

Chapter 3

Consumer and Organizational Buyer Behavior

Definitions of Consumer Behaviour

- The dynamic interaction of **cognition**, **behaviour** and **environmental** events by which human beings conduct the **exchange** aspects of their lives

(American Marketing Association)

- A discipline dealing with **how** and **why** consumers **purchase** (or don't purchase) products and services.

(Neal et al.)

Difference between consumer and organizational buying

Organizational buyers

- Fewer organizational buyers (10 -15 organization).
- Close, long-term relationships between organizational buyers and sellers.
- Organizational buyers are more rational e.g. like or dislike or color of the equipment's)
- Organizational buying may be to specific requirements
- Organizational selling /buying may be more risky e.g. unforeseen problems etc.

Organizational buyers (*Cont..*)

- Organizational buying is more complex
- Negotiation is often important in organizational buying

Consumer Buyer Behavior

- Consumers are individuals who buy products and services for personal consumption.

Consumer decision making process

OHT 3.1

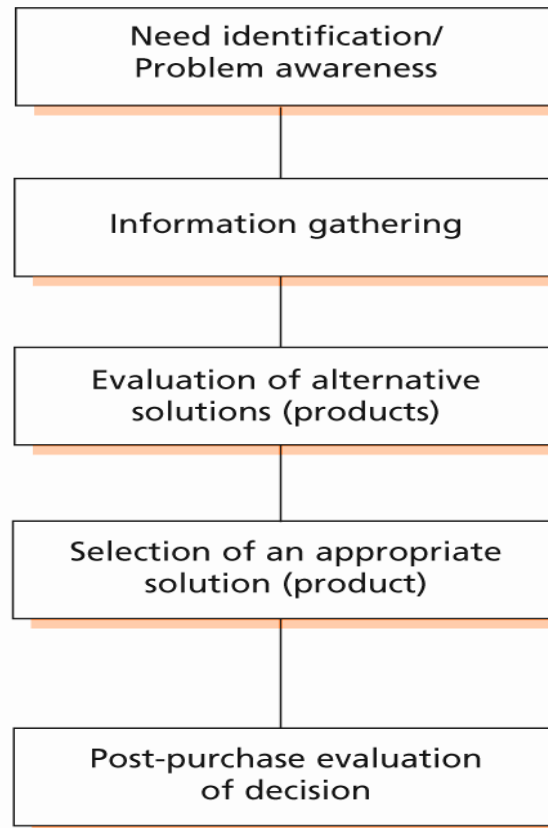


Figure 3.1 The consumer decision-making process

Source: Adapted from Blackwell, R.D., Miniard, P.W. and Engel, J.F. (2000) *Consumer Behaviour*, Orlando, FL: Dryden.

Consumer Decision Making Process

01

Need Recognition

The first step is to realize/recognize the need.
For example: Communication is a need.

02

Search for Information

Check what kind of products can be used to satisfy the need.
For example: Need for communication can be satisfied with an old schooled mobile phone or a smart phone.

03

Evaluation of Alternatives

The consumer now evaluates all products and brands which satisfy his need.
For Example: Smartphones are expensive but satisfy various needs, while old-schooled phones are cheap.

04

Purchase Decision

Make the appropriate purchase.
For Example: The consumer needs a durable cheap phone. Hence he would purchase a simple Nokia phone.

05

Post-Purchase Evaluation

After the purchase is made, the consumer analyzes if he has made the right decision. In case, if he realizes that he has made the wrong decision, he faces Cognitive Dissonance. If he has made the right decision, he faces delight.

Consumer decision making process

- Needs
- Information gathering
- Evaluation of alternative and selection of the best solution
 - *beliefs*
 - *attitude*
 - *Intention*

Consumer decision making process

(Cont..)

- Selection of an appropriate solution (product)
- Post-purchase evaluation of decision

Factors affecting the consumer decision making process

- There are number of factors that affect the consumer decision making process and its outcome.
 1. The buying situation
 2. Personal influence
 3. Social influence

The buying situation

- Extensive problem solving
- Limited problem solving
- Automatic response

Personal influence

- Personal influence concerned with the psychology of the individuals which includes personality, motivation, perception and learning.

Social Influence

- Social class
- Reference group
- Culture and family

Organizational Buyer Behavior

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

- **Structure (Who)**
- **Process (How)**
- **Content (What)**

Structure

- The “Who” factor – who participates in the decision making process and their particular roles.

Organizational Buyer Behavior

(Cont..)

Process

- The “How” factor- the pattern of information getting, analysis, evaluation, and decision making which takes place as the purchasing organization moves towards a decision

Content

The “What” factor- the choice criteria used at different stages of the process and by different members of the decision making unit.

The organizational decision making process

OHT 3.6

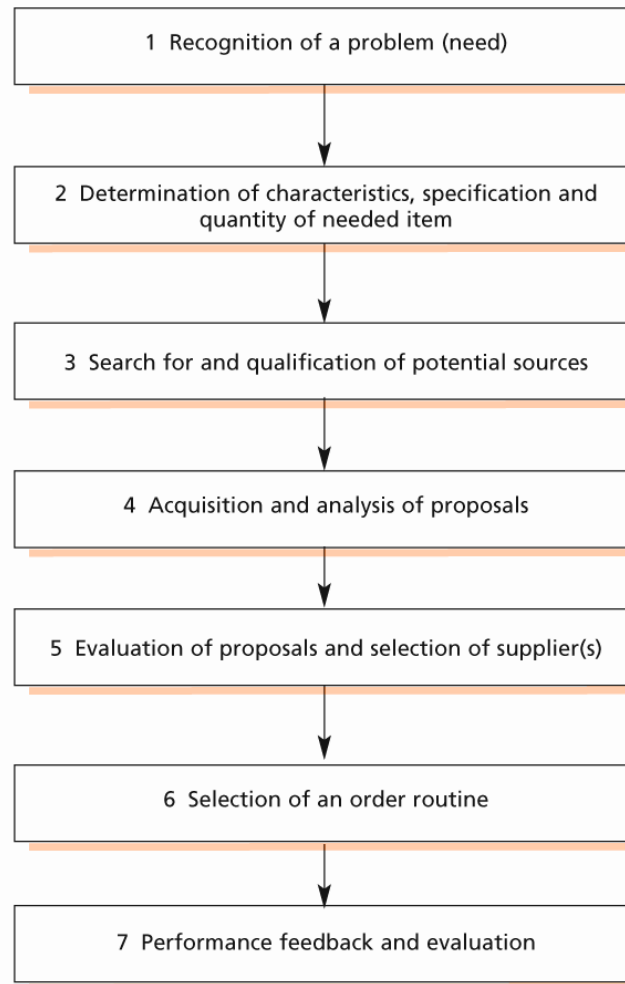


Figure 3.5 The organisational decision-making process (buy phases)

Factors affecting organizational buyer behavior

OHT 3.8



Figure 3.6 Influences on organisational purchasing behaviour

Buy class

- Organizational buying behavior is influenced by the nature of the buy class. Buy class includes:
- **Straight re-buy**
 - In a straight rebuy, the purchasing department reorders supplies such as office and bulk chemicals on a routine basis and chooses from suppliers on an approved list
- **Modified re-buy**
 - The buyer in a modified rebuy wants to change product specifications, price, delivery requirements or other terms.
- **New task**
 - New task purchaser buys a product or service for the first time

Product Type

- Product constituents
 - Materials to be used in the production process e.g. steel,
 - Components to be used incorporated in the finished product, e.g. alternator;
 - Capital plant and equipment
 - Products and services for maintenance, repair and operation (MROs), e.g. spanners, welding equipment and lubricants)
- Product facilities (e.g. equipment's)
- MROs (e.g. spanners)



Importance of purchase

- Importance of purchase

- Purchasing is the function of buying Goods & Services from external source to an organization. Purchase department buys raw materials, spare parts, services etc. as required by the company or organization. ... purchase is most important function in any organization.

Development in purchasing practice

Just in time purchasing

- Just-in-time (JIT) is an strategy companies employ to increase efficiency and decrease waste by receiving goods only as they are needed in the production process, thereby reducing inventory costs. This method requires producers to forecast demand accurately.

Centralized purchasing

- A purchasing system in which all the departments of a company with a wide geographical distribution can make purchases through a common purchasing organization. Centralized purchasing aids finding the best deals with local vendors for the corresponding location of the company department.

Development in purchasing practice (*Cont..*)

- **System Purchasing**

System purchasing is the is the desire by buyers to acquire completely systems rather than individual components.

- * **Reverse marketing**

Reverse marketing is the concept of marketing in which the customer seeks the firm rather than marketers seeking the customer. Usually, this is done through traditional means of advertising, such as television advertisements, print magazine advertisements and online media

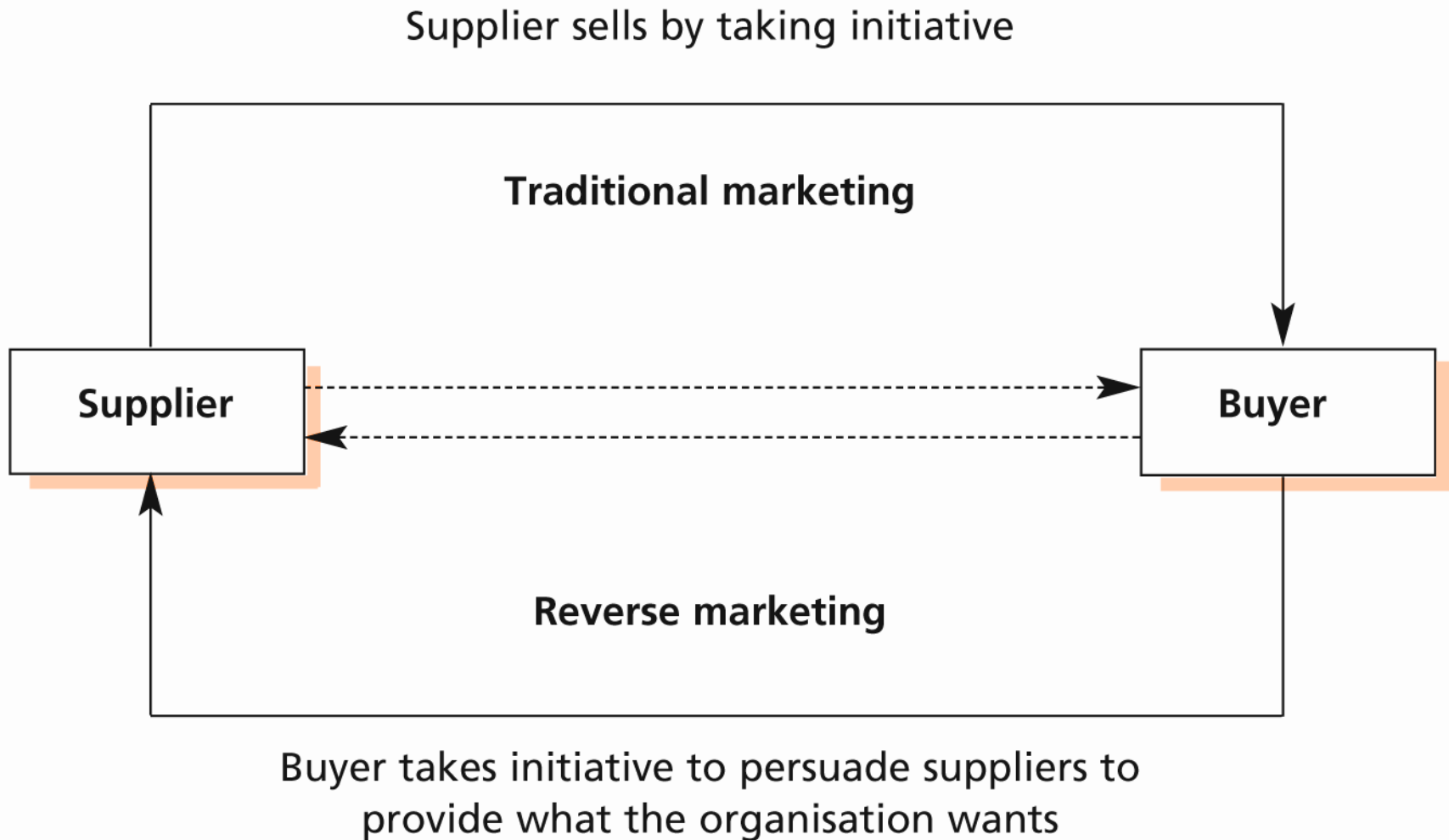


Figure 3.7 Reverse marketing

Development in purchasing practice (*Cont..*)

- Leasing

A contract by which one party conveys land, property, services, etc. to another for a specified time, usually in return for a periodic payment.

Relationship Management

- The supervision and maintenance of relationships between a company and its external partners, especially its clients.