

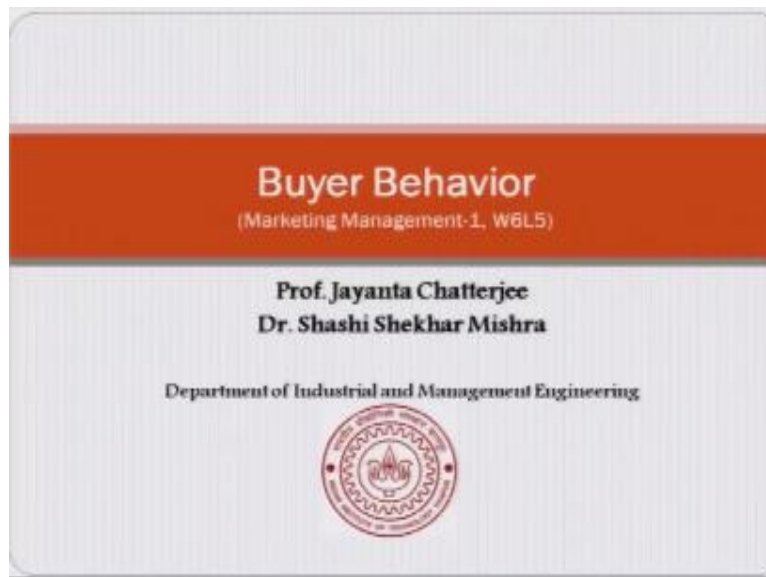
Indian Institute of Technology Kanpur
National Programme on Technology Enhanced Learning (NPTEL)
Course Title
Marketing Management – 1

Lecture: W6.I.5
Analyzing the Buyer Behavior

by
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Dr. Shashi Shekhar Mishra: Hello and welcome to another session of our course, marketing management part 1.

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Dr. Shashi Shekhar Mishra: So we are in this buyer behavior module which is going in the week of fifth and week six, and this is lecture 5 of this module of this week. So till now we were discussing about the specific characteristics of industrial markets, specifically we talked about the differences in the industrial markets or B2B market versus consumer market.

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Dr. Shashi Shekhar Mishra: And I have tried to explain these differences through this model where we have shown two types of interfaces, marketing and sales exist as a basically a interface organization between customers and the organization. And the external interface that is marketing, and sales, and customer, there are differences in the form of complex buying process, I have explained to you, there are many things which explain why the B2B buying behavior is much more complex than individuals buying process.

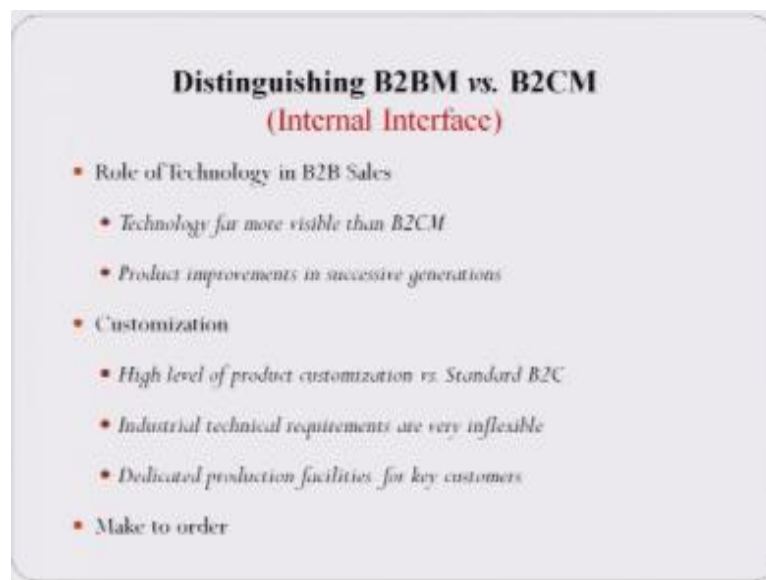
I also talked about that there are fewer buyers as compared to B2C markets sometimes even so small that you can count them on your fingertips. And then you have derived demand that means your demand is dependent on the end customer where the product of your customer is going finally. So your demand is also dependent on the different industry sectors demand. And then we also talked about the geographical concentration on this external interface part where we have looked into that customers are generally located in industrial market only in certain geographical areas, I mean to a very limited geographical area.

And then we have looked into the other side which is internal interface, so we looked into this marketing and sales and operations interface and there the difference is that between B2B market

and B2C market is that B2B market is predominantly in the form of technology sales, technical criteria are an important purchasing – are important purchasing criteria. Then we have looked into this the second difference which is customized solution that the demands or the needs of the business customers are very, very rigid actually.

They are inflexible unlike in B2C market where I have gave you -- I gave you the example that if you do not get a color that you wanted to maybe you will still settle down with number two choice in terms of your color. However industrial customer will not settle for a different type of valve or a different kind of compressor design. So that is why it is a very customized market. And then we have also looked into this third difference which is make to order.

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Dr. Shashi Shekhar Mishra: So with this I basically have covered, I have covered all the differences between B2B market and B2C market that explains the difference in the behavior of the customers also.

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Dr. Shashi Shekhar Mishra: Then some of the differences that, some of these differences that leads to the changes in the marketing program that the generalized version of differences in B2B marketing versus B2C marketing is that you will see that in B2B a market majority of marketing effort is focused upon customer education and market development, because you have to go to the customer explain, to them what your product does, functionalities the most important thing, functional leads are far more important than probably hedonic needs, hedonic needs are said to be very minimal in the case of B2B market it is believed to be a rational decision-making process. Then you have segmentation criteria's.

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Differences in Marketing Program

- Emphasis on customer education and market development
- Segmentation Criteria: Industry characteristics, Purchase quantities, Technical requirements, Benefit based and buying behaviour-based
- Promotion is focused upon communicating price and performance
- Trade shows and content marketing are prominent mode of promotional campaigns

Dr. Shashi Shekhar Mishra: If you look at another difference in B2B marketing versus B2C marketing is while you see that large to a large extent customer markets are segmented on demographic and psychographic criteria's like age, lifestyle, personality, so those are the things which help you to segment the customers market when you, when we talk about B2B market the segmentation is on a different criteria's though they are contextualized in the context of the B2B market again the demographic criteria and the behavioral aspect of B2B markets so industry characteristics, purchase quantities,

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Dr. Shashi Shekhar Mishra: Technical requirements, benefit based and buying behavior, these are the things which form the basis of segmentation in industrial markets and another aspect which, which makes it very different B2B marketing from B2C marketing is that focused promotion is focused upon communicating price and performance so because that helps customers to gauge the value which is inherent in the product, so you will see that price and performance are talked and that is something which is emphasized upon. One thing you will see which is very different from B2C market is that in B2B market buyer and sellers often meet through tradeshow.

So trade shows are an extremely important place to promote your products and to meet your potential buyers and your suppliers and one thing which is becoming very important with the advent of social media is that content marketing are also becoming very important.

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Differences in Marketing Program

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Dr. Shashi Shekhar Mishra: In the promotion of B2B products, so these are some of the key differences, and then you also have the differences in the form of a - product differentiation is generally not restricted only to product characteristics it is also differentiate, the products are also differentiated from the vendor they are coming from, so vender relationship, technical characteristics or the services provided by the vendor are also important source of product differentiation. Then when we come to the channels of distribution this is something which is very, very, very different from B2C market is that compared to B2C market where you have a customer size is far more large and they are diffused across the geographies.

So you will see that different kind of distribution system. Here since the customers have geographical concentration your customers you, probably you will see that the distribution channels are narrower. One important thing is that instead of you have individual sales.

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Differences in Marketing Program

- Product differentiation: Vendor relationship, technical characteristics, or service
- Channels of Distributors
 - *Narrower customer bases*
 - *Sales team vs. individual salesperson for deal (owing to technicalities)*
 - *Sale force preferred over external channel*

Dr. Shashi Shekhar Mishra: Sales agent selling you will see that instead of on a dealer say sales team will be working on and many a times because of the transaction size and the technical characteristics of the product sales force will be preferred over external channels, so these are some of the important discuss, some of the important characteristics and the differences in the market program that we have discussed in the context of B2B market.

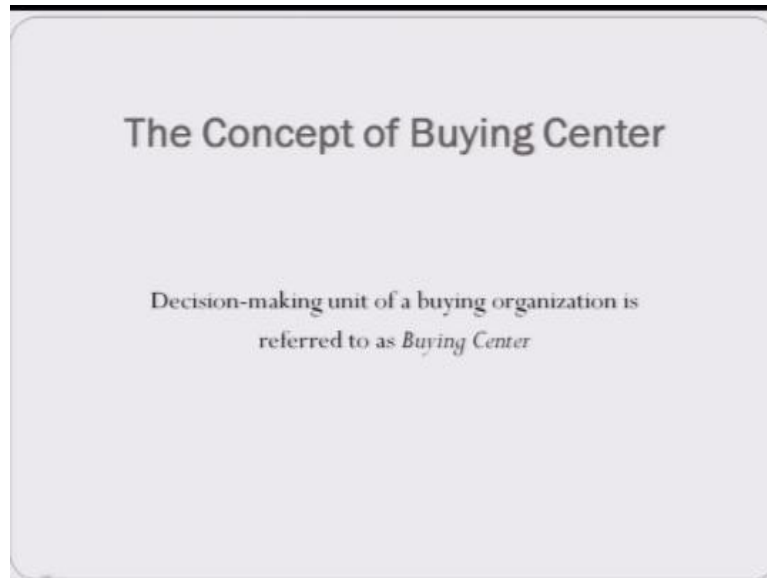
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Dr. Shashi Shekhar Mishra: Then I will take you to the some of the other important concept in the, in the context of B2B market but I will take you back to the initial classes of this module on buying behavior. You can recall that we classify that buying situation in three different types depending on the kind of purchase it is so what kind of problem you are trying to solve, so if it is absolutely a new product that or a first time you are going to buy something then it is a new task buying.

Then if you have already purchased the product but you felt like there is a change in the probably there is something that you have learned from your previous experiences and then you want to change something then that comes under modified re-buy and then you have straight re-buy. Again these three situation exist in the context of B2B marketing also so keep that concept of this buying situation.

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Dr. Shashi Shekhar Mishra: In mind and then I will introduce to you this concept of buying center. Buying center is that differentiate B2C customer from B2B customers, instead of individual customers you have a group of group of people who form a group of a group of individual that is labeled as buying center, so buying center is defined as decision making unit of a buying organization, this is the people who are involved in the purchase decision are termed as a buying center, so buying center has actually.

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Dr. Shashi Shekhar Mishra: Different roles, as explained in the slide you can see that a buying center has seven important roles, initiator, influencer, decider, approver, buyer, user, and gate keeper. So user is the person who is actually really someone who uses or someone who operates with the product and then you the initiator is, is the person who has also the authority to initiate the purchase process, so he is the person who can put his request for the purchase of a particular product. Then you have influencer, the people who have technical knowledge inside the organization.

Generally there is a technology department or Technical Services Department in many of the manufacturing sector companies so you will see those are the influencers, and there could be other influencer also. So these are the influencer who determines what products to be purchased from which vendor to be purchased, and how it has to be purchased, so these people are called influencer.

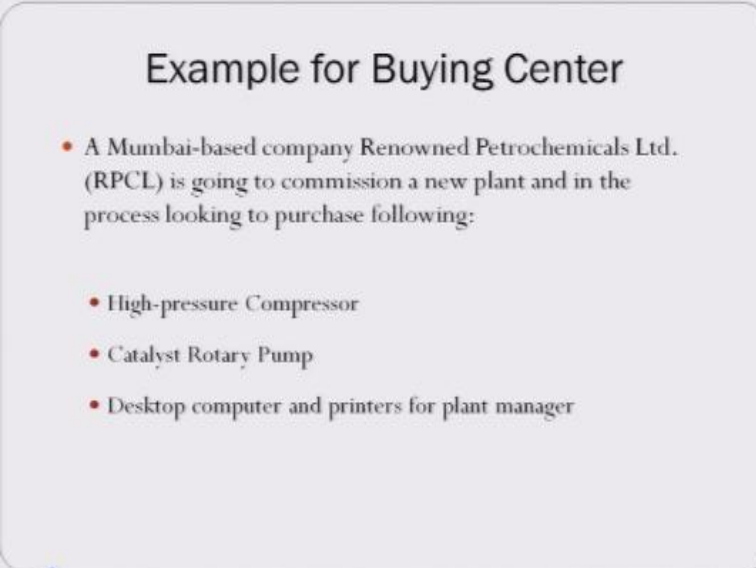
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Dr. Shashi Shekhar Mishra: Then you have the decider who gives the final decision that whether the, we should go ahead with this product or not and then you have approver someone who finally in the form of has a financial authority and gives the clearances to that kind of purchases. Then you have buyer, the people who work with the your supplier so these are basically the people in your purchasing organization

Procurement department and then you have gatekeeper, someone who can stop you from reaching to the remaining six different roles. If someone like receptionist could be the gatekeeper or someone in the purchasing organization could also be the gatekeeper. So I have tried to explain this concept of buying center through an example that a hypothetical company, a Mumbai based company.

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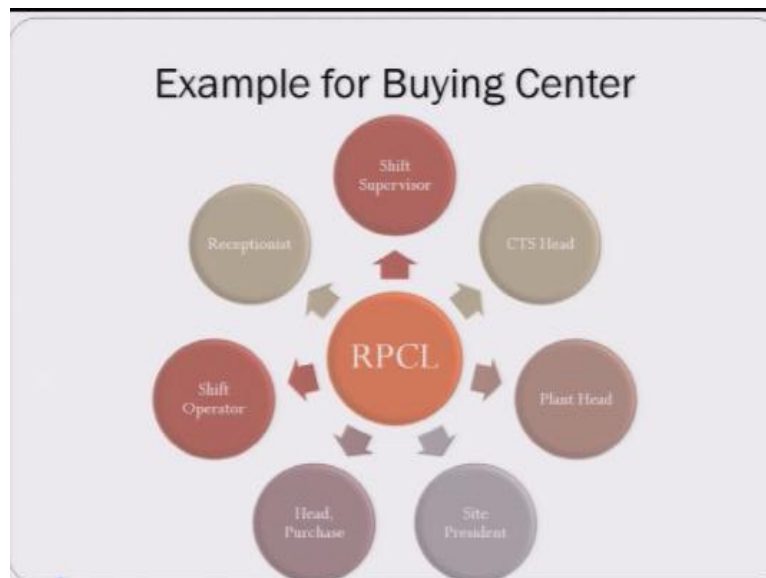


Example for Buying Center

- A Mumbai-based company Renowned Petrochemicals Ltd. (RPCL) is going to commission a new plant and in the process looking to purchase following:
 - High-pressure Compressor
 - Catalyst Rotary Pump
 - Desktop computer and printers for plant manager

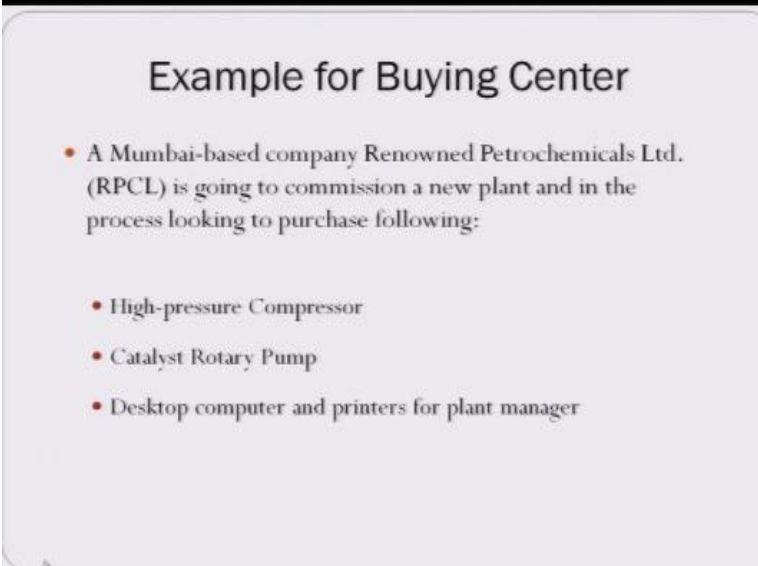
Dr. Shashi Shekhar Mishra: A renowned petrochemicals limited is going to commission a new plant and the process looking to purchase following equipment and machinery is, so high pressure compressor, catalyst rotary pump, desktop computer and printers for plant managers. So you see they are purchasing equipment for the plant and they are also purchasing things like laptop and computer and the printers for their, the working of official works of their plant manager.

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Dr. Shashi Shekhar Mishra: Now you see in this case if we talk about the.

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Example for Buying Center

- A Mumbai-based company Renowned Petrochemicals Ltd. (RPCL) is going to commission a new plant and in the process looking to purchase following:
- High-pressure Compressor
- Catalyst Rotary Pump
- Desktop computer and printers for plant manager

Dr. Shashi Shekhar Mishra: This first purchase which is high pressure compressor.

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Dr. Shashi Shekhar Mishra: Maybe the shift operator who operates that compressor he has seen the, the existing compressor and he found out that it is not in good condition and he has reported to his shift supervisor. So here the shift operator is basically the user.

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Dr. Shashi Shekhar Mishra: However he does not have that authority in the organization or he does not have the, those kind of purchasing request related authority to basically initiate the purchase process in the system. So shift supervisor is here the initiator. Sometimes however you will find out the user and the initiator could be the same people. So these are basically the, the shift supervisor will put up the request that you need a basically new compressor, then you have people in the technical services they, they, they understand once your requirement and then basically they see what are the ways to fulfill those requirements.

So they will also tell you what are the different options in terms of the product which can fulfill, you will see since a lot of changes in the technology happens so they will see whether the previous generation of the technology is better or the newer version which is available now is better. In terms of the cost benefit analysis they will provide you the inputs, then you have the plant head who will basically provide the decision that yes okay, we need a compressor so we should go ahead for that.

But because of its - the kind of transaction amount it might be and he does not have that financial authority, so the, the deal has to go to or the purchase has to go request has to go to the, the president, side president in that plant who will finally approve. Many times it also happens that approver and the decider could also be the same because the purchase is within the purchasing limit of that decider, he can directly purchase for it. Then you have once the site president approves it, it goes to the purchase department.

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Dr. Shashi Shekhar Mishra: And then they start looking for the supplier who can potentially supply the product, then they request for the proposal from the suppliers and then they deal with the rest of the process. So you see here the gatekeeper could be the receptionist, who may basically and not allow as a particular salesman from a company to reach to any of these important decision makers.

So now you have understood the concept of buying center, you have to also understood one thing is that while I was discussing depending on the buying situation there could be new task buying, there could be modified re-buy, there could be a routine purchase. So you see that in case of new task buying maybe the role, some of these roles like role of a Technical Services.

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Dr. Shashi Shekhar Mishra: Role of the user and role of the decider could have a very important influences in the buying center. So the buying center more tilted towards maybe, maybe more tilted towards their views. On the other side when it is just a routine purchase maybe none of these people might be involved in the purchasing, someone from the purchasing department can just decide because they understand what is a need of the user department, and they just order based on their prior experience.

So now I will explain to you this buyer behavior model in the context of B2B marketing, and then you can also see that when you compare it with this B2C buying model which has five stages that is.

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Dr. Shashi Shekhar Mishra: Need recognition, information search, evaluation of alternative, purchase decision, and post purchase.

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Dr. Shashi Shekhar Mishra: This B2B buying processes involves more stage and it is far more complex. As you can see on the slides again it is starts with the need recognition. The user tells you that what he needs so then the first thing that happens once user require, understand that you need a product the next thing is that the information is gathered about what is basically the description of that need so if I want to purchase a laptop for my research associate

So I have to tell basically what are the product description or maybe I can in spite of, instead of saying that I need a laptop my may just say that my research associate needs a computing device with the size of the RAM, the size or probably the type of micro processor, the type of the screen and maybe the different things which could be, which could be critical for the kind of use, users here. So in case like if I am purchasing it for my research associate maybe I will ask for a very high capacity of RAM and maybe I will also ask for a higher storage capacity, higher memory capacity, so those are the specific which are related with the needs so the whole detail of that need description is required. Once you

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Dr. Shashi Shekhar Mishra: Have the need description then the people in the technical side will be certain that based on those needs what are the different products available. Sometimes it will happen that whatever you may need may not exactly match with the product. So you will see that the technical team and the product team within the organization on the buyer's side will work with those users and they will help them to basically fine-tune their need description and then come out with a product specifications so that will match with the possible offerings in the market so that will lead them to product specification.

Once you come out with your product description then you go for basically the suppliers

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Dr. Shashi Shekhar Mishra: Such, who are the potential people who can supply, so here probably you will need to find out who can possibly supply to the user the location of that particular organization that would be something which is very important. Once you have got the proposal from the suppliers so the next thing is that proposals solicitation, so once you identify the supplier you request them to supply the proposal. Once the suppliers comes out with the proposal then you basically evaluate those proposals, and organizations have a different ways of analyzing the proposal depending on the, basically the kind of product they are purchasing and the kind of purchasing policy that organization has.

Based on those analysis you will see that supplier selection will happen and many times in the government organization you will see that there are two phase bit in any kind of purchase proposal, that is technical bit and the commercial bit. First basically suppliers are evaluated based on the technical bit where you see whether the product that they want to supply to you fulfills the user's requirement or not, if it exceeds its fine, if it does not exceed then you eliminate those supplier. Once that, that is finished the second phase of that is that you evaluate based on the commercial aspect that price that they are supplying and the other conditions of the supply

like the time period for the delivery, the time I mean the conditions for after-sales service, so those become some of the important things.

And then based on these analyses you make your supplier selection and once you decide your supplier then you work with those suppliers and try to fine tune that are you, could come out with the, some specifics of the deal, so in the larger transactions you will also see that this order specification takes a bit of time where probably after a sales service related issues are negotiated and other terms and conditions of the deal are also negotiated.

And the last thing that comes in this business buying process is the performance review. You will see that all organizations will have this process in place that formally or informally they will review their supplies on a certain time period, some organization may basically evaluate their supplier on an annual basis, some may probably review them on an even at a lesser time.

So however they will basically try to analyze the suppliers performance and the renew or renewing of the contract of the supplier depends on this performance review. So this is basically the business buying process, the stages in the business buying process, and now you compare it with the B2C buying process where you have five steps and compared to that you can understand this is far more intensive in terms of the information search.

You can also understand that this will take far more time also and if you understand the different functional roles you can also understand that the different functional people with functional roles will come into the picture at different time of purchase, so in the initial stage you can understand at the time of need recognition probably the role of user and the initiator is very important and at the time of new description again they will be important and then along with them the technical people will come into the picture and then.

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Dr. Shashi Shekhar Mishra: The role of technical people become very important till the time of product specification and also sometimes their recommendation is very critical in the suppliers search. Then once you start this suppliers search then procurement people come into the picture, so you see the whole buying center, the different roles are coming into the picture and their roles are the roles and the importance of those roles is changing with the time actually

So now I conclude the session here. As I have already explained to you the buying center concept and the business buying process so now I have explained to you the major differences in B2B buying with respect to B2C buying, so I have explained to you the concept of buying center and I have explained to you the different steps in the business buying process.

Now when you compare it with consumer market you will come, you will be able to understand the key differences in terms of the time, the decision making process, this decision being far more information intensive, it is far more rational and it is mostly a functional need oriented decision-making process. So I conclude this session here and when we will meet into the next session we will, that will be a concluding session about this buyer behavior and we will talk about the specific dimensions of industrial buyer. Okay, thank you very much.

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