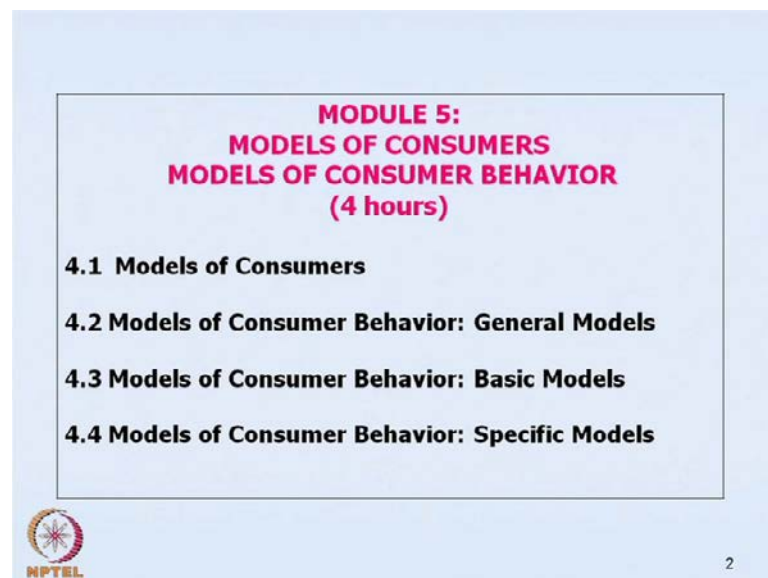


Consumer Behavior
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Lecture - 10
Models of Consumers and Models of Consumer Behavior (Contd.)

Let us today continue with a module 5, which is Models Of Consumers and Models of Consumer Behavior, this module is to be completed in total of 4 sessions, which and today we are going to speak about the second session.

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MODULE 5:
MODELS OF CONSUMERS
MODELS OF CONSUMER BEHAVIOR
(4 hours)

4.1 Models of Consumers

4.2 Models of Consumer Behavior: General Models

4.3 Models of Consumer Behavior: Basic Models

4.4 Models of Consumer Behavior: Specific Models

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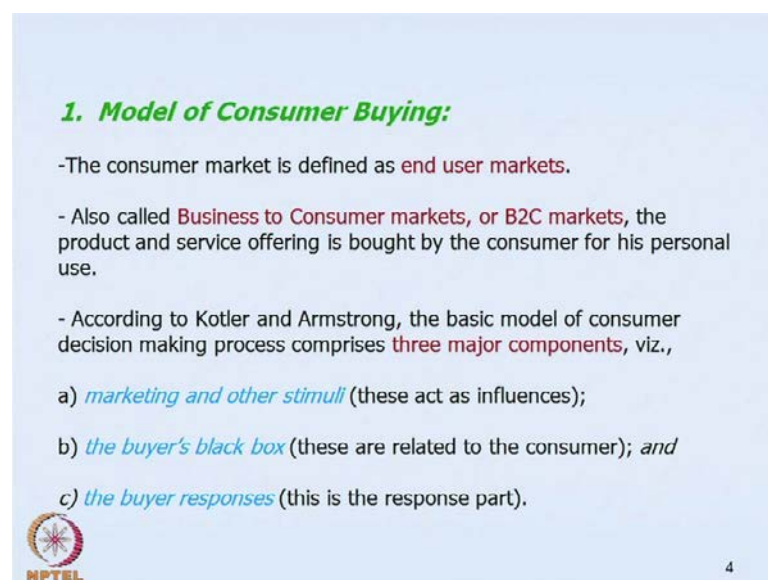
We have actually discussed the models of consumers we have discussed the economic cognitive passive and emotional views of studying consumers. We have also discussed the models of consumer behavior in terms of the general models, where, we spoke about the economic models, the psychological model, the psychoanalytical model and the sociological model. Now, today we will be speaking about the models of consumer behavior, and we will be speaking about the basic models in consumer behavior.

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This will include a study on the model of consumer buying, and a model on industrial buying. When we speak about the model of consumer buying, we shall be basically talking about the B to C scenario, the business to consumer scenario, and when we talk about the model of industrial buying we will be talking about the B to B scenario or the business to business scenario.

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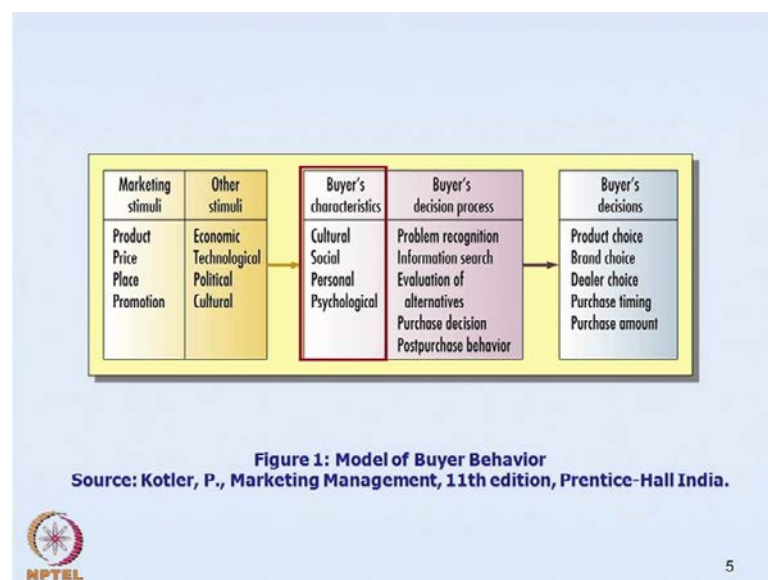


So, let us start with the model of consumer buying, and we will speak about a consumer decision making process in B to C market or a business to consumer market. Now, what

is a consumer market? A consumer market is basically an end user market, where a product or service is bought for the purpose of personal consumption, for the purpose of noncommercial use, it is for end consumption.

So, these markets are basically end user markets, and they also called B to C market or business to consumer markets, where the product or service is brought by buyer or a user for his personal and noncommercial use. According to Kotler and Armstrong the basic model of consumer decision making process, comprises a three components, the three components are the first is the marketing in other stimuli, and the second is the buyers black box, and the third is the buyers responses.

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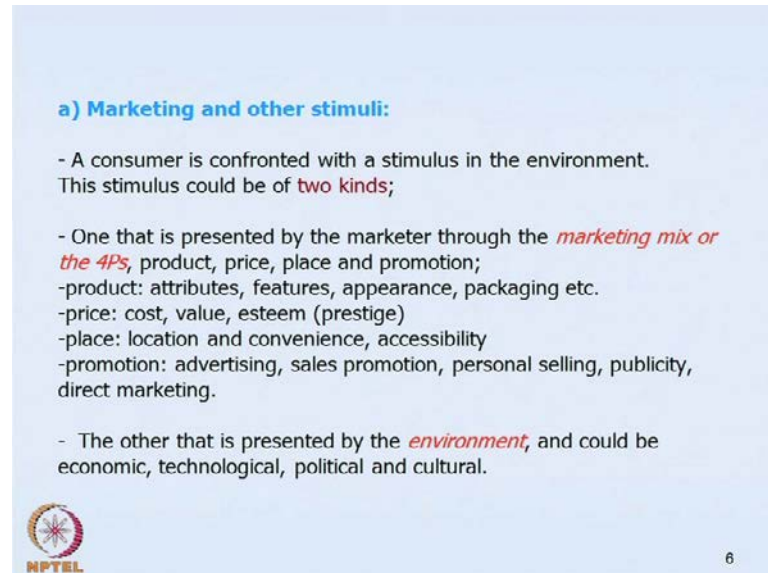


When, we talk about the marketing in other stimuli we are basically speaking about the 4 p's and we are speaking about the other stimuli in the environment, in terms of political, economic, culture and technological forces, that influence consumer decision making. When, we speak about the second component, which is the buyers black box, we are going to speak about the characteristics of the buyer, which influence his decision making process which influence the 5 different stages in the decision making process.

These are basically related to the consumer and when we talk about the buyer responses, this is the buyers decision, this is his response, in terms of the product, the brand, and the dealer choice as well as the purchase timing and the purchase amount. So, you know


Kotler and Armstrong had defined this entire process through three constituents or though three components.

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a) Marketing and other stimuli:

- A consumer is confronted with a stimulus in the environment. This stimulus could be of **two kinds**;
- 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.
- The other that is presented by the **environment**, and could be economic, technological, political and cultural.

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So, let us first start with the first component, which is marketing and the other stimuli. A consumer is confronted with stimuli in the environment, these stimuli could be of two different kinds, one is related to the marketer and it is presented by the marketer through his 4 p's or through his marketing mix. In terms of product, price, place, or promotion, when we talk about the product, we are talking about product, attributes, benefits, features, brand, appearance, packaging, etcetera.

When, we talk about the price, we are talking about the cost, the value, the prestige, associated with the price, or the you know esteem. And when we talk about place, we are talking about location, convenience, outlet, accessibility, kind of this store, is it a large store or a small store, the store image, the store ambience, and the layout. And when we talk about promotion, we are essentially speaking of the 4 of the 5 tools of the promotions mix, which is advertising, sales promotion, personal selling, direct marketing, and publicity, and public relations.

Now, this is one set of stimuli, which is offered by the marketer, there is another kind of stimuli which is presented by the environment in the form of economic, political, technological, and cultural forces, that have an impact upon the consumers decision making process and his black box.


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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.




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Now, an the stimuli that is presented to the consumer, either by the marketer in the form of his 4 p's or by the environment is then dealt with the by the buyers black box, and the buyer's black box has two constituents, the buyers characteristics, and the buyers decision making process. So, when we talk about the buyers characteristics, these are in terms of cultural, social, psychological, and personal factors. And when we talk about the decision making process, it is the 5 stage process which we have spoken of in the earlier sessions, a problem reorganization, information search, evaluation of alternatives, purchase decision and post, purchase outcome and reactions.

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a) *Personal:*

- i) **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.
- ii) **Occupation:**
 - occupation affects consumption patterns.
- iii) **Economic situation.**
- iv) **Lifestyle:**
 - pattern of living as Activities, Interest, Opinions, AIOs.
- v) **Personality and self-concept:**
 - products and brands also have a personality;
 - consumers are likely to choose such brands whose personalities match their own self).



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Now, let us see how the buyers characteristics have an impact on consumer decision making, we will start with the personal you know factors, which are the personal you know characteristics which effects consumer decision making. When, we talk about age and let us start with age and it is life cycle stage, the age of a person has an impact upon his needs his wants his preferences. We have something called the age effect, and the cohort effect, age effect and cohort effect have been dealt with in the previous session also. Where, age effect is the changes in the brought about of the physical structure or physical body of a person, because of advancement in age. On the other hand cohort effect is the effect which manifest itself in a particular, in particular group of people who are born, in a particular era or a particular age and who have shared who have shared similar experiences, so the kind of impact you see on them we called as the cohort effect.

We have spoken of these two effects in the previous sessions, both these effects have an impact upon the manner in which a consumer you know identifies his needs and wants or prioritizes, his preferences. And similarly, we have the family life cycle in the form of you know the various stages through which family passes through or a household passes through right from when person single, with no of spouse no of springs to a stage. When, these spouse comes in then children are born the house is a full nest, to the point where the house begins to get empty nest, when the children leave away home. To a stage when one a solitary, either the wife or the husband stay in the world and the other is no more.

So, all of these various stages in the family life cycle, which we called as single newly married full nest 1, full nest 2, full nest 3, empty nest 1, empty nest 2, solitary survivor, all of these various stages have an impact on the decision making process. They will have an impact upon how needs and wants are prioritized, how consumers basically priorities? Their preferences it will have an impact on the income and savings patterns across this stages, there will be a change in the income, there will be change in that savings pattern, there will be a change in the kinds of needs and wants, the people have across these different stages of the family life cycle. So, the very first stage in the decision making gets impacted by age for example, the manner in which a need is going to recognized, or the manner in which you know alternatives would be evaluated. All of these will have an impact, will be impacted upon by age and by a family life cycle.


The second characteristic which effects decision making is occupation, occupation here effects consumption patterns and, so is the economic situation, both of them put together are going to have an impact upon a buyers, decision making process. The manner in which he is going to approach the market place is he going to be approaching the market place. Economically, and rationally or emotionally is or his preferences going to be you know finally, met by economic orientation or rationally orientation or emotional orientation, so the income the occupation, the savings etcetera is going to have an impact upon the manner in which he is going to approach the market place. Similarly, life style when we talk of life styles we basically speak about the pattern of living and this could be explained in terms of the AIOS or the activity's interest and opinions. We have spoken about AIOS in our session on segmentation as well a person activities interest and opinion is also going to have an impact on his decision making process.

Personality and self concept is another personal characteristic that has an impact on consumption patterns, and decision making products and brands also have a personality and consumers also have a personality. So, consumers are basically likely to choose such brands you know, whose personality is match their own self. So, these are certain personal characteristics which have a bearing upon consumer decision making, now we have come to the psychological characteristics which also have an impact upon consumer decision making.

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b) *Psychological:*

- i) **Motivation:**
 - urge to act to fulfil a goal or satisfy a need/want through purchase of a good or service.
- ii) **Perception:**
 - ability to sense the environment i.e. a good/service and or brand and any of the the Ps.
- iii) **Learning:**
 - based on self experiences and others' experiences, memory; learning relates to memory;
 - It 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).
- iv) **Beliefs:**
 - subjective thoughts and 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 or a good/service and or brand).



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Motivation, we speak about need the want the motivation you know, so the first thing which starts the decision making process is a need. So, we are motivated or driven towards a satisfaction of that need, we have moved towards we will be putting efforts basically we are driven to we are urged to move towards a particular goal, so as to be able to satisfy a need or a want. Motivation here, could relate to an urge to act to full fill a goal or satisfy or need through the purchase of a product or a service offering.

Perception is the ability to perceive the environment, sense the environment, you know it perception has an impact on the manner in which good or service is viewed or perceived or a brand is perceived or any of the 4 p's whether it is product, price, place, or promotion is viewed or is perceived. Perception basically, will you know an impact the decision making process, because it is through the manner in which a person perceives that leads basically be able to that he is going to be able to basically decide on a product choice or a brand choice. So, the manner in which he is going to evaluate his alternatives and the manner in which he is finally, take a decision with respect to the purchase of a product or service offering and or brand is going to be determined by his perception. So, perception has an important role to play in consumer decision making, perception could relate to the product or service, it could relate to the price, it could relate to the place where it is sold it could relate to the manner, in which it is promoted and so forth. So, perception has a big rule to play, in the in the final decision choice with respect to a product or service offering.

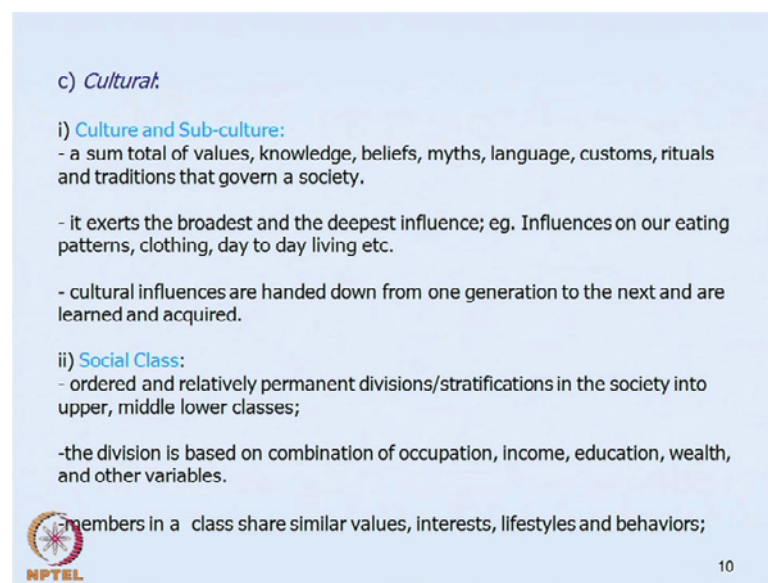
Learning also has a role to play a people learn, either with through own experiences or though others experiences, they gather information, they also store, you know information in their memory. They have also you know the experience is that they have or also get sorted in their memory and so, learning basically relates to one's memory. Learning, could be either as we as I said could be experiential based on direct experience or it could be conceptual based on indirect experience or reading or information gathering and processing. It could be based on marketing communication that which information that is provided by the marketer, or it could be through personal word of mouth or it could be experiential.

A person's learning will also have an impact in the manner in which he was going to first identify the alternatives, whether the alternatives form a part of his awareness set or his consideration set, and the manner in which he will decide on the inert and inept set will

all be basically based on his own learning and attitude. So, learning is going to be important interns of identification of alternatives. While, evaluation of alternatives also much of a person's decision comes from, you know his learning his past learning and his current learning his experiences, others experiences his own information gathering processing, storage and retention.

So, in terms of evaluation on of alternatives also learning will have a big role to play finally, with respect to taking a purchase decision choice, again learning will have a major role to play. A person's believes also have a role to play a believes are subjective thoughts and perception about how people feel toward certain things or how they feel towards you know. A person or an object or product or a brand it also depicts a person's attitude whether it is favorable or unfavorable, it is positive or negative. So, believes or subjective perceptions or subjective thoughts are also going to have an impact upon the manner in which consumers, basically make a decision with respect to buying product x and not product y.

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The slide is titled 'c) Cultural:' and is divided into two main sections: 'i) Culture and Sub-culture:' and 'ii) Social Class:'. The first section defines culture as a sum of values, knowledge, beliefs, myths, language, customs, rituals, and traditions, and notes its broad influence on daily life and its transmission across generations. The second section defines social class as ordered divisions in society based on occupation, income, education, wealth, and other variables, noting that members share similar values and behaviors. The slide includes an NPTEL logo and the number 10 in the bottom right corner.

c) *Cultural:*

i) *Culture and Sub-culture:*

- a sum total of values, knowledge, beliefs, myths, language, customs, rituals and traditions that govern a society.
- it 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.

ii) *Social Class:*

- ordered and relatively permanent divisions/stratifications in the society into upper, middle lower classes;
- the division is based on combination of occupation, income, education, wealth, and other variables.
- members in a class share similar values, interests, lifestyles and behaviors;

NPTEL 10

The third factor which effects decision making is culture, when we talk about culture we speak about the culture and sub culture as well as the social class. Culture is the sum total of values, knowledge, beliefs, myths, language, customs, traditions, rituals, that are evolved from the society. So, it has a huge impact on a consumer decision making, likes dislikes preferences feeling of favorableness un-favorableness or any of these

predispositions are actually impacted a lot by culture. In fact, culture has the deepest and the most profound influence, the influence the manner in which we dress up the kind of food we eat or day to day living patterns the kind of festivals we celebrate a ceremonies, we you know we have. So, culture has a big rule to play within culture we have the sub culture and the influence, influence of culture sub culture is, so profound that it basically gets handed over from one generation to another. So, the culture influences are handed over inter-generationally and one generation learns and acquires it from the previous generation, so it has a big influence on a consumer and in the manner in which he is going to behave in the market place.

Some cultures are also you know very can some cultures can also be you know we can relate it with the manner in which people approach the market place. Some cultures people are very emotional they driven towards you know the choices are mainly, because of fun, fantasy, hedonic, pleasures, subjective elements, emotion modes, other cultures they are very economic. So, and they are driven on with respect to rationality or price or cost versus benefit, so the manner in which a person will approach, the market place or the perspective or the orientation with which he will behave in a market place is also effected by culture.

Social class is another determinant in the, so cultural characteristics these basically referred to relatively a permanent divisions and stratifications in a society, which divides the society into the upper class, middle class, and the lower class people, belonging to a particular class. Are suppose, to behave in a similar manner more, so because they are similar with respect to income, education, occupation, wealth and other similar variables. So, members in a particular class are suppose to share, values, beliefs, life styles behaviors, they seem to be sharing all this. And that is what differentiates one social class from another it is note word the here, it to state that you know there is social mobility today. And which is on the rise people are moving up to social ladder and one social class acts as a frame of preference for the other, in another words the immediate upper class acts as a frame of reference for the class which is lower. So, gradually over a period of years with increase, in income with increase in you know education, and occupation patterns, and it is corresponding in region income people move up the social class, social mobility is today on the rise.

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d) *Social:*

i) **Family:**

- the most important influence.
- there occurs in a family what is referred to as socialization.
- two kinds of families, viz., family of orientation: parents and siblings; family of procreation: spouse and children.
- purchase decisions may be husband dominated, wife dominated or joint.
- various buying roles are played by family members.
- A study of the family life cycle is also important; The family life cycle is illustrative of the various stages through which a family evolves; People's consumption priorities change and they buy different goods and services over different stages of the family life cycle.

ii) **Friends and peers, colleagues:**

Purchase decisions are often made with peer influence.



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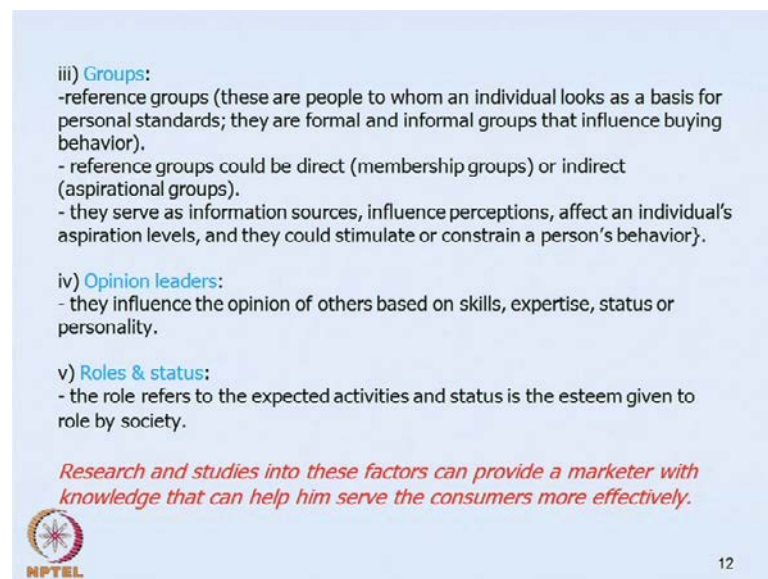
Let us now, come to the social influences, we also speak about the social characteristics which have a bearing on consumer decision making, the first you know characteristic which we talk of is family. Family has the most important influence on consumer decision making, it occurs within a family something what we know as socialization, there are two kinds of families, the family of orientation, and the family of procreation. The family of orientation comprises a child you know a person is born into his family of orientation which comprises his parents, and his siblings. And then there is a family of procreation which basically comprises his spouse and his children, you know while, families are of two kinds. We see in terms of socialization also, which is of two kinds we have a child socialization, you also have something called adult socialization.

Major decision making in families today is joint decision making, earlier decision making was either male dominated or female dominated, but today we see purchase decisions are getting, something which are jointly done. The various buying roles are played by different members of family, we have discussed the buying roles earlier in the form of initiator influencer decider buyer and user. These roles are played by different people in the different in the family, and across different purchase situations these roles are played variedly.

A study of the family life cycle is also important, because it is illustrative of the various stages through which a family passes and people's consumption priorities is

changed. They buy different kinds of goods and services across, these different stages of the family life cycle. So, the family as a whole is an important social force, which acts an important which act, which has an important influence on consumer decision making. The second impact in the social influence comes from a friends, peers, and colleagues, purchase decisions are often made with, because of pair influence. People are driven towards making a decisions, where major influence has come from their friends or neighbors or work peers.

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iii) **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).
- they serve as information sources, influence perceptions, affect an individual's aspiration levels, and they could stimulate or constrain a person's behavior}.


iv) **Opinion leaders:**

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

v) **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.



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The third element in the social sorry third element in the social characteristic comes from groups, when we talk of groups we will speak a little bit about a reference groups. Reference groups basically are referred to people to whom individual looks as a basis for personal stand for personal standard, they could be both formal and informal. And they have an impact on consumer decision making they have an impact on buying behavior, reference groups could be direct groups, where people are a member of they could they called membership groups. They could also be a indirect, where people do not have any physical contact with each other, but still look up to the other to emulate his style to emulate his behavior, these are called aspirational groups.

So, reference groups are of two kinds, one a where a person has physical contact with other meets them often face to face, the third element in a the you know social influences is groups. When we talk about groups let us discuss something about reference groups,

now reference groups are people to whom individuals look as a basis for personal standards, they could be either formal or informal groups which have an impact upon buying behavior.

Reference groups could be of two kinds, a direct reference groups or indirect reference groups. Direct groups are reference groups where people come into contact with each other, meet each other often, and are influenced by each other, we call them as membership groups. There are other groups which are called which are indirect reference groups, which are also called aspirational groups, where people do not meet each other or people are not in contact with each other, but nevertheless they are influenced by others in their reference groups.

They want to be like them they have aspire like being them, so basically reference groups are groups of people or our people where, you know individual looks as a basis for personal standards. He looks up to them to basically emulate their life style, their behavior and their living patterns, now reference groups act as information sources, they influence consumer perceptions, they affect on his consumer's aspirational levels and basically they could stimulate or constrain a person's behavior.


Another influence comes to us from opinion leaders, opinion leaders are people who are looked up in great esteem by others around them, in because they have some level of skills some level of expertise some level of you know information, and knowledge about a product or service category. They have a certain kind of a status or they have a certain kind of a personality, because of which people look up to them for advice, for information and for you know general, you know opinion as an when they want to purchase goods and services.

Roles and status also in society also have an impact on consumer decision making, roles refer to certain activities and status is the esteem given to a particular role by a society. So, all of these are characteristics, which impact consumer decision making and research and studies in to these factors, which are social personal psychological, you know and cultural, can provide a marketer with knowledge which can help himself the consumers more effectively. Now, these aware with reference to the buyer characteristics, or in the buyer block by the buyers black box.

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These characteristics affect the *buying decision process*, which comprises five steps:

- a) *Problem recognition*
- b) *Information search*
- c) *Evaluation of alternatives*
- d) *Purchase decision*
- e) *Post purchase behavior*



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Now, let us come to the five stage decision making process, so these characteristics the buyer characteristics basically have an impact on the buying decision process, which comprises the five stages which we have spoken of earlier. Problem reorganization, information search, valuation of alternatives, purchase decision, and post purchase behavior.

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a) *Problem recognition:*

- The first stage where a person recognizes that there is a problem or a need to fulfill.
- A problem may either be an *actual state (AS Type)*, where a problem has arisen and needs to be sorted out.
Eg., 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;
Eg., 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.

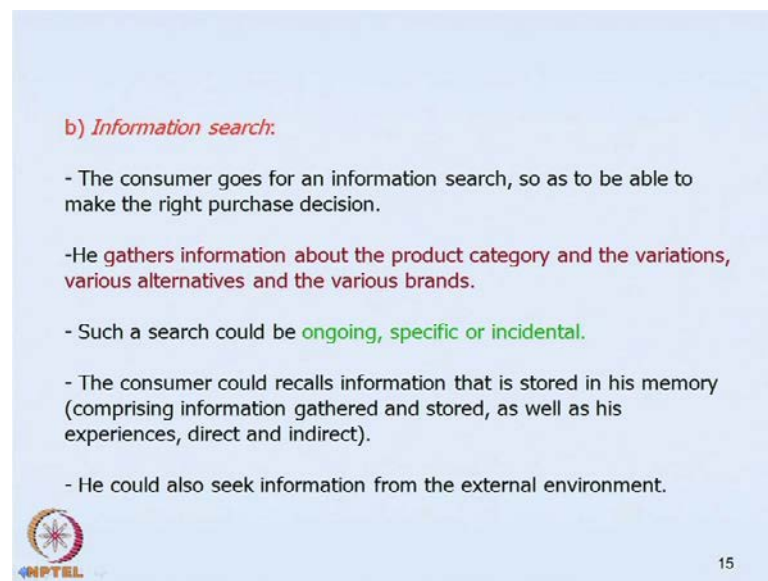


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So, problem reorganization is where a person recognizes, there is a need or a problem you know there is a need to be satisfied a problem to be solved. And as we have


discussed earlier problem could be either an actual state type or it could be a desired state type. Actual state when the product is failing or the consumer is running short of it or he needs a replacement, and a desired state is where another product or brand seems superior to the one that is currently being used and so, the consumer wants to buy it. A need could be triggered of both by an internal stimuli, and an external stimuli and marketers basically need to identify, such stimuli which can trigger off the need process or which can immediately trigger off need.

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b) Information search:

- 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.

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The next stage is consumer information search by the consumer the consumer goes for an information search, so as to be able to make the right kind of decision, he gathers information about the product category about the various brands, about the various alternatives. This search could be on going specific and incidental he could either you know recall information, which is in his memory you know either which was gathered and stored, earlier or his experiences which have been direct and indirect all of which been stored in his memory. And these comprise what we call the internal sources they could also be cases, where the consumer looks out side or look externally for more information, and he seeks information from the external environment we call this an external search for information.

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Sources of information:

- Could be personal, commercial, public and experimental.
- a) *Personal* (family, friends, peers and colleagues).
- b) *Commercial* (marketers' communication in the form of advertising, salespersons, publicity etc),
- c) *Public* (mass media, consumer forums, government rating agencies)
- d) *Experiential* (self and others' experiences).

Personal contacts are highly influential sources, public sources are highly credible.



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Source of information could be personal, in terms of family, friends, peers, colleagues, they could be commercial from the marketer or in the form of advertising or sales promotion or personal selling or by sales person or by publicity. It could be though a public source like mass media or consumer organization and consumer forums or government fitting agencies or it could be experiential in the form of self and others experiences. Personal contacts are very highly influential sources, but the maximum credibility, basically comes from public sources.

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c) Evaluation of alternatives:

- The consumer compares the different alternatives available on features, that he considers in choosing among alternatives.
- These could be:
 - i) *functional/utilitarian* in nature (benefits, attributes, features);
 - ii) *subjective/emotional/hedonic* (emotions, prestige etc.).
- The consumer also uses decision rules that help a consumer simplify the decision process.

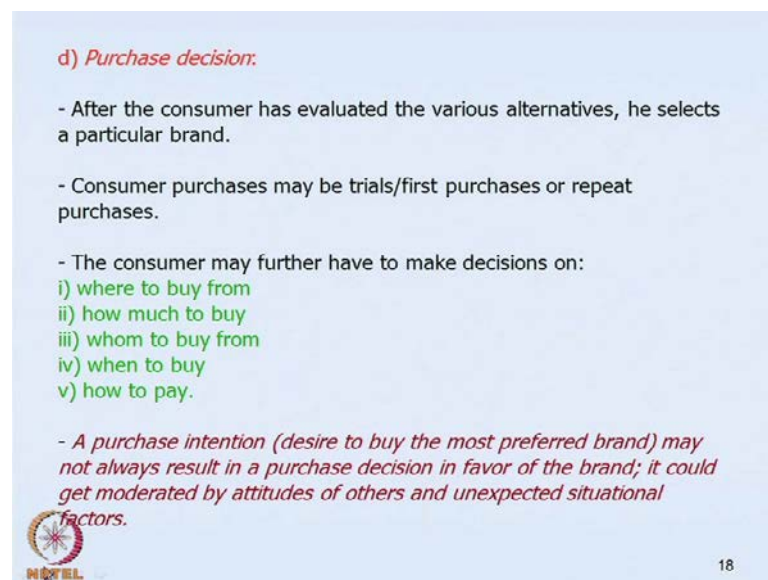
At the end of the evaluation, purchase intentions are formed.



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Then the after the consumer has basically gathered information he compares the different alternatives on the various features that he that he would consider in choosing amongst alternative. These feature could be either functional or utilitarian in the form of features attributes benefits, they could be also in terms of subjective emotional or hedonic, you know like fun, fantasy, pleasure, displeasure or emotions prestige associated with the product etceteras. So, the manner in which he is going to evaluate may be driven toward functional attributes, or towards subjective elements he would used these to evaluate the various brands and finally, come up to a purchase decision, at the end of the evaluation process purchase intension is formed.


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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:
 - i) where to buy from
 - ii) how much to buy
 - iii) whom to buy from
 - iv) when to buy
 - v) how to pay.

- 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.


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After the consumer is has you know evaluated the alternative and purchase intension is formed, he selects a particular brand to buy and this could be in the form of a trial or a first purchase or a gradually result into repeat purchases. The consumer has to take decision with respect where to buy from, how much to buy, whom to buy from, when to buy, and how to pay? The purchase decision or a purchase intention that is the desire to buy the most preferred brand; however, may not result in purchase decision in the favor of a brand, it could be subjected by you know impact of others or by situational characteristics. And for example, he may be influenced by the sales person at the store or by a fellow consumer at the store, or the particular brand which he wants may not be available at that point of time and he settle for another one, so the purchase intention may not always result in a purchase decision.

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e) Post purchase behavior:

- The consumer uses the product and re evaluates the chosen alternative in light of its performance viz. a viz. the expectations.
- He could be experience feelings of:
 - i) **neutrality** (Performance meets expectations);
 - ii) **satisfaction** (Performance exceeds expectations); or
 - iii) **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.



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There after there is something what we called as the post purchase behavior, the consumer uses the product and evaluate, the consumer uses the product and evaluates the chosen alternative in the light of it is performance besides the expectations. He had with respect to the product or the service offering and or brand, he could experience feelings of three kinds either he could be neutral feeling, where performance meets expectations. It is a neutral feeling or it could be in terms of performance exceeds expectations which is pleasurable state or satisfaction or it could be in the form of where, performance matches much below expectation which needs to feeling of displeasure and dissatisfaction.


This particular phase of purchase or common reaction is very important because this is going to have an impact on consumer learning, it is going to have an impact as a part of an experience which is going to be stored in the consumers memory for later use. Also it is going to affect future purchase decision, so this particular stage is a very important one.

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Finally, we have the buyers response, why in the buyer black box the buyer also takes a decision with respect to the product choice, the brand choice, the dealer choice, the timing of the purchase, and the amount of the purchase. So, here we have the model which we just showed, where we started with the stimuli, which was presented by marketer in the form of the 4 p's, and then there was the other stimuli from the environment. And then finally, we had the buyers characteristics and the form of social, cultural, personal and psychological, characteristics which had an impact on his decision making process. And his decision making process would relate to the product choice, the brand choice, the dealer choice, the timing of purchase, and the quantity of purchase, this is what the model of buying is concerns with respect to B to C scenario, we called it the model of consumer buying.

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2. 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.*

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Now, let us move to the model of industrial buying, now the industrial market or a business market is defined as a market that buys transformed, process, and sales further either for further transformation and processing or for consumer use. So, it basically consist of organizations that buy and buy goods and services, for further use in production and supply of other goods and services that have sold to others. So, we call it a business to business scenario, we also called it B 2 B market, the product or service offering is brought by one business organization. And for the process transformed or assemble you know for further sale to another business consumer or to personal consumer.

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-The business markets are very different from consumer markets:


- i) they are huge in terms of size and investment;
- ii) they contain fewer but larger and bulkier buyers;
- iii) they are geographically concentrated;
- iv) it is a derived demand and there is more inelasticity;
- v) demand also fluctuates very rapidly.

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So, the business markets are very different from consumer markets, let us speak about the characteristics of a business market which differentiate them from a consumer markets, one they are huge in terms of size and investment. So, business markets are huge they are big in nature, they have a huge turnover, they are smaller in terms of number of players, but they are large in terms of purchase and consumption. That means, they contain very few buyers, but very large and bulky buyers, the buyers are not going to buy in terms of 1 or 2 they are going to buy in terms of 100 and 1000. These players, these buyers are geographically concentrated they are the main or you know factory or the main set of is set in a particular outside a particular city, and large number of ancillary units are spring up in and around.

So, they supply it to each other they buy from each other, so these buyers are concentrated to each other, the market is a in terms of the derived demand; that means, if the am you know the demand for a fan increase. The demand for bearings and motors are two basically, we used in the manufacture and assembly of these fans is also going to increase, so it is a derive demand which is highly inelastic. Even if prices in the market increase there is not going to be an impact on the demand of such raw material or of such components and supplies, demands also fluctuates very rapidly. This is again something which is very dissimilar to a consumer market where the demands are demand is generally stable, but in the case of industrial markets demand is very rapid it is very it is fluctuates very rapidly.

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-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:

- a) the complexity of the problem being solved;
- b) the newness of the product requirement;
- c) the risk involved;
- iv) the number of people involved in the buying process;
- v) the time available in hand.

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The buying situation that a in you know industrial buyer faces, who could range between three kinds of scenarios, a straight re-buy a modified re-buy and a new task. We shall be taking about this a little later, but these basically these the buying situations or the buying scenarios are classified into these three categories based on number one. The complexity of the problem being solved, the newness of the product requirement the perceived the risk, the number of people involved in the buying process and the time available in hand. So, based upon the complexity of the problem, the newness of the product requirement, the risk involved the number of people involved, in the buying process. And the time available in hand or the urgency with which a particular problem is to be solved or purchase is to made will determine whether the buying scenario will be a will be a new task or modified re-buy or a straight re-buy.

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-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.

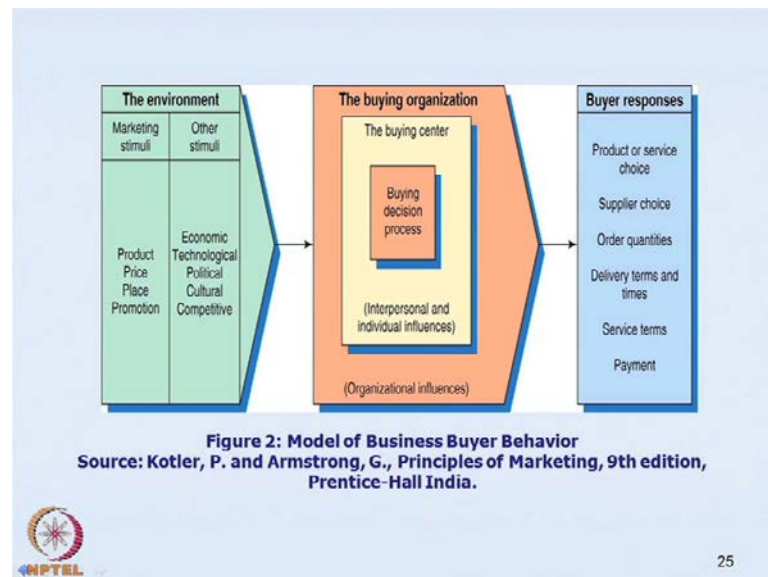
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When we talk about the modified re-buy, the straight re-buy, and the new task we will we can say that when it comes to a state of new task, the product or service offering is being bought for the first time, and not much of experience you know has been is there with respect to such a purchase. So, the process is very, very complex and time consuming, when the product or service is been brought earlier, but they need to be made some modifications with respect to either the product specification or the purchase amount or the price terms or the delivery terms. We call it a modified re-buy, which means that a while the process is not going to be quick and simple it is not going to be very long drawn, either it is going to be moderate amount of effort in terms of both physical effort and cognitive effort, but when we talk about a straight re-buy it is in terms of a direct repeat purchase.

So, we will see the maximum complexity comes with respect to a new task and simplicity and quietness comes with respect to the straight re-buy or the repeat purchase. Also, while we are speaking about the differences between consumer markets and business markets we also to say here that the decision making process is also very different from in a B to B scenario, from a B to B, B to C scenario. The decision making is in a B to B is done in a very professional manner, it is very complex it is done by a committee or a group of people, who are referred to as the buying center the process is formal. It is very complex it is very professional and it is long drawn it is formalized it is bureaucratic and very, very complex and the buyers and sellers work closely with a long

term, you know seeking long term alliances seeking long term partnerships So, the process as a whole is something which is very complex and very different with respect to B to C scenario.

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Let us see the model here just as we have the model for B to C scenario, we have a model for the B to B scenario also, so we have the model of business buyer behavior. Where, Kotler and Armstrong have proposed such a model where the environment comprises the marketing stimuli and other stimuli, the marketing stimuli is the same stimuli, which we saw in the B to C scenario also.

The 4 p's product, price, place, promotion, the other stimuli are also similar to the B to c, but there are also some differences like we have them in the form of economic, technological, political, cultural and competitive forces. Now, these the stimuli is going to have an impact on the buying decision process, which is dominated or you know by the buying center. The buying center comprises people with different backgrounds from different departments, they come with different orientations and perspectives.

So, we have organizational influences, interpersonal influences and individual influences which have an impact on the decision process that takes by the buying center. And finally, we have the buyer responses in the form of the product or service choice the supplier choice the order quantity the delivery terms and times the service terms and the


payment. So, if you see again have three constituents here the environment, the buying organization and the buyer responses.

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According to Kotler and Armstrong, the basic model of business consumer decision making process comprises three major components, viz.,

1. *the environment* (these act as influences);
2. *the buying organization* (these are related to the buying center, the decision process and the influences);
3. *the buyer responses* (this is the response part).

The components/processes as well as the working dynamics are explained as follows:



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So, here according to Kotler and Armstrong we have the three constituents in the form of the environment, which acts as an influence the buying organization, which is related to the buying center and the decision process, and the various influences and the buyer response. So, we will now speak about the working dynamics amongst these three components.

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1. The Environment:

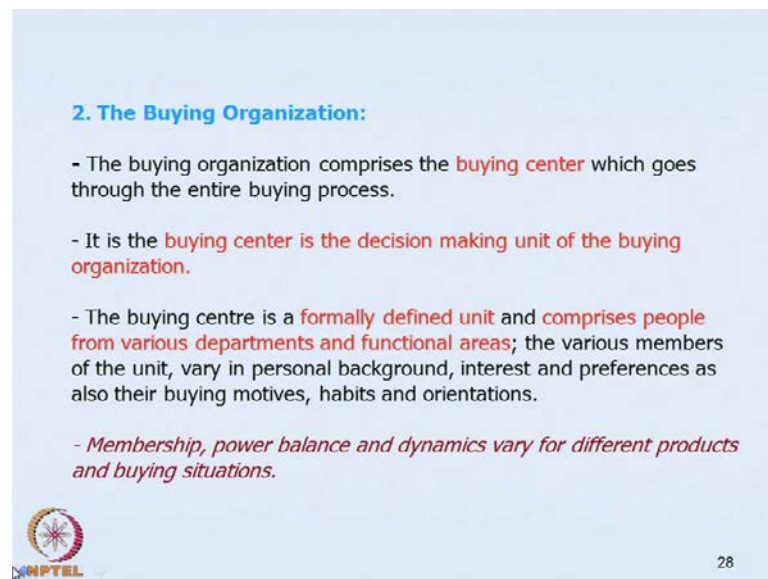
- The environment surrounding the business organization comprises the *marketing stimuli* in terms of the marketing mix or the 4Ps, product, price, place and promotion.
- It also comprises the *other stimuli* in terms of economic, technological, political, cultural and competitive environment.
- They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



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So, the environment here comprises the marketing stimuli in the form of the marketing mix of the 4 p's and their other stimuli in terms of political, technological, economic cultural, and competitive environment. The environment basically provides a strengths and weaknesses also helps identify opportunities and threats, so it provides the environment acts as a stimuli to act it provides strengths and opportunities and helps to identify, weakness and threats.

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2. The Buying Organization:

- The buying organization comprises the **buying center** which goes through the entire buying process.
- It is the **buying center is the decision making unit of the buying organization.**
- The buying centre 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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Then we have the buying organization which basically comprises the buying center, the buying center is the decision making unit of any organization. It is formally defined unit comprises people from different department, from different functional areas, they are members of the unit, they vary in personal background, in interest in preferences as also their buying motives their habits their orientations. And we will see that the membership power balance and dynamics vary for different products and for different buying situations.

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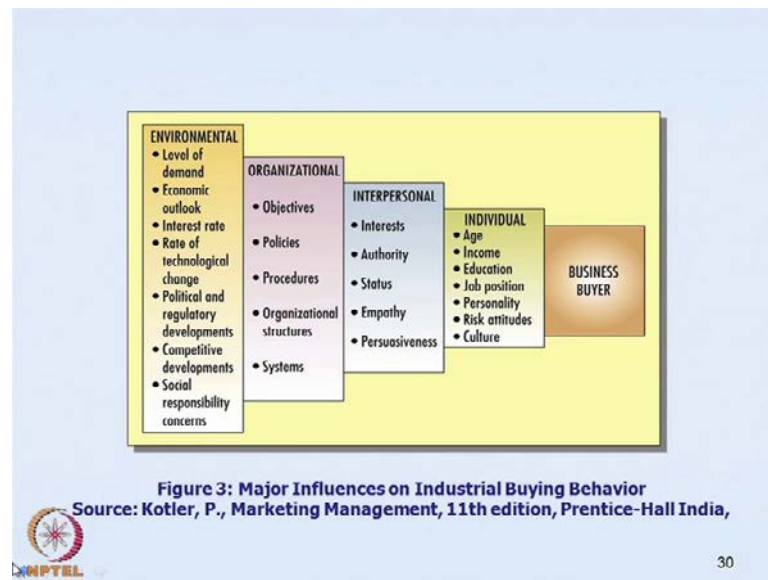
-In case of a new-task buying situation, when the product/service is being purchased for the first time, the engineering and the R&D personnel have a major role to play and act powerful;

- In case of straight-rebuy situations (routine purchases; repeat orders) and modified-rebuy situations (where product specifications are modified), purchase department acts powerful.

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As I just spoke about the three buying scenarios, if we see in the case of a new task, when the product or service being purchase for the first time, the RND personals and the engineering people have a big role to play. On the other hand in the case of a straight rebuy, where it is a routine purchase or it is a repeat order or in the case of a modified rebuy where product specifications or price terms or delivery terms are slightly modified, in that case it is the purchase department that acts very powerful. So, the power balance the dynamics and the overall dominance in with respect to decision making will vary across buying situations and we will be spread across people from different functional areas people from different departments.

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Here, we have the major influences on industrial buying behavior, the various influences could be in terms of you know the environmental, organizational, interpersonal and individual influences. Economic influences are refer to various stages in the business cycle inflation, depression, recession, etcetera, and their resultant impact on the flow money flows in the economy, the left and the level of demand. Government orientation towards economy and monitory policies; that means, interest rates etcetera. So, you have the environmental influence being impacted by the majorly impacted by the economic environment. Where, we speak where that various different stages in the business life cycle the money flows in the economy the level of demand and government economic and monitory policies, will have an impact upon business buying.


We also have technology as a important force technology, basically you know the rate of technology change, technology transfer, technology adoption, the kind of technology adopted. Also, the technology wise-versa environmental concerns all of these have an impact upon the decision process by a business marketer. A computation here refers to amount of computation, and number of competitors, the nature of computation and the dynamics in competition, and the political forces here also have an impact important role. You know to play in the environment in terms of political stability, instability, the government philosophy and orientation, towards investment, towards growth, towards development. And the natural environment in terms of availability of resources impact of industry on the environment, environmental depletion, environmental pollution waste

and disposal management all of these have a bearing on industrial buying behavior. So, we have a demand level of demand economic, outlook interest rate of technological change, political and regulatory developments competitive developments, and social responsibility concerns as environmental forces which have a impact upon business buying situation.

The second kind of forces which have an impact on industrial buying behavior are organizational forces, organizational forces include one the philosophy and orientation of the founder fathers, of the directors of the various executives and the top management. The company vision, mission and strategy objectives of the company, policies and procedures for purchase, is it centralized or decentralized, is it orientation or in terms of quality or is it a price orientation, is it a short term or long term focus and contract, purchase through intranet extranet, supply chain management, partnership management. So, all of these you know are important polices or an important procedures for purchase which have an impact on business buying, structure and systems, for purchase in terms of buying center the constituent of the buying center, the power balance and the dynamics also are important forces on industrial buying behavior.

Then we have the interpersonal and individual characteristics, apart the buying center comprises people from different back grounds, each every constituent is an individual in himself he is different in terms of demographic and psychographic backgrounds. In terms of age income personality risk attitude etcetera, the buying center is very diverse in terms of varying interest, and orientations towards buying as well as interest authority status empathy persuasiveness. So, all of this have an impact upon the ultimate impact on a buying process or the buying decision making. So, now, the decision making process in case of B to B is very complex is much more elaborate, very professional, very formal then consumer buying or then B to C buying. Robinson and Associate have identified a 8 stage, 8 step process, they have identify 8 stages and they have called each stage buy phase.

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- 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.

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So, let us discuss each of these stages as 8 by phases in the buying process or in the buying decision process, we start with the problem reorganization. So, the process basically begins when somebody in the organization identifies a need it could be a department it could be a person. He identifies that either a stocks are getting depleted or you know some machinery is not working or there is a damage of product or a you know some facility, and it needs a replacement all it could be also in terms of a desired state where the department realizes that something better could be purchased and used. So, it could either be in the form of a actual state or a desired state and the need could be triggered off again buy an internal stimulus or buy an external stimulus.

This second stage is in terms of general need description, the product or service which is required is laid out in very broad terms, so what is required is stated the product or service requirement very broadly, very general terms it is laid out. The third stage is third stage is product specification where the person or the department concerned specifies the product characteristics and the product requirement. So, what is it that is required is clearly specified, and how much of it is required is also status this stated this is called product specification.

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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:

- 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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The next stage is supplier search, business organizations look you know for look for themselves a list of vendors, generally speaking whole you know companies have a list of approved vendors, but sometimes also search the environment for new vendors or for newer suppliers which may have entered the scene with the better product and service offerings. The list is drawn up from trade directories or yellow pages or websites or trade shows in case of a straight re-buy or for modified re-buy the buyer can refer to a data base, but in case of new task he may have to search for newer suppliers and newer vendors.

Then the next buy phase is proposal solicitation the buyer invites the various vendors and suppliers to submit their traits their proposals, invitation could be placed in the form of advertisements in news papers straight journals or company websites. And member vendors are basically asked to submit detailed reports about their product their features their attributes the product specifications, the price of the product the discounts that they could divide the warranty, guaranty schemes the exchange schemes, the terms of delivery the mode of payments etcetera. So, all of these is basically specified in the through proposals people are asked to the vendors and suppliers are asked to submitted proposals specifying and giving information with respect to each of these.

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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; the total evaluation of the supplier, including his reputation.



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There after, the purchase committee or the buying center decides on the supplier whom which selection, the buyers goes in for an evaluation of suppliers, the buying center would establish or identify their evaluative criteria. That is criteria on which they would be evaluating the product or the various suppliers, and this evaluation unlike B to C is majorly influenced through functional attributes or through features attributes and benefits, and also a very strongly influenced by the price criteria. Today however, things are moving beyond the price orientation and companies also look at the quality, they also look at supplier reputation, supplier credibility, it is another characteristics, but never the less in case of government organization, the prime consideration is price. Buying decision needs to take, buying center needs to take decisions on how many suppliers to use whether quality is a prime indicator or price is the major determinant or the total evaluation of the supplier including his reputation is more important, so the finally, the buying center would decide on a supply.


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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.



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There after, a the routine order is made, the you know the formal requisition is made in terms of listing the technical specification the quantity required the delivery terms, the negotiated price the payment the damages the return polices. Each and every things with respect to the agreement is clearly laid out, the technical specification the quantity required the mode of payment. Whether, payment is made in full or is going to be in parts the negotiated price these warranty guaranty schemes the written polices etcetera all of it is clearly laid out in an agreement and it is called the order routine specification.

Finally, the order is procured the material is used and you know the buyer experience satisfaction or dissatisfaction with respect to the product, that the has bought this leads to something called a review or a periodic evaluation, where the buyer reviews the performance of the product or service and the chosen supplier on a regular basses. This particular evaluation will help him later in terms of straight re-buy and modified re-buy, where if he finds his purchase outcome to be satisfactory he would just go ahead straight and repeat order with respect to that suppliers. In cases of a straight re-buy or a modified re-buy in case, he is dead satisfied he may have to change his supplier and he may have to also terminate his contract existing contract with the current supplier, so these are the eight stages or eight buy phases as proposed by Robinson and Associates.

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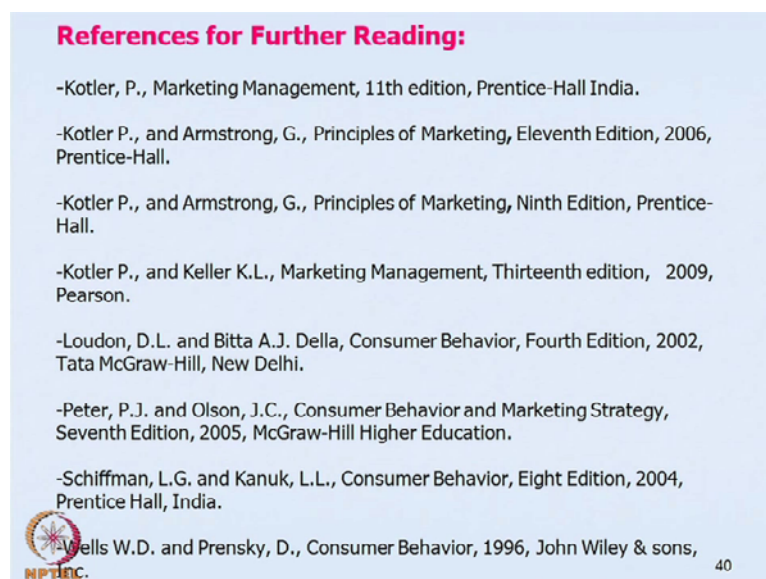
3. Buyer responses:

- 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.

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There after we have the buyers response, where we see takes decision with respect to the product or service, supplier choice order quantity order delivery the terms sub times and service terms and payments. This brings us to you know the conclusion to this particular session, where we spoke about the basic models of consumer decision making. In the next session we will be speaking about the specific models and we will talk about the various researchers who have come up their various models, we try to explain underlying dynamics that go into consumer decision making.

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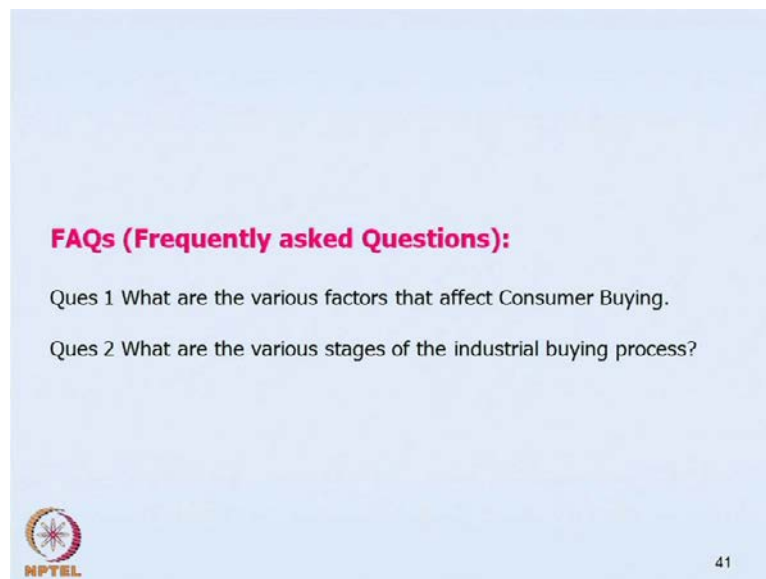
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 40

Before, we conclude let us look at the references we have Kotler a marketing management prentice hall Kotler and Armstrong principles of marketing prentice hall, Kotler and Keller marketing management. Pearsonloudon and Dellabitta consumer behavior with Tata Mcgraw Hill, Peter and Olson consumer behavior and marketing strategy Mc Graw hill Schiffman and Kanuk consumer behavior prentice hall and Welsoin Prensky consumer behavior john widely.

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Now, what are frequently asked questions, question one what are the various factors that affect consumer buying, so you will speak about the environmental factors and the personal factors, buyer characteristics in terms of environmental factors in terms of political economic technological. And cultural factors and buyer characteristics in terms of personal social cultural and psychological factors characteristics that affect the consumer buying. Second is what are the various stages of the industrial buying process we have just mentioned the eight buyer phases, where problem we start with problem reorganization end with a supplier evaluation and periodic review.

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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.




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Let us come to self evaluation tests and quizzes, question number one the true false the decision making process in consumer markets is different from the one that takes place in industrial or business markets. True or False. Well this is a true statement the process is an very different, reference group prove it direct as well as indirect is it of true or a false statement this is again a true statement reference groups could be direct as well as indirect.

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Section B Fill up the blanks:

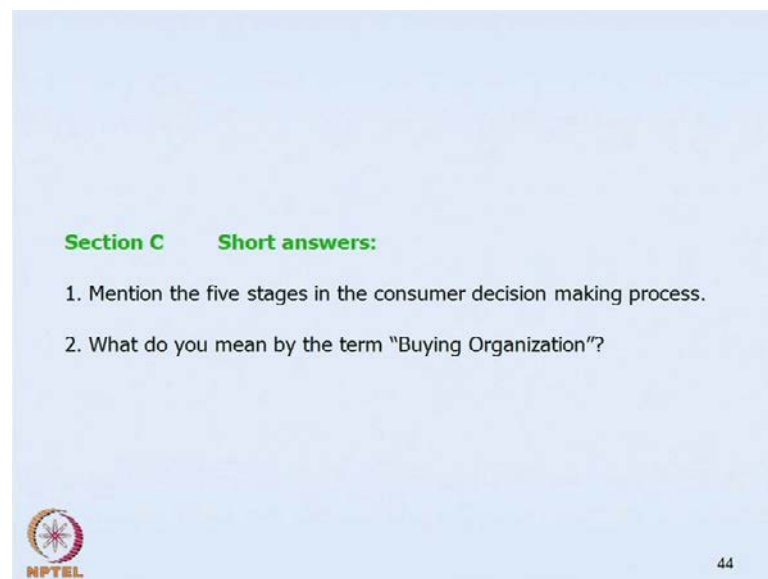
1. The _____ market is defined as a market that buys, transforms/processes and sells further, either for further transformation/processing or, for consumer use.
2. The three buying situations in industrial buying are straight rebuy, _____ and _____.
3. The buyer's black box, comprises two sub components,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



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Fill in the blanks, the dash market is defined as a market that buys transforms processes and sales further either for further transformation or processing of a consumer use. The answer is a business market the three buying situations in industrial marketing has straight re-buy dash and dash, the straight re-buy and modified re-buy, and a new task. The buyers black box comprises two components which the dash characteristics and the buying decision process with comprises, the two components with the buyers characteristics and the buying decision process.

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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"?

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Come to the short answers mention the five stages in the consumer decision making process, so you have the problem reorganization information search evaluation of alternatives purchase decision and post purchase behavior. And then we have a question what do you mean by buying organization, the buying organization comprises the buying center which goes for the entire buying process.


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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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It is the decision making unit of the buying organization, formally defined unit comprises people from different departments different functional areas and these people vary in their educational background in their back ground. In their personal interest in their preferences and as also in their motives, in their habits and orientations membership dynamics and power balance in the buying center will vary across for purchase situations and across a product category. So, this is what brings us to a conclusion of the session 2 of module 5, we shall now move to the next session in the next class.

Thank you.