Models of Consumer Behaviour-3

SRABANTI MUKHERJEE

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Objectives

After completing this module, you will be able to understand:

- Engel-Kollat-Blackwell Model of Consumer Decision making

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Engel–Kollat–Blackwell Model (1972)

- Engel–Kollat–Blackwell (EKB) model, as other basic models of consumer behaviour, has undergone several modifications and improvisations to enhance its evocative power of the basic relationships between constructs and sub-constructs.

- The latest version coined up was the Engel–Kollat–Miniard (EKM) model, which principally portrays the four stages.

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Use of Engel-Kollat-Blackwell Model for choosing High-end mobile phones (Refer the example in the book. Page 320)

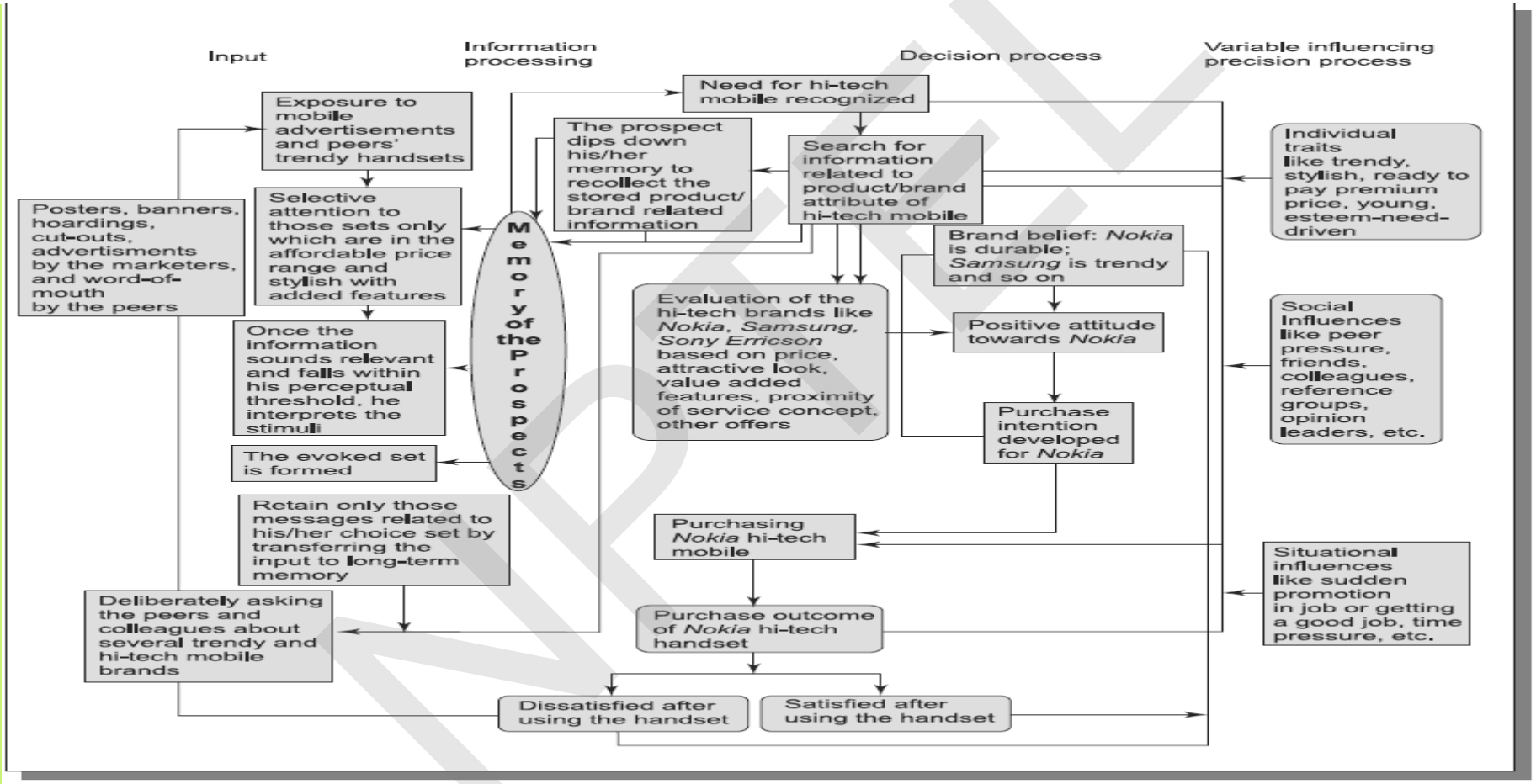


Figure 15.3 The Engel–Kollat–Blackwell model of consumer behaviour for hi-tech and hi-priced mobile handsets

Source: Engel, J.F., Blackwell, R.D. and Miniard, P.W., *Consumer Behavior*, Cengage Learning, 1995, p. 95.

First stage: Decision-process stage

- The pivotal point of the model is the five stage basic decision-process—problem recognition, search for alternatives, alternate evaluation (at some point in which consumer's beliefs may lead to formation of attitude and subsequently purchase intention), purchase, and outcomes (in terms of satisfaction or dissatisfaction).

- Nonetheless, as discussed in the earlier chapter, in all purchase situations the consumers are not passed through all five stages; only in case of extended problem-solving behaviour, all the five stages are visible.

- In case of the choice of hi-tech and hi-end mobiles, as discussed in the earlier case study (high-involvement purchase), the consumer will behave as an extended problem-solving situation and undergo all five relevant stages of decision-making.

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Use of Engel-Kollat-Blackwell Model for choosing High-end mobile phones (Refer the example in the book. Page 320)

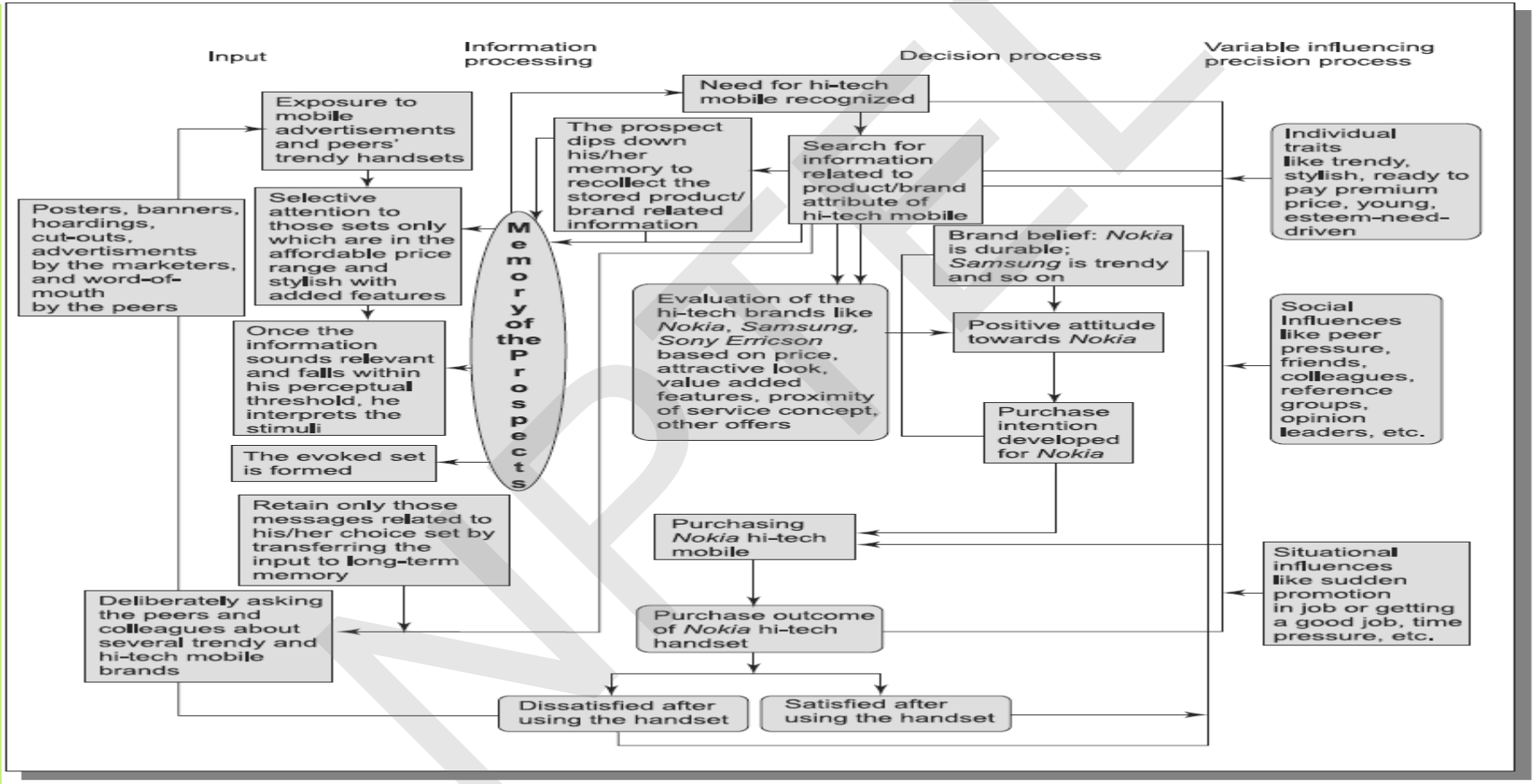


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Second stage: Information input

- This stage is quite similar to the stimulus-input stage mentioned in the Howard–Sheth model.
- At this stage, the consumer first tries to recollect the product or brand related information from his own memory, which is referred to as ‘internal search’.
- For example, in case of choosing a hi-tech mobile, the prospect first tries to remember the advertisements to which he is exposed to in recent past, which sets his peer group has used recently, and what the features of the product/brand are.

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Second stage: Information input

- If this internal search is not sufficient, then the consumer deliberately searches information from outside.
- He obtains information from several marketing (promotions or retailers) and non-marketing sources (peers, family reference groups, opinion leaders).
- At times the situation is the other way round. Sometimes the external stimulus generates the problem recognition stage of the decision-making process.
- Many a times, to reduce the post-purchase dissonance, the consumer strives for searching the external information to confirm his choice.

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Use of Engel-Kollat-Blackwell Model for choosing High-end mobile phones (Refer the example in the book. Page 320)

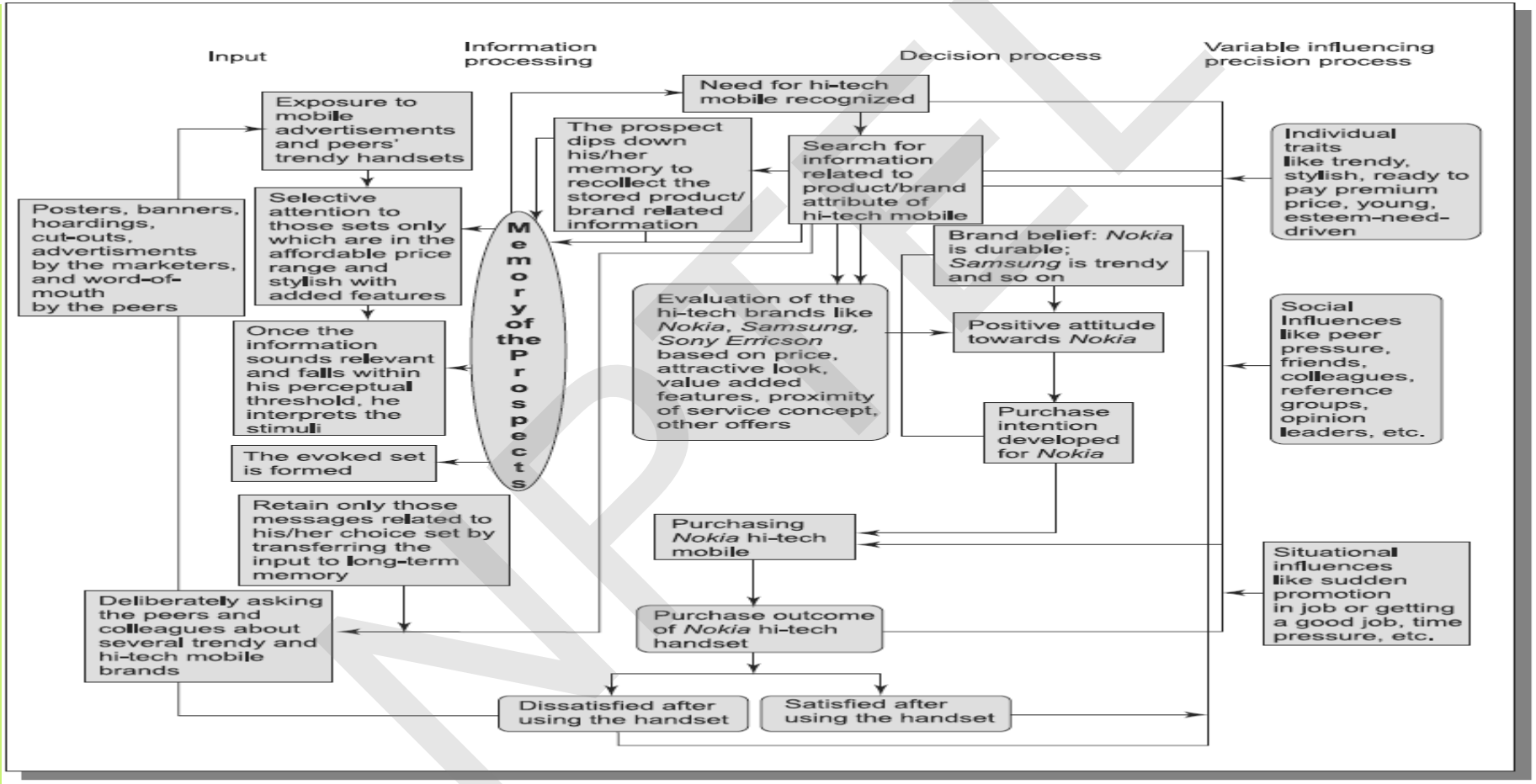


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Third stage: Information processing

- This phase of consumer decision-making encompasses the following stages—consumer's exposure to the marketer's stimuli (advertisements or any other marketer's communication), attention (if the product has any relevance to the consumer), perception (once the marketer's communications fall within the consumer's perceptual threshold), acceptance to the information, and retention of the perceived and accepted information in the memory (initially short term, then gradually long term).

- For example, the prospective buyer of the hi-tech mobile may have to undergo through the following stages of information processing.

  - Initially today's young prospective buyer of a hi-tech mobile is ushered with information through television commercials, hoardings, banners, and also from his peer group.

  - Once the information sounds relevant to him and falls within his perceptual threshold (in terms of price preference, trend, style, design, features, availability, celebrity endorsement, catchy music, or colours in the advertisements), he interprets the stimuli.

  - After interpretation, the prospective buyer can shape his evoked set and retain messages related to his choice set by transferring the input to the long-term memory.

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Use of Engel-Kollat-Blackwell Model for choosing High-end mobile phones (Refer the example in the book. Page 320)

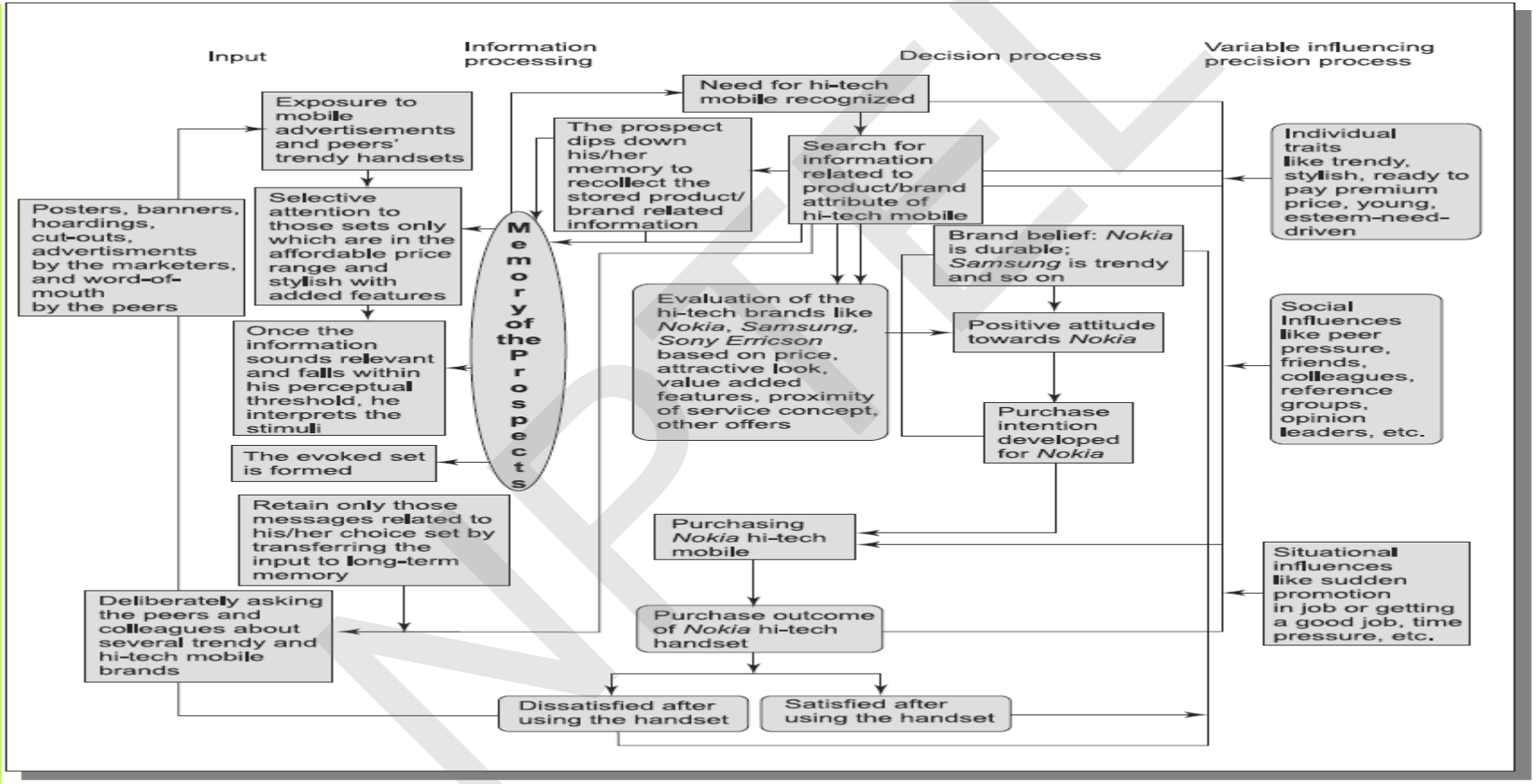


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Fourth stage: Variables influencing the decision process

- In the fourth stage, Miniard *et al*. spoke of the individual and environmental influences on all five stages of the decision process.
- Similar to the Howard–Sheth model, here too, individual characteristics include motives, values, lifestyle, and personality.
- The social influences, like culture, reference groups, and family, and the situational factors (such as a consumer's financial condition) also influence the decision process.
- About the hi-tech mobile users, once again, it is well understood from the explanation of the Howard–Sheth model, mentioned in the earlier section, that the young high-income prospective consumers are more influenced by both the social and the individual variables like esteem needs, social needs, trendy lifestyle, happy-go-lucky, or chic-urbanite personality, etc.
- This model, therefore, incorporates many important individual and social parameters such as values, lifestyle, personality, and culture, which significantly influence the consumer decision-making.

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Critical Evaluation

- According to Du Plessis, Rousseau et al., (1991) majority of the contemporary models shaped in the 1960s and 1970s lacked strong theoretical background as the discipline of consumer behaviour was in its nascent stage at that time.

- This concern might have been partially eliminated by the modernizing of some of the contemporary models like the EKB model. The so-called ‘grand model’ has been revised and renamed as EKM model which has categorically and explicitly encompassed several individuals and environmental constructs of consumer decision-making, such as values, lifestyle, personality, and culture.

- Nonetheless, the environmental and individual variables mentioned in the model have been ushered with severe criticisms due to the vagueness of their definitions and their roles within the decision-making process (Loudon and Della Bitta, 1993).

- To be more specific, the influences of the environmental variables are well identified, but their roles in influencing the buyer behaviour are not very comprehensively elucidated.

- Further, the model fails to showcase which factors will shape these individual and social variables, and why different types of personality traits result in differences in consumer's choice processes.

- In countries like India, Pakistan, or Bangladesh, religion can also play a major role to elucidate some behavioural characteristics of the consumer, and, thereby, lead to better understanding of the model. However, this link is completely missing in the model.

- Further, the roles of individual purchase motives are only considered to be constructive for need recognition, and, thereby, this crucial theoretical aspect seems to be undervalued in analysing the decision-making process (Bagozzi, Gurhan-Cantli et al., 2002; Loudon et al., 1993). The model has also been criticized for its mechanistic treatment with highly flexible psychological and social constructs (Loudon et al., 1993).



Thank you

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Models of Consumer Behaviour-4

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Objectives

After completing this module, you will be able to understand:

- ***Sheth–Newman–Gross Model of Consumption Values (1991)***

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Sheth–Newman–Gross Model of Consumption Values (1991)

Much after the acclaimed Howard–Sheth model formulated in 1969, Prof. Sheth, along with Newman and Gross, developed another advanced and comprehensive model of consumer behaviour comprising of five consumption values influencing consumer choice behaviour.

These are:

- *Functional values*
- *Social values*
- *Conditional values*
- *Emotional values*
- *Epistemic values*

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Sheth–Newman–Gross Model of Consumption Values (1991)

- These behavioural scientists claimed that any or all of the five consumption values play their own roles while the consumer contemplates to a decision.
- Sheth *et al*. (1991) claimed that most of the theories behind this model have been drawn from studies and research findings across the diversified disciplines of economics, sociology, and several branches of psychology, marketing, and consumer behaviour.
- Most of the consumption values mentioned in the model are consistent with several constituents of the theories propounded by Maslow (1970), Katona (1971), and Katz (1960).
- Sheth *et al*. have articulated the five consumption values, namely, functional, social, conditional, emotional, and epistemic values to shape the centroid of this model.

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The First Value: Functional Value

'The perceived utility acquired from an alternative for functional, utilitarian, or physical performance. An alternative acquires functional value through the possession of salient functional, utilitarian, or physical attributes. Functional value is measured on a profile of choice attributes' .

(Sheth, Newman, and Gross, 1991)

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The First Value: Functional Value

- Sheth *et al.* claimed that the functional values, being the most important parameter behind the consumer's final choice, deserve special analytical focus. This presumption is very much in line with the Marshallian economic utility theory. The Marshallian economic theory (1890) more often articulates the consumer as a 'rational economic man'.

- Ferber (1973) took the 'rational economic man' concept a step further by concluding that the brand options are often evaluated in terms of their various functional traits, such as reliability, durability, and price. For example, the decision to purchase a particular brand of laptop may be based on its price, proximity of the service centre, and service records.

- According to Solomon (1996), once the most attractive functional trait of a product perceived by the customers is recognized, marketers are in a position to determine which of their unique selling propositions can motivate the prospects. Accordingly, the communication message and packaging strategies can be formulated highlighting the already identified functional traits. For example, the recent advertisement of *Eno* highlights the need to be protected from indigestions while enjoying the festivals and ceremonies. Many companies announce festive bonazas during October–November which are considered to be the festive season of the country with *Navratri*, *DurgaPuja*, *Dussehra*, and *Diwali* being celebrated during this period.

The First Value: Functional Value

Katz (1960) has further enhanced the functional theory by his own contribution. He has defined four specific functional values based on the particular attitudinal parameters of the customers. These functions are enumerated below.

- Utilitarian function
- Value-expressive function
- Ego-defensive function
- Knowledge function

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The First Value: Functional Value

- *Utilitarian function*: The utilitarian function is based on the very basic propositions of reward and punishment. In most of the cases, the customers form their attitude based on the perceived satisfaction or dissatisfaction generated from the consumption of the products.

- *Value-expressive function*: The market place responses of the customers are often influenced by his/her core value, self-concept, or even extended-self. Therefore, following Katz it may be stated that the value-expressive function, sometime or the other, outweighs the objective benefits a person may derive from the use of the products.

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The First Value: Functional Value

- *Ego-defensive function*: When a consumer seeks protection for self, either from external environmental embarrassments or internal feelings, he often resorts to an ego-defensive function. Marketers, while designing their advertising message, often use the ego-defensive cues. For example, one may recollect most of the campaigns of anti-dandruff shampoos which stress on the awful and awkward situations faced by the individuals for dandruff in offices or other public places.

- *Knowledge function*: It has been argued by Katz that attitude is often developed as a consequence of a need for order, structure, or meaning. Knowledge function is particularly relevant when a person is in an ambiguous situation or wants to use a new product. For example, when a person wants to buy a laptop or car, he often resorts to extensive search for information from his opinion leaders and several marketing sources as he is not that conversant with the technology in-built in those products.

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The Second Value: Social Value

'The perceived utility acquired from an alternative association with one or more specific social groups. An alternative acquires social value through association with positively or negatively stereotyped demographic, socioeconomic, and cultural-ethnic groups. Social value is measured on a profile choice imagery' .

(Sheth, Newman, and Gross, 1991)

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The Second Value: Social Value

- The term 'Social imagery' envisages all pertinent primary and secondary reference groups which are expected to be the driving forces for the product's usage. Consumers are positively or negatively typecast depending on how they intermingle with varied demographic (age, gender, stage of family life cycle, etc.), economic (disposable income), psychographic (attitude, motivation), or religious/ethnic groups of people.

- Generally, the consumer decision heuristics for the products which reflect individual's personality traits or social class due to their high visibility (e.g., apparels, watches, accessories) and the products to be gifted or shared with other members of the group are influenced by consumer's social values. For example, *Raymond*'s suiting may be chosen for the social image it evokes ('The Complete Man') than its functional or utilitarian performance. Many a times, even selection of products/brands which are likely to be governed more by their functional traits are finally chosen on the basis of their social values.

The Third Value: Emotional Value

'The perceived utility acquired from an alternative's capacity to arouse feelings or affective states. An alternative acquires emotional value when associated with specific feelings or when precipitating those feelings. Emotional values are measured on a profile of feelings associated with the alternative'.

(Sheth, Newman, and Gross, 1991)

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The Third Value: Emotional Value

- The authors have showcased the consumer's perceived utility as a set of emotional reactions extracted particularly in the course of the product usage or consumption experience.

- The concept of consumption emotion has been explained either by the particular types of emotional experience and responses (e.g., bliss, resentment, and anxiety) or by the structural dimensions forming the core emotion categories, such as comfortable/uncomfortable, leisure/action, or serenity/exhilaration.

- Subsequently the marketers often resort to the customer's probable emotional responses (e.g., the sense of jubilation arising out of viewing a gala party in any television show) associated with the product to design the communication message.

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The Third Value: Emotional Value

- The nostalgia associated with the advertisement of *Titan* or the sense of fulfilment associated with the commercial of *Life Insurance Corporation of India* are some such exemplars.
- The emotional values can also be generated from the aesthetic orientation of the product.
- Sometimes, the emotional values, similar to social values, outweigh the tangibles and functional traits of the products even when the product apparently seems to be a utilitarian one. For example, some pens or ties arouse a feeling of placate through their association with first job experiences.
- Time and again, behavioural scientists have tried to categorize the various emotional values that play a dominant role at the time of consumer decision-making. In one such study, the eminent behavioural scientist, Izard (1977), propounded the classification of affective experiences which elaborate the underlying emotions attached to certain kinds of purchase.
- Izard et al. (1984) identified ten basic emotions to explain such affective experience process. These emotions are sadness, anger, interest, joy, surprise, fear, shame, disgust, contempt, and guilt (e.g. Flipkart Diwali Ad Sale India – Balcony Brothers TVC Series expresses joy, or latest smartphone's best address expresses shame) Izard's study appeared to be a foundation for the future consumer researches on emotional values.

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The Fourth Value: Epistemic Value

'*The perceived utility acquired from an alternative capacity to arouse curiosity, provide novelty, and/or satisfy a desire for knowledge. An alternative acquires epistemic value by items referring to curiosity, novelty, and knowledge*'.

(Sheth, Newman, and Gross, 1991)

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The Fourth Value: Epistemic Value

- Epistemic issues mean the set of values that could validate and enhance the customer's perceived satisfaction level obtainable from a novel product by fulfilling the curiosity, knowledge, and exploratory needs.

- Alternatively, even a simple change of product can also generate epistemic value, like product differentiation offers.

- Sometimes, just to break the monotony of food habits, clothing styles, etc., the customer may exert to epistemic values by trying out something different.

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The Fifth Value: Conditional Value

'The perceived utility acquired by an alternative is the result of the specific situation or set of circumstances facing the choice maker. An alternative acquires conditional value in the presence of antecedent physical or social contingencies that enhance its functional or social value. Conditional value is measured on a profile of choice contingencies'.

(Sheth, Newman, and Gross, 1991)

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The Fifth Value: Conditional Value

- Based on the concept of stimulus dynamism advocated by Howard (1969), in this model too the conditional value proposition emphasizes on the process of learning that takes place as a result of experience with a given situation.

- Sheth, Newman, and Gross model also refers that consumers may also evaluate a product/brand's utility based on situation. For example, a consumer may just go to a local shop to buy a dress for INR 500 for going to college or office. The same customer may be ready to buy a dress for INR2000 to wear in his sister's wedding.

- Thus, the five consumption values recognized in the Sheth, Newman, and Gross model play as differentiators of consumer choice in case of any particular product/brand. For example, to a first-time car buyer, the purchase of a car might provide functional value (comfortable travel to his office), social values (many of peers and colleagues are possessing cars), emotional values (the consumer feels secure in owning a car so that his child may be dropped to school safely), epistemic value (the novelty involved in purchasing a new car), and conditional value (the new office is quite distant and it is too hectic to travel by the crowded buses).

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Critical evaluation

- According to Sheth, Newman, and Gross (1991), customer's choice decisions are based on five major values, namely, functional value, emotional value, social value, conditional value, and epistemic value. Functional value is assumed to be the most important influencing variable of consumer choice.

- This assumption is derived from the Marshallian 'utility theory' (1890) which most often considers the customer as 'rational economic man'. However, as mentioned earlier, since 1980s, the researchers are vehemently arguing over the concept of rationality of the consumer actions.

- Quite often, the rational information processing approach of the model falls short to interpret the non-conscious behaviours of the customers.

- Similarly, the emotional constructs and the role of choice heuristics (in purchase phase) are not well encompassed in the concepts of functional and emotional value. Moreover, the model has explicitly spoken of the factors which may shape the decision, but how they form a linear or non-linear equation for the actual decision making is not well analysed.

- It may be concluded that a common concern of all the 'analytic' models principally underlies with the latent nature of many of the variables (Loudon and Della Bitta, 1993). Therefore, it is still difficult to assure whether the existing models do represent the pragmatic process of buyer decision-making in the market place at all. It is also difficult to predict the accurate values of all the observable and latent variables.

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Thank you

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Organizational Buying Behaviour-1 Lecture 38

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Learning Objectives

After completing this module, you will be able to understand :

- **The characteristics and importance of B2B market**
- **The components of the business market**
- **The types of industrial purchase**
- **The multiple buying influences and conflicts in buying decision in industrial buying**

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Organizational Buying defined..

Organizational buying may be defined as the decision-making process by which organizations establish the need for purchased products and services and identify, evaluate, and choose amongst the alternative brands and suppliers.

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Types of Business Markets

- Agricultural Market
- Reseller market
- Government market
- Services market
- ‘Non-business’ business market
- International market

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Types of Business Markets

Types of industrial market	Characteristics
Agriculture market	Agricultural market envisages the services involved in the movement of the final agricultural produce from the farm gate to the consumer. Several interrelated actions characterize this market, viz., production planning, sowing, reaping and harvesting, grading, packing, transportation, warehousing, food processing, distribution, advertising, and finally selling.
Reseller market	Buyers may procure products to resale them to others. The reseller market consists of wholesalers, retailers, and distributors. Resellers may confine their business to a single product/brand or work as a multi-brand/product dealer or distributor.
Government market	Consumer group comprises central and state government, and other local government units such as municipality, PWD, State Electricity Board, and many more. It must be noted that the government market in aggregate accounts for the maximum amount of purchases by any consumer group in India. All the government concerns together engage in B2B operations worth crores of rupees. They purchase bulk amount of goods and services across the year. Primarily, the government purchases a wide range of products such as food, military equipment, office supplies, buildings, clothing, vehicles, and many other types of equipments.
Services market	Services marketing, in general, refers to both business-to-consumer (B2C) and business-to-business (B2B) services. Services industries include telecommunications services, financial services, hotels, hospitals, aviation, car rental services, personal care services, consultancies, and many more professional services.
'Non-business' business market	Not-for-profit oriented organizations ideally target to provide some goods and services for public well-being.
International market	International marketing (IM) or global marketing refers to the marketing process performed by companies beyond their home country and across countries. This strategy uses an expansion of the system used in the home country of a firm. It refers to the firm-level marketing practices to operate worldwide as well as segmentation and targeting, entry mode selection and determination of right positioning strategy, marketing mix, and of course several strategic decisions to participate in international markets.

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Characteristics of Industrial Market

- Industrial buying is related to the products that are meant for further production, operations, or resale. These purchases are generally like purchase of equipment, raw materials, and semi finished goods.
- There are relatively small numbers of buyers and sellers present in this market; hence, a long-term relationship between suppliers and buyers is very crucial.
- The demand for products by the industrial buyer is often derived from that of the final product.
- Many a times the organizations depute some professional purchasing agents to complete a purchase on their behalf. They are called the buying specialists.

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Characteristics of Industrial Market

- B2B sale often calls for selling several entities within the buying centre.
- As the industrial market is often regulated by specialists, it is more likely that buyers would mention exact specifications of the product.
- Many agricultural firms often prefer to lease public warehouse space to combat with the fluctuating market demands.
- For any bigger and mass-scale purchase, organizations engage in competitive bidding (alternatively, the price discovery mechanism practiced by Coal India, BSNL, etc.) and negotiation mentioning the product specifications, delivery, price, payment mode, transportation mode, etc.

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Comparing B2B and Consumer Marketing

	Business-to-business marketing	*Consumer marketing*
Product	Relatively technological in nature, associated services are very important	Depending on the need of the customer, the product may be standardized or customized. Customers are more interested in the functional attributes of the product rather than simply in the technical ones
Promotion	Emphasis on personal selling as it is easier to explain typical product specification in one-to-one and case-to-case basis	Emphasis on advertising as it is required to communicate in mass scale
Distribution	Relatively shorter, often the direct channels to market	Product passes en route through a number of intermediary links to consumer
Customer relations	Comparatively long term and multifaceted	Comparatively irregular contact; may be special offer or festive bonanzas
Decision-making process	Diverse group of organizational members with diverse goals takes decision	Individual or household unit takes decision
Price	Competitive bidding by calling for tenders for unique items; list prices prevalent only for some standard items	List prices (in most of the cases the maximum retail price or MRP is mentioned)

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Industrial Purchase Situations

- Straight Rebuy
- Modified Rebuy
- New Task

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Types of Industrial Demand

Type of demand	Definition
Derived demand	The demand for the equipment and inputs for production of a certain industrial product depends on the demand of the finished goods in the consumer market. So the derived demand refers to the correlation between demand for a company's output and its procurement of inputs such as raw materials, machinery, and other components. Demand for raw jute by the jute mills will depend on the demand for the jute-made articles in the market.
Volatile demand	Derived demand results in ups and downs in business market demand. This is referred to as volatile demand. Especially, the demand for capital resources is sometimes even more volatile than that for consumer demand. For example, the sales volume for a gasoline retailer escalates at an annual rate of 6% and then nosedives with a 4% annual increase. This deceleration may appear to the firm as the real slump and it may keep some of its current gasoline pumps (capital expense) inactive and reinstate them only when market conditions get better.
Joint demand	There are certain complementary products such as printer and cartridge. In this case, the demand for a product depends on the demand for the other which is used in combination with it.

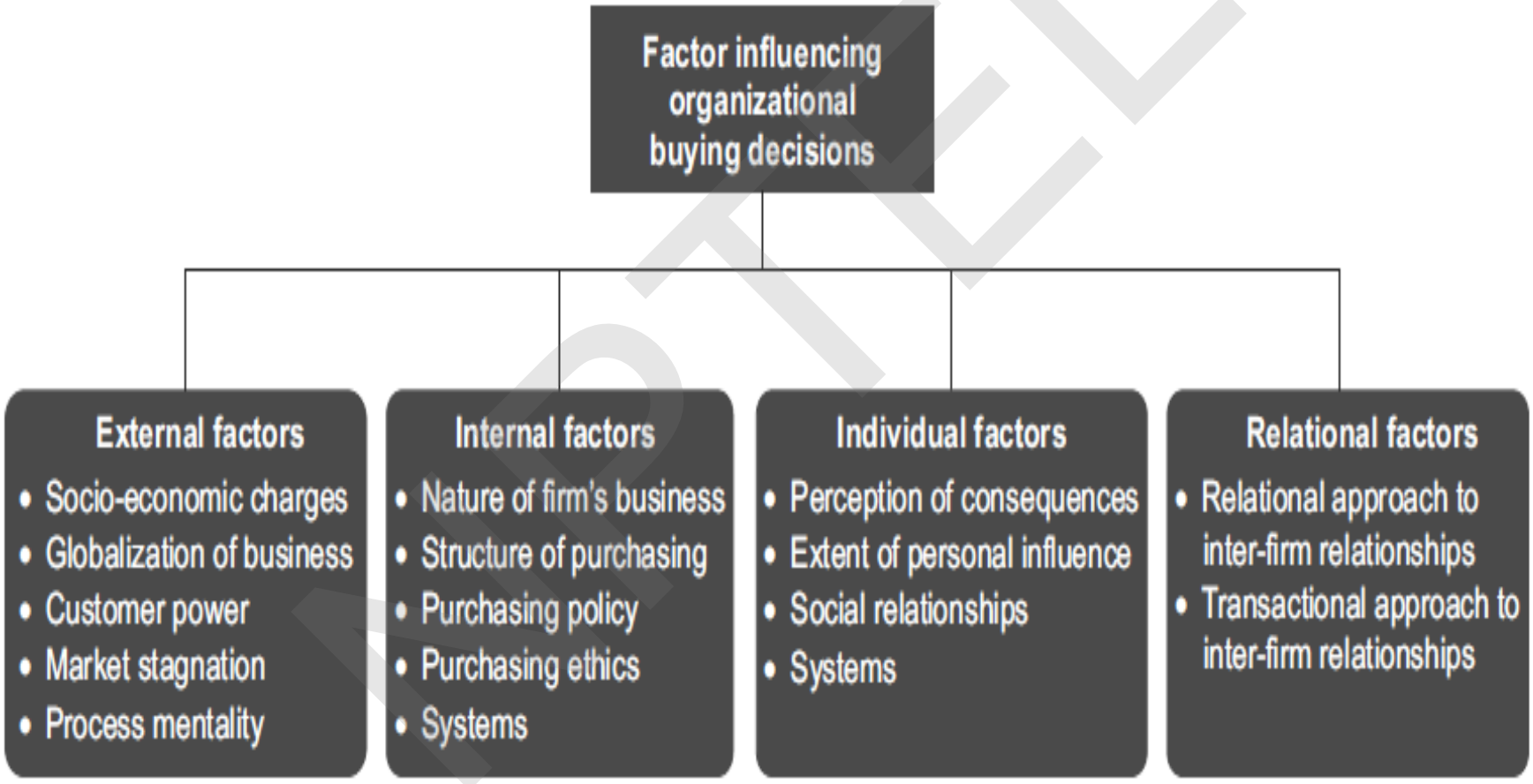
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Types of Industrial Demand

Type of demand	Definition
Elastic and inelastic demand	This refers to the sensitivity of demand to a price change, normally following the law of demand. However, in most of the cases, the demand for industrial products are inelastic as the demand here depends more on the demand for finished goods rather than the price of the inputs.
Inventory adjustments	Adjustments in the quantity of inventory that effect business demand are referred to as inventory adjustments. Suppose a textile manufacturer takes a 70-day supply of new materials as the optimal inventory level. In this situation, if suddenly economic conditions or other factors tempt these firms to augment their inventories up to a 100-day supply, then this alteration will result in sharp increase of new orders for the raw-material suppliers. However, in case of just-in-time (JIT) system, the question of inventory does not arise. Normally, in these cases, electronic data interchange services (direct computer-to-computer transactions into vendors' databases and ordering systems) enable organizations to buy different equipments to complete the transaction. JIT II is the most recent inventory trend that heartens suppliers to position representatives at the buyer's place to perform as branch of an integrated and on-site customer–supplier group. In this case, the suppliers design and place orders based on the discussions with the buyer. This reorganization of the inventory management procedure provides a better control of the flow of goods or allows for greater efficiency by cost optimization in the entire supply chain.

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Factors Influencing Organizational Buying



Factors Influencing Organizational Buying

- ***Environmental factors:*** These factors comprise financial, social, political, technological, legal, infrastructural, demographic, and cultural factors.

- ***Organizational factors:*** Organizational buying behaviour differs from organization to organization as the organizations themselves may be at variance with each other in terms of objectives, procedures, organizational structure, systems, and technology.

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Factors Influencing Organizational Buying

In India, some of the contemporary studies portray that there exist some critical parameters influencing the business buying structures and systems. Some of these are as follows:

- Innovativeness involved in the particular purchase
- Surfacing of 'buyer' as the vital constituent of the 'buying centre'.
- Centralization and decentralization of input procurement process
- Automation of the buying process (e.g., electronic data interchange system)
- Involvement of purchase specialists
- Capacity of the firm to avert detrimental dealings between buyers and sellers
- Appreciation at the top level

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Factors Influencing Organizational Buying

- ***Interpersonal factors:*** Organizational buying involves multiple individuals in the purchase process. So the process turns out to be even more complicated due to different goals, status, authority, control, and persuasiveness of the each constituent partaking in the buying process. Many a times, these multiple goals lead to a **conflict scenario** in the buying situation.

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Factors Influencing Organizational Buying

- ***Individual factors:***
  - An industrial marketer should be aware that may it be the suppliers, finance department or purchase department; the purchase decision would actually be executed by a group of human beings.
  - No doubt, as these individuals forming the group comes from diverse socio-economic statures; they have a unique personality, a certain set of learned predispositions, a particular organizational task to execute, and perceptions of the finest route to fulfill both personal and organizational objectives.
  - Possibly, an analytical insight on the `perceived risk and its management' of the individual stakeholders of the organizations may provide the industrial marketer an opportunity to smoothen the organizational decision-making process.

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Factors Influencing Organizational Buying

- Principally, there are four factors those shapes the individual's purchase risk. They are the characteristics of the purchase problem, characteristics of the buyers, organizational environment and the management of perceived risk.

- The characteristics of the purchase problem encompasses the size (rupee value) of the expenditure, the degree of novelty contained in the type of buying task, degree of product essentiality, factors provoking purchase etc.

- On the other hand, the characteristics of the buyers comprises of product –specific self-confidence level, experience, purchase history and degree of technical and professional affiliations of the buyer. The standing of the individual in the organization, the extent of decentralization of organizational decision-making constructs the organizational parameters which form individual's perceived risk.

Factors Influencing Organizational Buying

- At this point, the organizational marketer needs to understand that fundamentally in any organization an individual apprehends of two types of perceived risk.
- One is performance risk, where he thinks that the product might be unsuccessful in terms of performance benchmarks.
- The other one is psychological risk which refers to the individual's anxiety of being held accountable for the decision taken in the group.
- Both these apprehensions are, however, linked with the fear of choosing a wrong product or vendor ultimately.
- An industrial marketer must make an effort to appreciate and foresee the possible domains of perceived risk and developing effective selling strategies accordingly.

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The Conflict Resolution

Sheth (1973) has identified the following four major routes by which the organizations may resolve conflict situations.

- ***Problem solving approach*:** This approach refers to the acquisition and dissemination of more information over extended time period.

- ***Persuasion*:** Attempt is made to persuade the opinions of rebellious members by influencing them to decrease the importance of the criteria they are using to select the alternative in order to satisfy their as well as organizational goals associated with the particular purchase.

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The Conflict Resolution

- ***Bargaining*:** In many cases, conflicts arise due to disparities in basic purchase goals and objectives. This is generally a typical situation in case of new buying situations. In such cases, simply trying to alter the relative importance of the buying criteria may not work to resolve the conflict. Hence, any party is permitted to make an autonomous decision by agreeing to reciprocate at the time of future decisions. This process of conflict resolution is referred to as bargaining.

- ***Politicking*:** When all the aforesaid steps go in vain, the conflicting bodies may resort to politicking. This route is harmful in context of institutional harmony and may result in casting aspersions on the rebellious members.

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Organizational Buying Behaviour-2 Lecture 39

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Learning Objectives

After completing this module, you will be able to understand :

- **The Industrial buying decision models**
- **The buying decision process in business in a modern framework**

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Robinson, Faris, and Wind Model (1967)

- According to the buy-phase model (Robinson et al., 1967), the purchase of a product or service starts as soon as the need is felt (Stage 1).
- Once the need is recognized by the relevant group, the technical and functional characteristics are determined (Step 2).
- In the third stage, the technical and the functional aspects are converted to performance standards (Stage 3) and the suppliers are asked to submit proposals (Stage 4).
- Thereafter, the proposals are analyzed based on the benchmarks specified (Stage 5) and the best vendor is chosen (Stage 6).
- Finally, the order procedures are chosen (Stage 7). Once the product is received and utilized, its performance with respect to the benchmarks is assessed (Stage 8).

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Webster and Wind Model (1972)

- The industrial marketing professors Frederick E. Webster and Yoram Wind (1972) propagated the 'buying centre' concept to configure large scale sales in complicated business environments.
- However, in the beginning of 1980's, Thomas Bonoma, another eminent consumer psychologist, incorporated the role of initiator to further elucidate the initial list of five roles explained by Webster and Wind.
- In a company, a buying process depends on the individual/s involved in or has any kind of stake in the buying decision.
- The task of different buying centers is: information search and collection, developing choice criteria, and based on those choice criteria choosing the most appropriate one amongst the available alternatives

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Webster and Wind Model (1972)

- ***Gatekeepers:*** A gatekeeper refers to anyone in the organization who can control and manipulate the flow of information in the buying process.

- ***Influencers:*** An influencer is usually somebody who exerts considerable influence on the decider or buyer to take a decision on choosing an alternative.

- ***Deciders:*** Deciders, more often the purchase manager may take the decision regarding the selection of brands and the terms and conditions related to the purchase.

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Webster and Wind Model (1972)

- ***Buyers:*** A buyer is someone who finally carries out the deal on behalf of the company.

- ***Users:*** The entities who finally derive utility from the purchase are the users of the product.

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The Simplified Procedure of Sealed-bid Industrial Purchase (with a fictitious company GGNL)

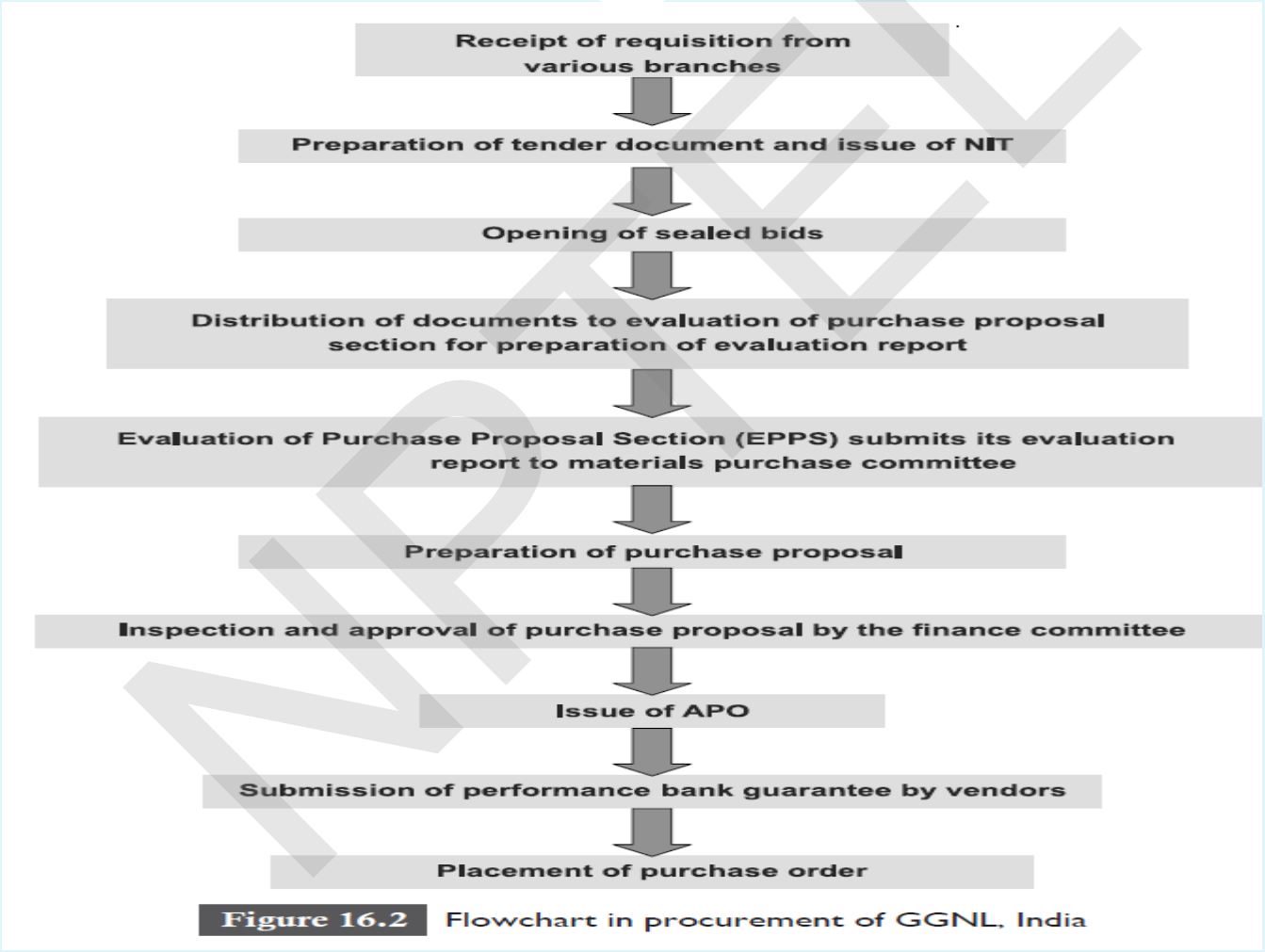


Figure 16.2 Flowchart in procurement of GGNL, India

Receipt of Requisition:

The process of requisition begins receipt of requisition to the GGNL's corporate Head quarters for push button telephones from various branch offices across the country.

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Preparation of tender document & issue of NIT (Notice Inviting Tender)

- Within 5 working days of receipt of requisition from several branch offices, the purchase section of the Headquarter starts preparing the tender document.
- The approximate quality, quality and other technical specifications of the product, the expected lead time, delivery mode, and payment mode had to be analyzed by the purchase section at this phase.
- Accordingly, the Notice Inviting Tender (NIT) is issued by Corporate H/Q shall be published in any two national and local newspapers and also in the company's web portal.

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Preparation of tender document & issue of NIT (Notice Inviting Tender)

- At the same time, a copy of NIT has to be sent to Indian Trade Journal, Telecom Equipment Manufacturer's Association (TEMA) and other relevant bodies.
- The qualified bidders should be only those Indian companies those who are registered to produce the push-button telephones in India, after getting clearance from the Reserve Bank of India.
- For this procedure, the company may schedule total 10 days. If the bidders have any query related to this procedure, they have to make it clear within this time period only.
- The contents of the bid documents are filled up tender forms, technical specifications, price schedules, security form, performance security bond form and any other relevant document.

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Opening of the sealed bids

- Once the time period of submission of the tenders is over, GGNL fixes up a particular date to open the bids.
- The GGNL's purchase manager and the authorized representative of the vendors would be eligible to be present at that time.
- After opening all the sealed tenders, all the bidder's names, quoted price and other details as the purchaser will be announced.

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Distribution of documents to Evaluation of Purchase Proposal Section for preparation of Evaluation Report

- The Purchase manager, who acted as the bid opening officer here has to submit all the documents to the Evaluation of Purchase Proposal Section (EPPC).
- Within a month's time, the EPPC, considering all technical, payment procedural, delivery mode specific issues and the financial aspects may be evaluating all the bid documents.
- They will elect the most appropriate one for them as per the terms and conditions predetermined in the tender document.
- Based on its recommendations the EPPC will develop their Report and submit it to the materials purchase section (MPS).
- If any clarification from the vendor/s is required at this stage that also can be made at this phase only. In case of any modification required in the tender document regarding any finer technical attribute, that may be mentioned on the report based on the consensus of EPPC and the vendor.

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Preparation of purchase proposal

- Generally, within 7-10 days of the receipt of Report, the MPS is supposed to prepare a purchase proposal in accordance with the approval of General Manager (MPS) of GGNL following all terms and conditions in the tender document.

- The Purchase proposal should contain the brief background of the company; key points approved tender (especially the technical specification of the product, size of the order, summary of the recommendations of the EPPC, all amendments specified by the EPPC, price quotations, payment procedure, delivery mode, comments of the recommendations by MPS and all relevant dates including the NIT date and bid opening date).

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Preparation of purchase proposal (contd)

- While preparation of the formal purchase proposal by the MPS, it should be taken into consideration that the following points are not missed anyway:

  - **Validation of the reasons of selecting particular vendors**
  - **Order amount sanctioned for each and every vendor**
  - **Unit price as well as total price (with discounts, if any) of the push-button phones ordered,**
  - **Expected financial consequences of the proposal**
  - **If any advance payment is required,**
  - **Transportation cost from the vendors warehouse to GGNL's Head quarter**
  - **Details of vendor's proposed Bank Guarantee, consignee & paying authority.**

- The proposal, thereafter, would be send to the General Manager(Finance) for the Finance Committee's approval

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Inspection and approval of Purchase Proposal by the Finance Committee

- The tender proposal which fulfills all the criteria specified by GGNL and quoting the lowest cost will be selected by the highest rating for the purpose of distribution of push –button telephones. The formula they would follow for the vendor rating is quite similar to that of BSNL, Indian telecom major; nonetheless the weightage of criteria varies with those of BSNL.

VR = 0.7 PR + 0.2 DR + 0.1 QR
Where
VR= Vendor Rating
PR = Price Rating
DR = Delivery Rating
QR = Quality Rating
And summation of weights is equal to 1.

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Issue of APO

- After the approval of the finance committee and the proposal getting duly signed by the General Manager (Finance) and the Advanced Purchase Order (APO). The following points must be mentioned in the APO:

1. Number of push button phones with unit price
2. All the transaction dates, numbers and reference.
3. All marketing and financial terms and conditions mutually agreed upon.
4. Amount of Performance Bank Guarantee with all the details of bank guarantee provided by the vendor.
5. Delivery and advance payment schedule.
6. Time period to accept the APO and submission of the bank guarantee by the vendor. For GGNL it is 15 days from the receipt of APO by the vendor.

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Submission of Performance Bank Guarantee by Vendors

- Once the APO is issued and the formal letter of intent is send to the vendor, the supplier has to hand over GGNL the bank guarantee on a percentage of total purchase order mutually agreed by both parties of within the stipulated time period mentioned in APO.

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Placement of Purchase Order:

- Once the bank guarantee and the acceptance of APO by the vendor is received, the final purchase order is executed.

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Finally..

The entire procedure should complete by a stipulated time period. For GGNL it is 100 working days. GGNL is a fictitious organization, but more or less any government organization, government undertakings and even private organizations follow the same organizational procurement process. This is just a simpler way to explain the most complex industrial procurement in India.

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Thank you

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Dimensions of Consumer Research

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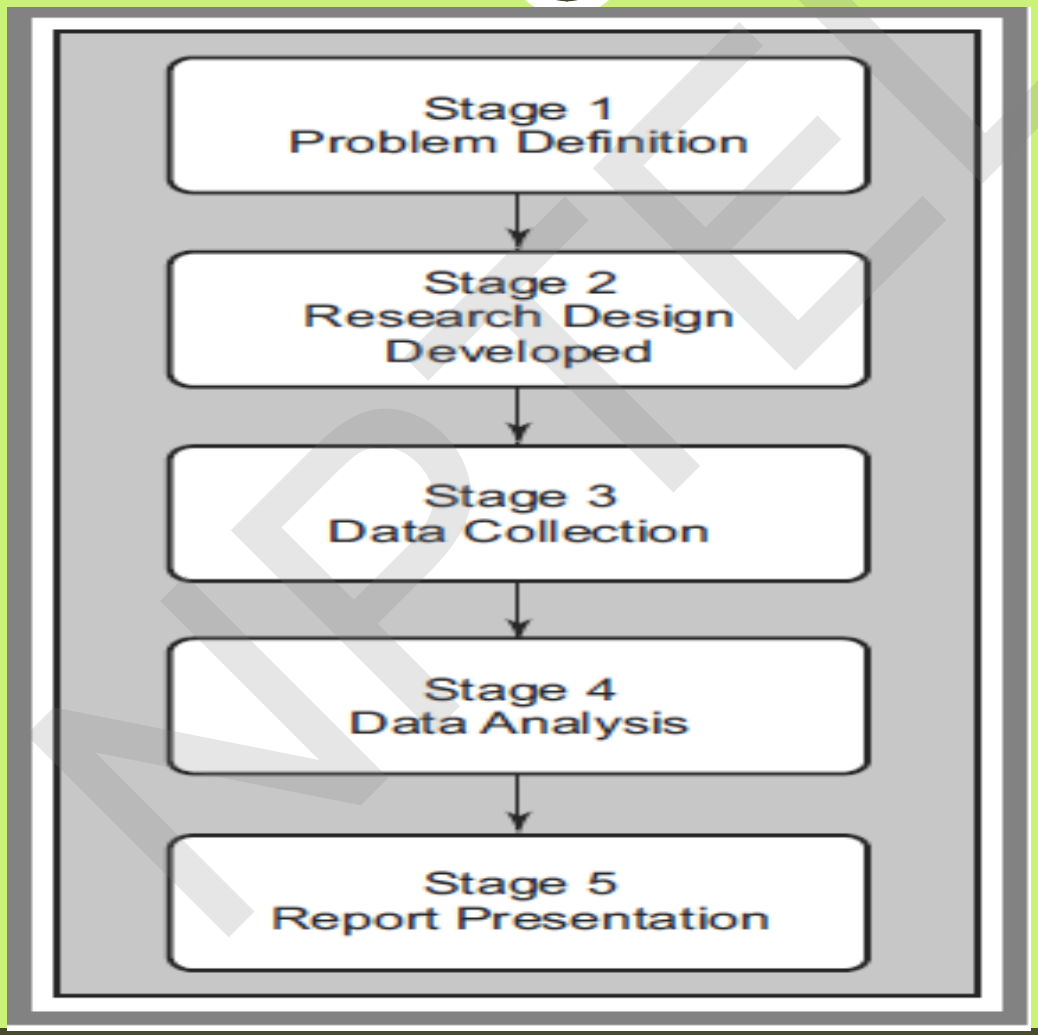
Chapter Goals

After completing this chapter, you will be able to understand :

- **The consumer research process**
- **Scope of consumer research**

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The Consumer Research Process



SCOPE OF CONSUMER RESEARCH

Products and Their Development

All aspects of product development, idea generation or concept testing, production, launch or post-launch decisions call for an extensive consumer research.

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SCOPE OF CONSUMER RESEARCH

Identifying the Target Market

This involves identifying the customer groups which are to be catered. It is important to understand the features of the target market in terms of the following questions:

- **Why do they purchase certain products or services?**
- **What is their present pattern of purchasing behaviour, from whom do they buy, and why?**
- **What kinds of benefits do they seek from the products they buy?**
- **What are their attitudes and opinions, and how are consumer tastes, and thus needs and wants, shifting?**

Therefore, information is sought about changes in fashion and lifestyle trends, which may in turn influence consumer purchase patterns.

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SCOPE OF CONSUMER RESEARCH

Analyzing the Market

The third important area, where consumer research may be conducted is to analyze the size, shape, and characteristics of the target market. Most of the researches in this area are conducted to answer the following questions:

- What kind of the demographic and psychographic framework does the target market have?
- How is the framework getting changed over the timeline?
- What are the implications of such change to the marketing strategy formulation?

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SCOPE OF CONSUMER RESEARCH

Distribution of Product

Consumer research in this area is primarily targeted to find out the following:

- The available locations and possible opportunities for distributing a product.
- Present methods of distributing products, and possible alternatives and comparatively better methods.

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SCOPE OF CONSUMER RESEARCH

Suitable Sales and Promotion Methods

This aspect involves assessing the following issues:

- Which are the most appealing methods of selling and promoting products to the target customers?
- What should be the optimal coverage and frequency of a media advertisement of the products?
- Are the commercials viewed by right audience or the promotion has resulted into unnecessary exposures?
- What types of media should be used to reach to the desired audiences?
- Does the product require any celebrity endorsement? If so, which celebrity persona would be appropriate to match with the brand characteristics?

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Step 1: Problem Definition

- **The first step in any marketing research project is to define the problem.**
- **While defining the problem, the researcher must take a careful note of the purpose of the study, the pertinent background information, and exactly what the researchers want to find out.**
- **Problem definition engrosses discussion with the decision makers, interviews with industry experts, analysis of secondary data, and perhaps some qualitative research, such as focus group interviews.**
- **Only when the problem has been accurately defined, the research can be designed and conducted properly.**

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Step 2: Development of an Approach to the Problem

- This step involves developing the theoretical background, identifying the research questions, forming the hypotheses, etc.
- This process is conducted primarily by discussions with management professionals or by referring to the existing case studies or pilot survey.
- This step may be considered as the ground work for formulating research design.

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Step 3: Research Design Formulation

Research design is a skeleton or outline for carrying out the consumer research project. It comprises of the following elements:

- ***Secondary data analysis***
- ***Identifying sources for primary data***
- ***Methods of collecting quantitative data (survey, observation, and experimentation)***
- ***Sampling plan***
- ***Scale design and formation of questionnaires***
- ***Plan on analytical tools***

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Step 4: Field Work or Data Collection

- The data collection step requires a field force.
- The field force may directly operate in the field, as in the case of questionnaire-based survey and personal interviewing (in-home, mall intercept, or computer-assisted personal interviewing).
- They can also conduct survey from an office by telephone or by online surveys using google docs, etc.
- Apposite selection, training, supervision, and evaluation of the field force may minimize data-collection errors.

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Step 5: Data Preparation and Analysis

- Data preparation primarily involves data editing. Data editing includes removal of several redundant data and thereafter, coding, transcription, quality control, and validation of data.
- Each questionnaire or checklist is thoroughly inspected or edited and, if necessary, corrected. Thereafter, numeric coding is done for each response received through the questionnaire.
- Data validation ensures the accuracy and fitness of the data for further statistical analysis.
- The researcher interprets the data and reaches to certain conclusion by several data analysis tools.
- Normally, while dealing with a single measurement of the sample units, the univariate techniques are used for analysis. On the other hand, multivariate techniques for analyzing the data are used depending on the statistical principle of multivariate statistics, which involves observation and analysis of more than one statistical variable at a time.

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Step 6: Report Preparation and Presentation

Usually research reports are structured in the following sequence:

- **Preface**
- **Executive summary**
- **Contents**
- **List of figures and tables**
- **Introduction**
- **Theoretical background**
- **Problem definition**
- **Research design**
- **Data analysis**
- **Discussion on findings**
- **Recommendations**
- **Conclusion**
- **Appendices**
- **Bibliography**

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