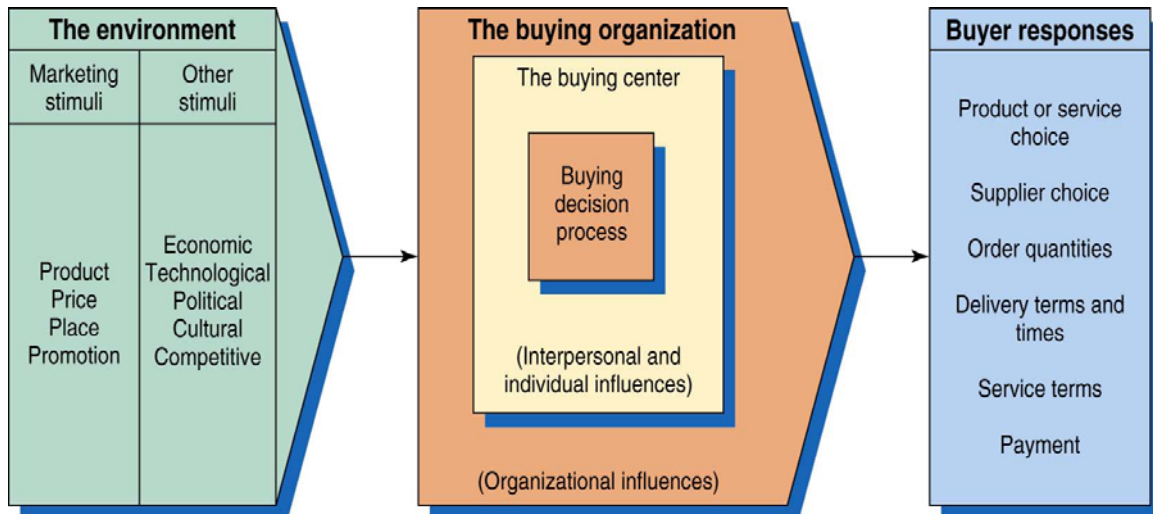


Figure 2: Model of Business Buyer Behavior

Source: Kotler, P. and Armstrong, G., Principles of Marketing, 9th edition, Prentice-Hall India.

According to Kotler and Armstrong, the basic model of business consumer decision making process comprises three major components, viz., the environment (these act as influences), the buying organization (these are related to the buying center, the decision process and the influences) and the buyer responses (this is the response part). The components/processes as well as the working dynamics are explained as follows:

1. The Environment: The environment surrounding the business organization comprises the marketing stimuli in terms of the marketing mix or the 4Ps, product, price, place and promotion; It also comprises the other stimuli in terms of economic, technological, political, cultural and competitive environment. The environment acts as a stimulus to act; it provides strengths and opportunities and also helps identify weaknesses and threats.

2. The Buying Organization: The buying organization comprises the buying center which goes through the entire buying process. The buying center is the decision making unit of the buying organization; it is a formally defined unit and comprises people from various departments and functional areas; the various members of the unit, vary in personal background, interest and preferences as also their buying motives, habits and orientations. Membership, power balance and dynamics vary for different products and buying situations. In case of a new-task, when the product/service is being purchased for the first time, the engineering and the R&D personnel have a major role to play and act powerful; In cases of the straight-rebuy (routine purchases; repeat orders) and modified-rebuy situations (where product specifications are modified), purchase department acts powerful.

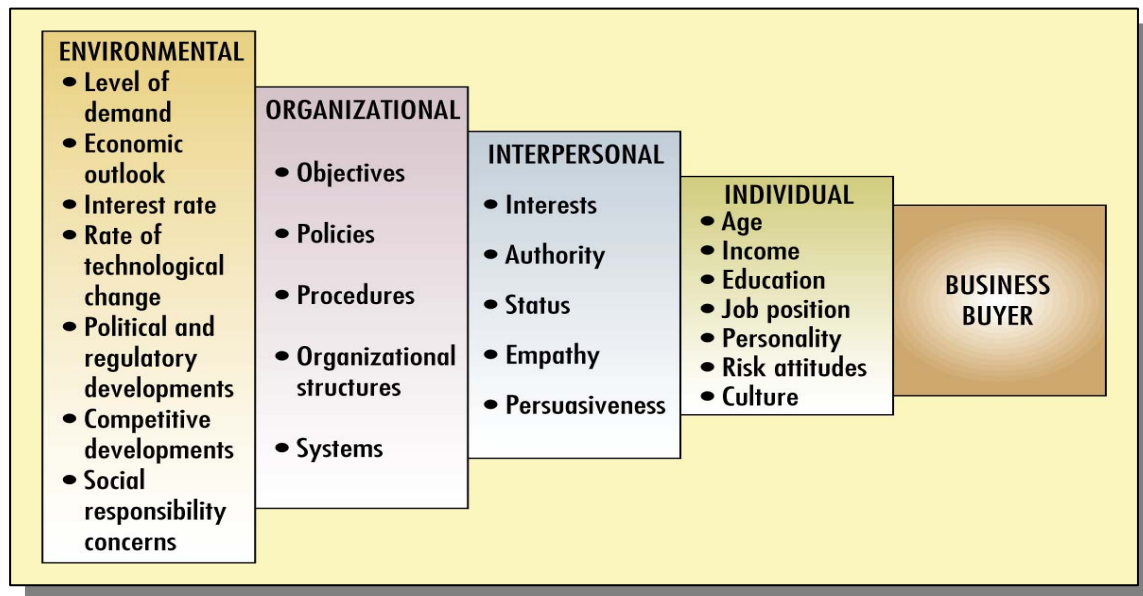


Figure 3: Major Influences on Industrial Buying Behavior

Source: Kotler, P., Marketing Management, 11th edition, Prentice-Hall India,

There are various factors that influence the buying decision in industrial buying behavior, viz, environmental, organizational, interpersonal and individual.

a) Environmental:

- Economic: Various stages in the business cycle (inflation, depression, recession etc) and their resultant impact on money flows in the economy, level of demand , government orientation towards economy and monetary policies (interest rates etc).
- Technological: Rate of technological change; Technology transfer and adoption; Technology versus environment; Kind of technology adopted.
- Competitive: Amount of competition (number of competitors); Nature of competition; Dynamics of competition.
- Political: Political stability/instability; Governmental philosophy and orientation towards investment, growth and development.
- Natural environment: Availability of natural resources; Impact of industry on the environment; Environmental depletion; Environmental pollution; Waste and disposal etc.

b) Organizational:

- Philosophy and orientation of the founder, directors and executives.
- Company vision, mission and strategy.
- Objectives of the company.
- Policies and procedures for purchase (Centralized versus decentralized; Quality versus price; Short term versus long term contracts; Intranet and extranet; Supply chain management; Partnership management).
- Structures, systems for purchase: Buying center constituents, power dynamics and balances.

c) Interpersonal and Individual:

The buying center comprises people from various departments and functional areas. Every constituent is an individual in himself. He is different from others in terms of demographic and psychographic backgrounds in terms of age, income, personality, risk attitude, culture etc. The buying centre is diverse in terms of varying interests and orientations towards buying, as well as varying interests, authority, status, empathy, and persuasiveness.

The decision making process in industrial buying is much more elaborate and complex than consumer buying. Robinson and Associates have identified eight stages and called each of the stages as buyphases.

a) Problem recognition: The buying process begins when someone in the organization identifies a need. A need could be triggered off by an internal stimulus or an external stimulus.

b) General need description: The product/service requirement is laid out in very broad terms.

c) Product specification: Then the concerned department/person specifies the product's characteristics and requirements.

d) Supplier search: Business organizations generate for themselves a list of vendors. This list is drawn up from trade directories, websites, trade shows etc. In case of a straight rebuy or a modified rebuy, the buyer can refer to such a database. In cases of a new-task, he would have to search for new vendors.

e) Proposal solicitation: Thereafter, the buyer would invite suppliers to submit their trade proposals; such an invitation could be placed in the newspapers, trade journals and company websites. The vendors are asked to submit details related to the product specifications, features, price, delivery time and period etc,

f) Supplier selection: After the proposals have been submitted by the vendors, the buyer would go in for an evaluation of the suppliers. The buying center would establish the evaluative criteria, i.e. the basis on which the vendors would be evaluated. These criteria would vary across products/services, buying situations etc. In cases of government organization, the prime consideration while evaluating suppliers is the price. The buying center needs to take decisions on:

- how many suppliers to use.
- whether quality is a major determinant or price is a major determinant.
- total evaluation of the supplier, including his reputation.

g) Order-routine specification: Once the buying center has taken a decision on the selection of the vendor, the formal requisition is made in terms of listing the technical specifications, quantity required, delivery terms, negotiated price, payment terms, damages, return policies etc.

h) Performance review: The buyer reviews the performance of the chosen supplier(s) on a regular basis. This evaluation helps the buyer later in cases of straight rebuy and modified rebuy. On the basis of an evaluation, the relationship/contract with the supplier is continued or terminated.

3. Buyer responses: While in the black box, the buyer also takes a decision with respect to the product/service choice, supplier choice, order quantity, delivery terms and times, service terms and payment.

REFERENCES FOR FURTHER READING:

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FAQS (FREQUENTLY ASKED QUESTIONS):

Ques 1 **What are the various factors that affect Consumer Buying.**

Ans 1 The consumer market is defined as end user markets. Also called Business to Consumer markets, or B2C markets, the product and service offering is bought by the consumer for his personal use. The decision making process in consumer markets is different from the one that takes place in business or industrial markets.

According to Kotler and Armstrong, the basic model of consumer decision making process comprises three major components, viz., marketing and other stimuli (these act as influences), the buyer's black box (these are related to the consumer) and the buyer responses (this is the response part). The various factors that affect consumer buying are explained as follows:

1. Marketing and other stimuli: A consumer is confronted with a stimulus in the environment. This stimulus could be of two kinds;

a) One that is presented by the marketer through the *marketing mix or the 4Ps*, product, price, place and promotion;

-product: attributes, features, appearance, packaging etc.

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-place: location and convenience, accessibility

-promotion: advertising, sales promotion, personal selling, publicity, direct marketing.

2. Buyer's characteristics: The buyers characteristics could be personal, psychological, cultural and social.

a) Personal:

-age & life-cycle stage (family life cycle: single, newly married couples, full nest I, full nest II, full nest III, empty nest I, empty nest II, solitary survivor)

-occupation (occupation affects consumption patterns)

-economic situation

-lifestyle (pattern of living as Activities, Interest, Opinions, AIOs)

-personality (personality is defined in terms of traits; these are psychological characteristics which lead to relatively consistent patterns of behavior towards the environment) & self-concept (self-concept is reflective of identity; how a person perceives himself including attitudes, perceptions, beliefs etc). Products and brands also have a personality; consumers are likely to choose such brands whose personalities match their own self.

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- opinion leaders (they influence the opinion of others based on skills, expertise, status or personality).

-roles & status: the role refers to the expected activities and status is the esteem given to role by society.

Ques 2 What are the various stages of the industrial buying process?

Ans 2 The decision making process in industrial buying is much more elaborate and complex than consumer buying. Robinson and Associates have identified eight stages and called each of the stages as buyphases.

- a) Problem recognition:** The buying process begins when someone in the organization identifies a need. A need could be triggered off by an internal stimulus or an external stimulus.
- b) General need description:** The product/service requirement is laid out in very broad terms.
- c) Product specification:** Then the concerned department/person specifies the product's characteristics and requirements.
- d) Supplier search:** Business organizations generate for themselves a list of vendors. This list is drawn up from trade directories, websites, trade shows etc. In case of a straight rebuy or a modified rebuy, the buyer can refer to such a database. In cases of a new-task, he would have to search for new vendors.
- e) Proposal solicitation:** Thereafter, the buyer would invite suppliers to submit their trade proposals; such an invitation could be placed in the newspapers, trade journals and company websites. The vendors are asked to submit details related to the product specifications, features, price, delivery time and period etc,

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- how many suppliers to use.
- whether quality is a major determinant or price is a major determinant.
- total evaluation of the supplier, including his reputation.

g) Order-routine specification:

Once the buying center has taken a decision on the selection of the vendor, the formal requisition is made in terms of listing the technical specifications, quantity required, delivery terms, negotiated price, payment terms, damages, return policies etc.

h) Performance review:

The buyer reviews the performance of the chosen supplier(s) on a regular basis. This evaluation helps the buyer later in cases of straight rebuy and modified rebuy. On the basis of an evaluation, the relationship/contract with the supplier is continued or terminated.

SELF EVALUATION TESTS/QUIZZES:

Section A True/False:

1. The decision making process in consumer markets is different from the one that takes place in business or industrial markets.
2. Reference groups could be direct as well as indirect.

Section B Fill up the blanks:

1. The _____ market is defined as a market that buys, transforms/processes and sells further, either for further transformation/processing or, for consumer use.
2. The three buying situations in industrial buying are straight rebuy, _____ and _____.
3. The buyer's black box, comprises two sub components, viz., the _____ characteristics and the buyer decision process.

Section C Short answers:

1. Mention the five stages in the consumer decision making process.
2. What do you mean by the term "Buying Organization"?

KEY

Section A True/False:

1. True
2. True

Section B Fill up the blanks:

1. Business Market
2. Modified rebuy, New task.
3. Buyer's

Section C Short Answers:

1. Problem recognition, Information search, Evaluation of Alternatives, Purchase Decision, Post-purchase behavior.
 2. The buying organization comprises the buying center which goes through the entire buying process. The buying center is the decision making unit of the buying organization; it is a formally defined unit and comprises people from various departments and functional areas; the various members of the unit, vary in personal background, interest and preferences as also their buying motives, habits and orientations. Membership, power balance and dynamics vary for different products and buying situations.
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