Markets and customers

Consumer and organizational buyer behaviour and marketing strategy

LEARNING OBJECTIVES

After reading this chapter you will:

■ appreciate the importance of understanding the behaviour of customers, both household and organizational

■ grasp some of the key questions the marketer needs to address in developing this understanding

■ be familiar with a framework for analysing consumer and organizational buyers, encompassing the steps and stages involved in the buying process, and factors affecting buyers at each stage

■ appreciate some of the recent developments in thinking and research in this area

■ understand the key strategic implications of buyer behaviour

INTRODUCTION

Environmental factors, company resources and competitive forces are key inputs into strategic marketing decision making. A key element in strategic marketing planning is an understanding of the buyer behaviour of individuals or organizations in the market.

In this, and the following chapter, we consider markets and customers and how they behave with regard to purchase decisions. The focus of this chapter is upon both **consumer** and **organizational decision making**. Marketers are concerned with how groups of customers behave and which groups they can best serve. In addition to understanding individual purchasing behaviour, the marketer must also understand the seemingly simple, but quite complex, concept of how individual needs combine to form markets and market segments. These concepts and the related issues of market targeting and positioning are the subject of Chapter 3. Here, we investigate buyer behaviour, and develop its strategic implications throughout the text. We also consider how to research buyer behaviour, and examine buyer behaviour in the strategic marketing process. First, it is important to look at the scope of buyer behaviour and to understand the complex nature of the subject area.

THE SCOPE AND COMPLEXITY OF BUYER BEHAVIOUR

Before we proceed, first consider the following seemingly simple questions:

- ■ 'What was the last product or service you purchased?'
- ■ 'Why did you purchase the product or service?'
- ■ 'How did you decide between competing brands and/or suppliers?'
- ■ 'Who, if anybody, other than yourself, was involved in the purchasing decision?'

You will have little difficulty answering these questions. You, the consumer, know the answers. Now think of these questions from the point of view of the supplier of the product or service in question. These apparently simple questions about your purchasing behaviour then become much more complex. Without answers to these questions, it is difficult to make effective strategic marketing decisions.

Most companies are able to resolve these questions with straightforward 'factual' answers, but unless they have some knowledge of buyer behaviour, they are unaware of, and unfamiliar with, the complex range of behavioural factors that impinge upon purchasing behaviour. The truth is that

like much of human behaviour, purchase behaviour is complex and multifaceted. Many years ago some of the earliest marketing thinkers recognized the potential contribution of the behavioural sciences such as sociology, psychology and anthropology to understanding buyer behaviour. In doing so Tamilia[1] suggests academics such as Wroe Alderson 'revolutionised the way we now teach and do research in this area of marketing.' We now know that even the simplest purchasing decision is an amalgam of behavioural forces and factors of which even the purchaser might not be aware. For instance, the purpose of a lipstick is not simply to colour the lips. The purchaser may feel more attractive wearing lipstick, the colour may be purchased to match certain clothing or it may contain sunscreen or moisturizers that protect the lips. Partly arising from this complexity, researching and understanding consumer behaviour is a specialist area within marketing. In the context of this chapter, we cannot fully discuss all behavioural concepts and techniques relevant to understanding buyer behaviour. For a more detailed treatment of this area the reader is advised to consult one of the seminal texts, such as Blackwell, Engel and Miniard;[2] East, Vanhuele and Wright[3] or Schiffman, Kanuk and Hansen.[4] Even though consumer behaviour is complex, marketing planners should at least have an understanding of their customers' behaviour. For our purposes we are seeking to develop an appreciation of buyer behaviour in both consumer and organizational markets. Marketers are specifically interested in the behaviour associated with groups, or segments, of consumers as it would be impractical to serve the exact needs and wants of every individual in a market and remain profitable.

What does the area of buyer behaviour cover? Kotler[5] categorizes buyer behaviour into the '**seven "Os"** of the market place', namely:

Occupants	Who constitutes the market?
Objects	What does the market buy?
Occasions	When does the market buy?
Organization	Who participates in the buying?
Objectives	Why does the market buy?
Operations	How does the market buy?
Outlets	Where does the market buy?

Answers to these questions give a company an added advantage over less aware competitors and enable the company to fit their product offerings to customers more closely and satisfy customer needs better than competitors. Marketers need to know whether their controllable variables, e.g. marketing mix variables, will affect buying behaviour. There are many definitions of what constitutes **consumer behaviour**. One of the most popular is provided by Blackwell, Engel and Miniard:[6] 'Those acts of individuals directly involved in obtaining, using and disposing of economic goods, and services, including the decision processes that precede and determine these acts.' This not only encompasses observable buying decisions, but also the underlying, less measurable reasons for purchase decisions. The definition can also be applied to **organizational buyer behaviour** (or buyer behaviour in commercial settings) although many decisions in this area are made by groups. The concepts and implications associated with buyer behaviour can be applied to not-for-profit organizations e.g. charities suffering from 'donor fatigue' need to look at the motivation people feel to donate time and money, and respond to this. As discussed in Chapter 1, in connection with the expenses scandal

Keeping a Cutting Edge

Most men who shave use either an electric razor or a bladed safety razor. In the case of the safety razor, one might be tempted to think that choice and purchase processes might be relatively straightforward. After all, for most men these are items that are used every day, are relatively inexpensive, and are purchased frequently, usually as part of a regular grocery shop at the supermarket. Unlike clothing or a car, the brand of razor and blades we buy does not say much about us to the outside world. Buyer behaviour in this case can hardly be complex! The American Gillette Company believe it is.

In marketing razors and razor blades the Gillette Company invest considerable time and effort in researching consumers' needs and wants and how these are changing. They know from this research that the behavioural forces and factors that underpin purchase and brand choice of these seemingly mundane items can be complex.

For example, there is a considerable amount of reference group influence when it comes to how men shave and what products they choose. Many men are heavily influenced by what products and brands their fathers used to shave with and are often very brand loyal. Razors are a good example of where the user is different to the purchaser in that it is often women who purchase these products during the weekly shop. Fashions change in shaving inasmuch as it affects appearance. Fifteen years ago, 'clean shaven' was the fashionable look, but this changed and 'designer stubble' became the look; then fashion changed again back towards a clean shaven look, including the shaving of heads. Price is an important factor in brand choice, but not an overriding one for many customers. Sporting celebrities are used heavily in this market. Gillette knows that buyer behaviour is complex and spend large sums understanding these complexities in developing new cutting-edge products for this market.

in UK politics, political parties and government organizations need to understand people who consume their services; location of parks and public transport services need to be researched for consumer wants, needs and usage rates.

The study of buyer behaviour has broad application and the term 'buyer' can be applied to numerous publics that organizations serve. Irrespective of the type of purchase or customer group, it is important to emphasize the potential complexity of buyer behaviour even for seemingly mundane items.

Before examining consumer and organizational buyer behaviour in more detail, it is worth reflecting on models of buyer behaviour.

BUYER BEHAVIOUR MODELS

The aim of buyer behaviour models is to take complex interrelated variables involved in purchase decisions, and simplify them to be of use to the marketer. **Buyer behaviour models** describe the characteristics affecting purchases of goods and services as well as giving insights into potential outcomes of marketing strategies. Many buyer behaviour models have been developed from a

Inputs
(sets of
stimuli)   →   The buyer   →   Outputs
(sets of
responses)
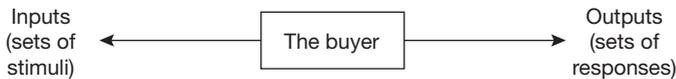
FIGURE 2.1 A 'black box' model

'black box' model. The information that is processed by the buyer is not explained by the model. Figure 2.1 shows a **black box model** where the black box refers to the buyer.

This basic model has been developed into more complex models. In this model, the process and influences on the buyer's decision are not explained. **Multivariate models** try to explain in more detail what is going on in the buying decision. Most of these models view the buyer as a 'problem solver' and concentrate on the influences upon behaviour and the processes involved in purchase. Awareness of a problem arises from some stimuli (e.g. recognizing the need for a new item of clothing), information is processed, environmental and individual influences are evaluated and there is an output of purchase or non-purchase. Models have been developed for consumer, family and organizational buying. Discussions of the most popular models can be found in Schiffman and Kanuk.[7]

Criticisms have been made regarding the practicality of these models because of the difficulty in testing them empirically. Tuck[8] criticized multivariate models as they were not operational. He suggested that the approach took the basic 'black box' and merely broke it into many black boxes so the prediction criterion for a good model was not fulfilled. However, although this criticism is legitimate, most agree that multivariate models give valuable insights on the influences and processes involved in buying decisions and it is our view that these are fundamental to an understanding of customers. They provide a framework that marketers can use to evaluate important marketing opportunities in the buying process. Despite the contributions of multivariate models, in recent years the trend has been towards modelling specific aspects of buyer behaviour using partial models such as for example Damparat and Jolibert's model of buyer–seller relationships[9] or Talluri *et al.* and their model of 'buyer/supplier negotiations'.[10]

RESEARCHING BUYER BEHAVIOUR

The basis for research can start with the 'seven Os' of the marketplace outlined earlier. There is also the **introspective method** where marketers think about their own probable behaviour. Customers can be interviewed after purchasing their goods and questioned, which is termed the **retrospective method**. Prospective customers can be asked about how they will purchase the product i.e. the **prospective method**. These methods give insights into how consumers go through the process of buying. More difficult from a research point of view is information on the influences of buying behaviour. These are often not product related and involve less measurable aspects of human behaviour, such as perception and attitudes.

Of particular use in understanding some of the more complex underpinning factors affecting behaviour are the techniques of qualitative research. Much qualitative research has as its objective the exploration of matters like attitudes, perceptions and motives; to this end, during the 1960s

marketers began to use techniques of 'motivational research'. These were derived from the tools and techniques of clinical psychology and were rooted in concepts and ideas of Freudian psychologists. More recently, concentration has been on qualitative marketing research into consumer behaviour using **focus group** discussions and **depth interviews**.

Focus groups

Focus groups involve a trained moderator guiding a group of selected customers or potential customers through a semi-structured interview. The moderator may have a psychology background, but should be a skilled marketing researcher and interviewer. Normally a focus group consists of between six and ten individuals. The idea is to encourage respondents to discuss factors which will reveal some of their innermost thoughts and feelings regarding a product or service in question. For example, if we were conducting research into consumer attitudes towards, say, the purchase and wearing of ties, the moderator might encourage the group to talk informally about their purchasing in general and then gradually, as the group began to open up and discuss between themselves, focus the discussion towards the product market in question: in this case, ties.

Skill and expertise are required to elicit useful information about the product market in question, without leading the group towards responses that are more in line with the ideas of the moderator than individuals in the group. In other words, care must be taken not to bias answers. A focus group

Kettling

'Kettling' is a tactic of crowd control increasingly being used by the British police force to ensure that example public demonstrations do not get out of control. Essentially, the technique entails the police corralling people by a perimeter of police officers usually to a pre-designated spot where the location makes it difficult or impossible to escape, for example into a cul-de-sac. The tactic was extensively used in crowd control at the G20 meeting demonstrations in London in April 2009. Some demonstrators were kettled for up to eight hours until the police determined the demonstration was over and they could be released.

Before these demonstrations and efforts to police them, not many of the public had heard of kettling. However, the demonstration and the policing of it received extensive television coverage not least because one unfortunate demonstrator who was being moved on by the police subsequently died, an event which was captured on television. As a result, the tactic of kettling, already controversial in some circles, became a national controversy. Many people think kettling is unacceptable, over-aggressive, undermines civil liberties, is dangerous and often self-defeating. Others, including senior police officers think it represents a safe and effective means of crowd control and particularly for defusing potentially violent situations.

Is kettling effective and should it be used to control public demonstrations or is it essentially undemocratic and potentially dangerous? Should it be outlawed or should more police be trained to use this tactic? If it is going to be used what should be the situations where it is deployed and should there be constraints on its use? The kettling controversy and questions raised about it are typical of issues for which the focus group technique is ideally suited. In fact, shortly after the G20 disturbances, Metropolitan Commissioner, Sir Paul Stephenson announced a review into the police tactic of kettling. No doubt this review process will include the use of focus group discussions.

interview will take anything between one to two-and-a-half hours and it will usually be recorded for later analysis. It would be common practice if, say, we were using focus groups in the development and launch of a new product in the UK market to conduct anything up to ten focus groups interviews which would be designed to provide a representative sample. At a current average UK cost per focus group of between £2,000 and £4,000, this type of interviewing is relatively costly. Respondents have to be paid as well as the facility that is being used (normally somebody's home) and of course the focus group moderator. It does, however, provide potentially rich information on which to base marketing decisions. Initially used for exploratory research prior to conducting quantitative research, focus groups are increasingly being used to explore further issues highlighted from initial quantitative research based on more traditional questionnaire research and analysis. Focus group interviewing is so useful that it is used by companies ranging from banks through to detergent manufacturers and political parties.

Although widely used in the USA, the use of focus groups to research consumer attitudes, potential voting patterns, and key issues amongst voters in the UK really came into its own in the run-up to the 1997 General Election. The Labour Party, in particular, made use of this type of research. Partly as a result of their success in the 1997 election, and the role focus groups were felt to have played in this, all the main political parties in the UK now use focus groups extensively on a regular basis to gauge voter opinions on various matters. Although there is some concern about the extensive use of these groups – some argue that it tends to detract from developing and implementing policies – there is no doubt that in the political arena, as in most other areas of marketing, focus groups are here to stay.

Depth interviews

Depth interviews are used less frequently than focus groups to research buyer behaviour, but can be useful when researching areas which are of a sensitive nature and where a group discussion situation would not be appropriate. The key difference between depth interviews and focus groups is that the respondent communicates on a one-to-one basis, and not in a group, with the researcher. The interview may be semi-structured or unstructured depending on the purpose and nature of the research. In other respects, with regard to skills required of the interviewer, the depth interview is similar to the focus group. As with a focus group, depth interviews can be used to explore what are more 'hidden' aspects of buyer behaviour and choice. Broad trends in society can be monitored constantly. In the UK there is an ageing population, most with occupational pensions, which means there are more opportunities for products aimed at older consumers. Changing cultural perspectives, such as attitudes to women becoming the main wage earners, and men assuming roles traditionally deemed to belong to women, can be monitored, using depth interviews, to enable marketers to use this attitudinal information in a strategic manner. As already mentioned, focus groups are widely used for researching buyer behaviour, but they are not without its limitations and its critics. In particular, some researchers have begun to question their usefulness, particularly for **futures research** on needs and wants or in assessing attitudes to revolutionary and novel ideas for new products and services.

Criticisms

Critics of focus groups argue that too often participants will knowingly, or subconsciously, tell the focus group leader what they feel he or she wants to hear. Similarly, some argue that there is a danger that group members simply say what they think the rest of the group want to hear. With regard to focus groups being weak at uncovering future trends and needs, the argument is that focus group

members find it difficult to imagine or conjecture that product and brand usage will be any different in the future. In other words, there is a tendency for focus group to think along conventional lines.

As a result of these criticisms, some researchers have turned to alternative methods to gain insights into customer needs and wants, especially when trying to detect ideas and responses to new products and services for the future. These methods, now being used in marketing research are collectively referred to as 'futures research'.

Futures research

This is not solely about forecasting the future. Rather it is the application of innovative research techniques to gain insights into possible future needs and wants of consumers and the implications of these for the marketer with regard to possible new products. As this is a comparatively new approach to research in consumer behaviour, there are no definitive rules about how to conduct it. However, it has already generated several innovative and research techniques that are different from those conventionally used.

One of the leading companies in the UK using futures research at the moment, Brand Futures, uses several innovative approaches to its group consumer behaviour research, often coupled with traditional focus groups. Below are outlined some of the differences in this company's futures approach compared to traditional focus group methods.

- Instead of using 'representative' consumers, often the company will conduct interviews using panels of individuals who have previously been judged to be 'thinking ahead' in their particular field.
- Often the groups will deliberately include individuals with alternative views to the rest of the group. For example, a group assembled to investigate possible future meat-based food products might include a vegan.
- New techniques for uncovering attitudes and factors underpinning behaviour are used. One example is a technique known as 'deprivation'. With this, panel members are asked to go without a particular good or service for a period of time and are then interviewed to see what effect this has had on their behaviour. At the other extreme, another technique is 'inflation', where group members are asked to consume a product in much greater quantities than normal, again, with a view to gaining new insights into possible future consumer behaviour.

Using techniques such as these enables the marketer to gain more insights into possible future needs, areas for new product development, brand extension strategies and innovative and creative approaches to marketing existing products.

CONSUMER BUYER BEHAVIOUR

The distinguishing feature of consumer as opposed to organizational buyer behaviour is the fact that consumer buying behaviour consists of activities involved in buying and using products or services for personal and household use. To investigate this, it is advantageous to break down the purchase

process into a model to simplify the process and factors influencing purchasing behaviour. Figure 2.2 shows a simplified model.

As can be seen, environmental influences that are external to the consumer affect purchase behaviour. The consumer also has influences that are individually determined. Both these types of influence are carried, consciously or subconsciously, within the consumer's memory. The third box in the diagram shows the decision-making process an individual goes through when purchasing a product. The feedback lines show that at any stage, information can be fed back and the purchase process can be stopped and resumed at an earlier stage. The model is now discussed in greater detail.
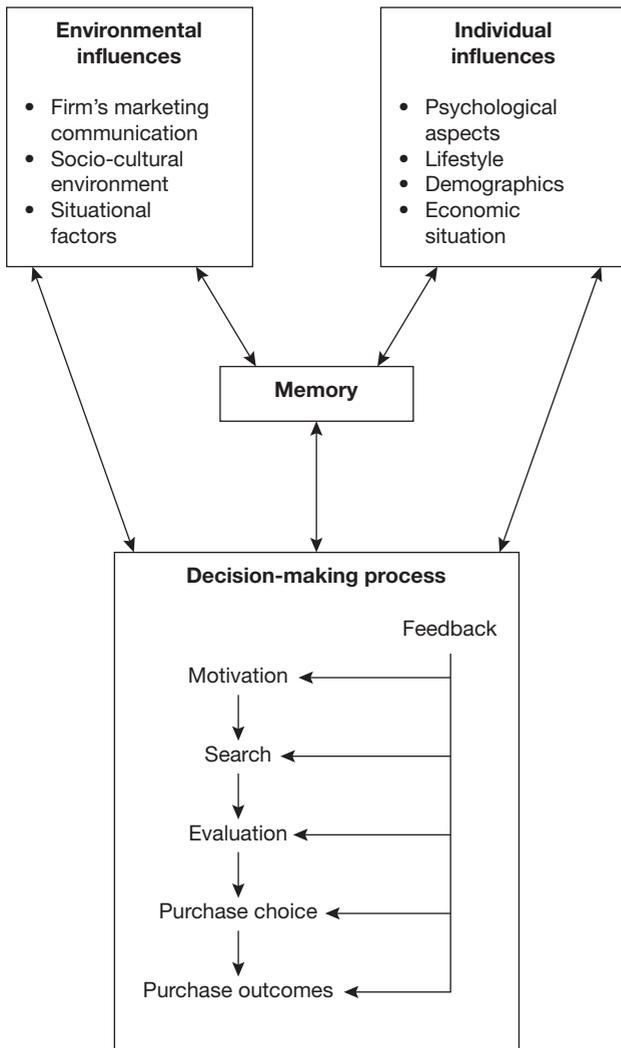
FIGURE 2.2 Simplified model of consumer buying behaviour

Environmental influences

Marketing communications are all around us. Some of these are retained in our memory, and we have an image of companies and the goods and services they provide. This may lead to an immediate motivation to purchase the product, or to be aware of the product, which might lead to purchase at a later stage.

Culture

As behaviour is learned, culture determines the broad values and attitudes an individual holds. Culture can be investigated by using an inventory of values. A child growing up in a certain culture learns its cultural values from socializing with other people, so the family, school and friends have a large impact on the cultural values with which the child grows up. Other aspects of culture are more dynamic. For example, the role of women in some societies has changed dramatically over the years. Even though culture is a basic foundation of society, in the strategic management process it has to be monitored for changes. In addition, culture is often assumed, and this has led to many mistakes when companies have tried to market their products abroad where there are often substantial cultural differences. Yapprak *et al.*[11] suggest there is a need for improved concepts and techniques of culture study in marketing and that an understanding of culture is essential for a whole range of marketing decisions from product development, advertising and communication to segmentation targeting and positioning. We explore these important international cross-cultural factors in Chapter 16, 'Global marketing'. Within a national culture, other aspects of the socio-cultural environment include subculture, social class, group and family influences.

Subculture refers to groups in society that have distinct cultural differences. This includes nationality groups such as Indian, Ghanaian, Italian or Japanese, who have their own individual lifestyles and values. Religious groups, such as Muslims, Jews, Christians and Hindus are a subculture within the larger cultural group. Blacks, whites and Asians are examples of broad racial groupings and geographical groups can include Northern Europeans, Southern Europeans or people living in Belgium or Spain as distinct groups. Subculture groups can vary in the products they buy, the outlets they buy from, prices paid and the media they read. Subcultures take on an array of influences; youth subculture takes on influences from fashion, music, sports personalities and family, for example.

By definition subcultures are different, but some are more different from others, sometimes bizarrely so. Below are eight of the world's most bizarre subcultures. Ever heard of them? If not, you are not part of one of them. Check them out and see what makes them bizarre!

1   Otherkin
2   Norwegian Black Metal
3   Bosozoku
4   Sukeban
5   Goths
6   Argentinean Floggers
7   Lolitas
8   Hardline

Social class

This is the grouping together of individuals or families who have certain common social or economic characteristics. Members of the same social class often exhibit similar patterns of behaviour and similar views and interests. As we shall see in Chapter 3, social class is often used to segment markets and determine targeting strategies. Criteria used for this type of grouping can be occupation, education or income. People from the same social class are more alike than people from differing classes. Social class is seen in terms of higher or lower classes (although individuals can move from one class to another) but this depends on the rigidity of the social system in a particular society. It is a major influence on buyer behaviour because it shows different product purchase behaviour in certain product categories. Examples are cars and holidays, where social class is a determining factor of the types of product purchased. The 'best' measures of social class include a number of factors rather than just one, such as occupation. Social class may determine not only the products people choose to purchase, but also the type of store chosen. For example, a department store, market stall, mail order, the Internet or independent retailer may be favoured by certain social classes.

Groups and family

Group influences affect purchase decisions. **Reference groups** are groups an individual is exposed to that have a direct or an indirect influence on behaviour and attitudes. **Primary groups** are ones with which contact is continuous and include family, neighbours, friends and colleagues. **Secondary groups** have less contact with individual members; e.g. members of a football team. People also have aspirations and may be affected by group pressure from an **aspirational group**; this is often used for example when marketing cosmetics with advertisements showing women from the aspirational group of beauty, wealth and desirability using the product. Reference groups affect people in three ways:

1   they influence self image and attitudes;
2   they expose individuals to new behaviour;
3   they create pressure to conform.

Reference group importance will depend on the product in question. If group influences are strong the marketer will seek to identify **opinion leaders** in the group. Opinion leaders have influence over members of their reference group. For instance, if you are about to purchase a computer and a friend you know is interested in them, then you may ask this friend for advice; then the friend is an opinion leader. The **family group** also has an influence on purchase behaviour and many purchases are made as a family group, e.g. the purchase of a house, a holiday, a car and furniture. In family decision making, individual members may assume different roles. Depending on the purchase and individuals involved they may perform one or many roles outlined below:

1   information gatherer;
2   influencer;
3   decision maker;

4   purchaser;

5   consumer.

For example, for the purchase of a holiday, a mother and daughter may go into a travel agent and pick up brochures; all the family will influence the decision, and the final decision might be made by the father, but the mother books the holiday and is then the purchaser. All the family are consumers. Some products within family decision making are dominated by the husband or wife; others are made jointly.

Marketers of many brands recognize that consumption habits, including brand choice and patterns of product usage, are often established early on in the consumer's life and once established can last a lifetime.

■   Procter & Gamble's 'Sunny Delight' was one of the most successful new brands to be launched in the UK. Introduced to the UK market in 1998, in just two years it had reached sales of £160 million, rivalling Coke and Pepsi. Kids loved it. But then it all went wrong. A stream of bad publicity hit the brand, centred round the fact that the product was not as healthy as it claimed. In addition one child turned orange through consuming too much of it. By 2003 Procter and Gamble sold the brand and it disappeared from the UK market. It's now back. Marketed once more as a healthy drink and called Sunny D. Guess what! The kids who loved it in the late 1990s still love it, even though many are young adults with children of their own. They now buy Sunny D for their children and a new Sunny D generation has been born.

■   One of the biggest user groups on the Internet is children. Unsurprisingly, brands like 'Slush Puppy' have been amongst the first to create websites on the Net that engage children. See: http://www.slushpuppie.co.uk/english/index.html.

■   Tesco launched its 'Computers for Schools' campaign which is sponsored by Pepsi, Tango and 7-Up brands. This is campaign is actually aimed at the parents of children, but uses the power of children to persuade their parent to buy.

Situational factors

Situational factors determine a purchase or consumption situation and can be a major aspect in purchase behaviour. If you were asked about your favourite food it would be acceptable to state that it depends upon the situation. At times you may prefer a snack, at others a meal with the family and at other times a meal in a restaurant. The consumption situation directly influences consumer brand perceptions and purchase behaviour, i.e. the place and situation in which the product is going to be consumed. Product availability, special offers and changes in price may also affect purchase behaviour.

In addition to environmental factors that influence a consumer's purchase decisions, there are individual differences that are personal or individual to the consumer. Psychological factors (see Figure 2.2) include perceptions, motivations, attitudes and personality. Perception is the way in which people select, organize and interpret stimuli. This includes how a person sees and interprets a company and its products. When a message is perceived it is modified by the individual's interpretation. An individual selects (subconsciously) exposure to, attention towards, comprehension

and retention of stimuli. This information is organized so that it can be easily understood. This is done largely subconsciously by placing information in categories or combining these into brand images. It is, therefore, important that marketers build up brand awareness so a personality for the brand is developed in the minds of prospective buyers.

Attitudes are specific: an attitude is held about a certain product or supplier in the context of consumer behaviour. Attitudes are difficult to change, so companies finding that certain products are associated with a poor attitude might be better advised to change the product than try to change consumer attitudes.

Demographic variables describe individuals according to age, sex, income, education and occupation. Demographic factors have a bearing on the types of product individuals want, where they shop and how they evaluate possible purchases. For instance, a teenage girl might generally want different clothing products than those purchased by her mother. A concept similar to age is life cycle stage. Throughout life, people go through stages: single, married, married with children, children left home and retired. At each of these stages their product needs will be changing. Some never marry, but their needs change at different periods of life.
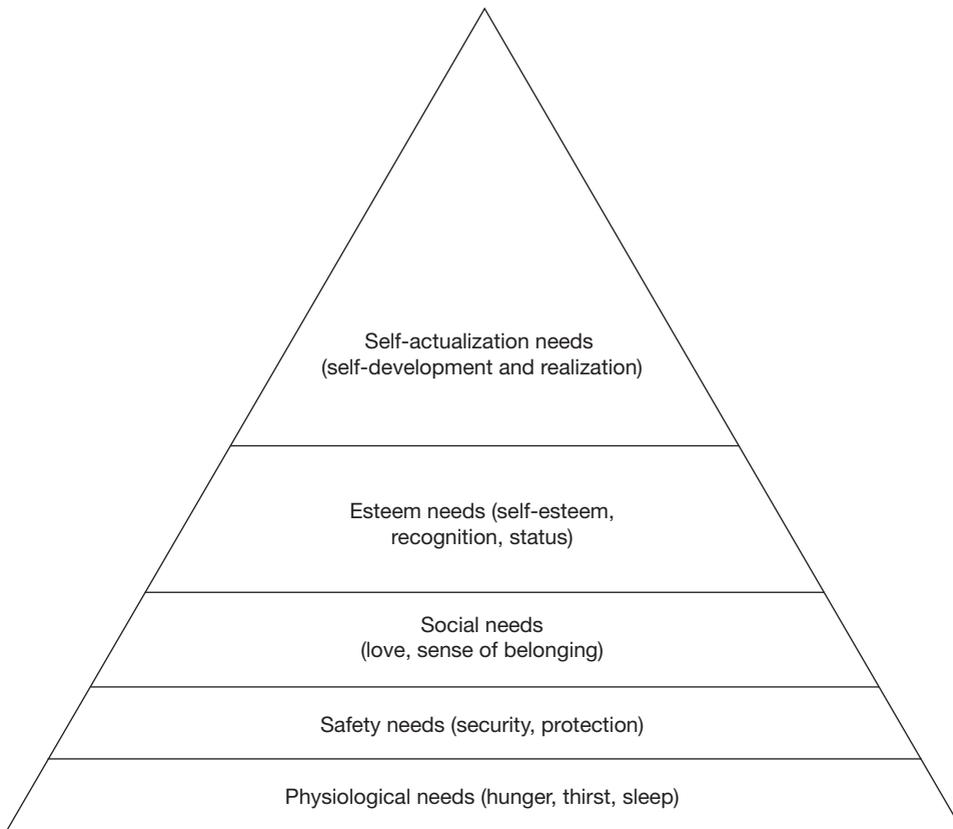
Lifestyle variables encompass an individual's *activities, interests and opinions* (called **AIO research**). A person's lifestyle is how they interact with their environment, which has implications for purchase behaviour. **Lifestyle concepts** and research are useful to the contemporary marketer, especially with regard to market segmentation and targeting and these are elaborated in Chapter 3.

The *economic situation* an individual faces affects purchase decisions. This not only encompasses how much income individuals have, but whether they have borrowing power and their attitude toward spending. Individual and environmental influences may then be stored in an individual's memory, which will be used during the decision-making process.

The decision-making process

In Figure 2.2 the **decision-making process** is shown in the lower box and encompasses five stages. The first stage is when an individual feels a need that a product will satisfy and is motivated to evaluate the goods on offer. People have many varying needs. If a need is intense they become motivated to purchase the product that will satisfy it. Abraham Maslow[12] described different needs of humans as being hierarchical as shown in Figure 2.3. This shows, at the bottom of the pyramid, physiological needs which are the most basic of human needs. When needs are met lower in the pyramid, individuals move up the hierarchy to fulfil 'higher' needs. Purchasing motivation can be stimulated by marketing. For instance, when people see an advertisement for a burger they may feel hunger and purchase one or they may seek alternatives like going to a restaurant to fulfil this need. This search for alternatives may be *external* i.e. physically looking for alternatives or *internal* i.e. searching through memory. Marketers need to research how they can stimulate need for their products and the types of information consumers require.

An example of how **Maslow's hierarchy** of needs can be useful to the development of strategic marketing plans is contained in research by Swoboda *et al.*[13] In a study which looked at the relevance of service in the retail environment they found that many customers had moved on from looking to simply meet their basic needs when purchasing. Instead they had moved up the hierarchy of needs and were looking for much more personal service from the retailers they shopped at. Personal

Self-actualization needs
(self-development and realization)

Esteem needs (self-esteem,
recognition, status)

Social needs
(love, sense of belonging)

Safety needs (security, protection)

Physiological needs (hunger, thirst, sleep)

FIGURE 2.3 Maslow's hierarchy of needs

service quality appealing to what Maslow might have identified as social and achievement needs was extremely important in building an effective retailer brand image.

Ozuem, Howell and Lancaster[14] conducted research that suggested that the advent of the Internet and its widespread deployment as a means of communication was changing the information environment where once fragmentation was the ruling condition. Technology, they argued, is creating a 'defragmented' society. By providing a new common interface for shopping at 'lightning' pace in a competitive environment, the traditional idea that a valuable shopping experience depends on a human marketplace is now giving way to virtual computer-mediated marketing environments, and they concluded that the web-enabled marketing environment is best suited for information gathering.

There are numerous sources of information including that from friends or **word-of-mouth**, from advertisements and media sources such as press articles about a particular product or service. Another source of information is the handling of the products. When information has been assimilated by the individual, he or she can make judgements about alternative brands that are available. Marketers, as well as building awareness, need to ensure their products have **unique selling propositions (USPs)** so they stand out amongst competing brands.

When consumers have enough information they will evaluate alternatives. Criteria on which products are evaluated vary depending on the products and how many brands are available. The evaluative criteria used depend on what need is being fulfilled by the product. Most often highlighted is the role of price and the brand image. It is imperative that marketers know on what basis their products are being judged. If there are common themes from consumers for the evaluation of alternative products and the ideal product offering, this has implications for marketing management. It means that products can be tailored to suit consumer needs and marketing communications can respond to the evaluation criteria they use. Evaluating products often coincides with actually searching for the products.

When a product or brand has been evaluated, one product is selected for purchase. However, purchase intention can be affected by unforeseen factors e.g. a price rise or other people's opinions can have an effect on purchase choice even at this late stage. There may, therefore, be no purchase at all.

Purchase outcomes or *post-purchase behaviour* will be either satisfaction or dissatisfaction with the purchase choice. Again, the product will be judged against the needs that were to be fulfilled by it and by the criteria on which alternative brands were judged. Satisfaction occurs when expectations of the product are either met or exceeded. This is remembered next time it is purchased. The consumer may then tell friends about being satisfied with the product. If expectations have not been met, the consumer experiences some **post-purchase dissonance**. There are many ways in which consumers try to reduce post-purchase dissonance. They can find information to support their product choice, or avoid information that will not confirm their purchase. If dissonance is strong, the consumer may take action either against the company directly, perhaps asking for a refund, or indirectly by telling friends about problems with the product.

Marketers should be conscious of the importance of post-purchase feelings, and in particular the need to ensure that customers are satisfied with their purchase decisions. Effective marketers contact customers after purchase to enquire whether they are happy with their purchase and the way they have been dealt with. This cannot always be done on an individual personal basis, but it is possible to communicate with customers in writing to demonstrate that the company values their custom and are willing to respond to any dissatisfaction they may be experiencing as a result of having purchased the products or services. Similarly, companies can use **tracking studies** to assess levels of customer satisfaction or dissatisfaction over time. Research findings show that dissatisfied customers will on average express this dissatisfaction to nine other actual or potential customers. As we have seen in the context of reference groups, word-of-mouth is extremely important in influencing customer choice. In addition, marketers appreciate that it is more cost effective to retain existing customers than to attract new ones. Research has shown that attracting a new customer costs approximately five times the cost of retaining an existing one. The importance of this initial cost difference is further underpinned by the lifetime value of loyal customers, which can mean substantial amounts of revenue and profit to a company. It is vital to assess levels of customer retention and causes of customer attrition, and take steps to increase the former while reducing the latter. There is strong evidence that the customer's experience of relationship quality has a major impact on reducing post-purchase perceived value. Moliner *et al.*[15] contend that the higher the quality of the relationship, the greater will be the perceived value of the purchase and the greater will be customers' likelihood of purchasing again. Recognition of the importance of keeping customers and building

loyalty is a major reason for the growth of relationship marketing as discussed in Chapter 1. This development in marketing is so far-reaching and important that we return to it in Chapter 9.

Whether or not all these behavioural stages are experienced, as well as the time spent at each stage, depends on the individual and the product purchased. Some products require extensive problem solving where a great deal of information is required to make a decision. This type of product is usually expensive, complex to understand, and/or has not been bought previously e.g. a house, a personal computer or a car. Limited search and evaluation will be used when there is some knowledge of the products on offer e.g. a small item of furniture or bed linen for the house. When customers know a great deal about the product, there is little search and evaluation. The purchase may be habitual e.g. repeat buying of the same brand of toothpaste or washing powder. This '**low involvement**' decision making causes some problems for marketers. Should they try to make such decisions ones of '**high involvement**'? Are consumers being brand loyal to products in an active way or are they displaying inertia? What is the best way of promoting the product in a low involvement market? Ways in which marketers try to increase involvement of consumers include:

1   Link the product with an issue, e.g. the marketing of relatively mundane products being described as being environmentally friendly or 'green'.
2   Use advertising that involves consumers, e.g. 'try the Pepsi challenge'.
3   Change product benefits, e.g. The washing detergent 'Radion' advertisements emphasize the benefit of effectively cleansing work-stained clothes and making them clean smelling.

Using a model such as Figure 2.2 shows the marketer how to break down consumer behaviour into aspects that can be analysed for effective strategic marketing planning. Many aspects of consumer behaviour can also be used to evaluate organizational buying behaviour and we now turn our attention to this.

A Shocking Example

A more extreme example of trying to increase levels of consumer involvement is the controversial approach to advertising used by the Benetton Company. Luciano Benetton's belief is that 'communication should not be commissioned from outside the company, but conceived from within its heart.' Their campaigns for clothing products have included pictures of dying Aids patients and kissing nuns. Although the advertising campaigns are complex and multifaceted they have nothing to do with Benetton clothing: as much as anything, they are designed to increase customer involvement with the product and brand by linking these products with issues.

These campaigns have gathered international awards, but at the same time have provoked fervent reactions, confirming that they are a focal point of discussion of confrontational ideas. When photographs of Death Row inmates were included in their advertising the backlash from families of murder victims was so severe that they convinced the Sears chain not to stock Benetton products, which was an enormous setback. This led to the end of the tenure at Benetton of Toscani, their photographer and creative marketing director, who specialized in confronting the public with challenging issues.

ORGANIZATIONAL BUYING BEHAVIOUR

There are three categories of organizational purchasers:

1   **institutional buyers** (e.g. buyers in the police service, fire service and public authority);
2   **retail buyers**;
3   **industrial buyers**.

These differences give rise to major differences between the three types of buying.

Organizations buy to enable them to provide goods and services that eventually reach final consumers. As has been explained, consumer buying behaviour relates to individuals (or families) buying goods and services for their own use. Both organizational and consumer buying behaviour involves people, individually and in groups, who are affected by environmental and individual factors. Organizational buying usually involves group decision making, which is known as the **'decision-making unit'** (DMU) or what Webster and Wind[16] referred to as the **buying centre**. In such a group, individuals have different roles in the purchasing process, categorized as:

1   *Initiators* – these people requisition or suggest purchasing a product or service;
2   *Users* – these are people in the organization who use the product. Sometimes they will also be involved in devising product specifications;
3   *Influencers* – influencers affect the buying decision in different ways e.g. they may be technical personnel who have developed product specifications;
4   *Deciders* – deciders make the buying decision (in most cases this is the buyer);
5   *Buyers* – buyers have formal authority to purchase the product;
6   *Approvers* – these people authorize actions of deciders or buyers;
7   *Gatekeepers* – gatekeepers control the flow of information to and from DMU or buying centre members e.g. a buyer's assistant or a telephonist.

One person might play all these roles, or each may be performed by different persons or groups of people.

Another difference in organizational buying is that many products are complex and require specialist knowledge to purchase. Where products have complicated specifications, there is more communication and negotiation between buyers and sellers. After-sales service is important and suppliers are evaluated after purchase. Organizational markets have fewer, larger buyers who tend to be geographically concentrated. Another aspect is the nature of **derived demand**, where demand for organizational (especially industrial) goods is derived from consumer markets. If demand for end product consumer goods falls this affects the entire **supply chain**.
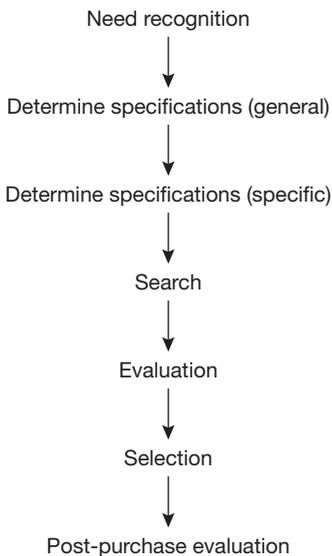
Organizational buying decisions can be categorized into **buy classes** as to how complex they are, similar to low/high involvement decision making in consumer markets. A **straight re-buy** occurs often, is relatively cheap and usually a matter of routine. If the supplier is an **'in' supplier** they are on the company's approved list of suppliers; they have to perform well so they do not get taken off the list. If they are **'out' suppliers** they must try to get onto the approved list. A **modified re-buy** is a situation that requires some additional information or evaluation of suppliers. It is usually the

case that specifications have been modified since the last purchase. A **new task** or **new buy** is the most complex purchase decision, when the company has not bought the product before. Search and evaluation procedures are extensive.

The process of organizational buying

The process involved in organizational buying has many similarities to consumer buying. Both go through a form of need recognition, search, evaluation, choice and post-purchase evaluation. Figure 2.4 shows the specific **buy phases** organizations go through when buying.

Need recognition occurs when the company has a need that can be fulfilled by the purchase of a product. Need can be stimulated internally from within the organization or through external means (e.g. if a salesperson visits with a new product). The company will then draw up general specifications. This can be done in consultation with the prospective seller, so more detailed specifications can be assimilated. **Value Analysis (VA)** (sometimes called Value Management) is a technique that evolved from Value Engineering that was first used in General Electric, USA during the Second World War. It can be used to reduce the costs of components in the production process by a team approach that critically examines the function and specification of each part in every component and sub-component. The team typically consists of people from design, manufacturing, marketing and purchasing, so different views can be incorporated e.g. if the manufacture of a particular product has tight specifications, this can be costly in terms of precision engineering components that must be produced; however, if marketing states that customers do not need such precisely engineered component parts, then the specification can be lowered with potential cost savings.

Need recognition

↓

Determine specifications (general)

↓

Determine specifications (specific)

↓

Search

↓

Evaluation

↓

Selection

↓

Post-purchase evaluation

FIGURE 2.4 Organizational buying process

In the search stage of the organizational buying process, buyers use many information sources. They may advertise for tenders, investigate trade journals or directories, speak to salespeople, look at their own records or visit trade shows.

Marketing implications for suppliers include achieving a good reputation in the marketplace, attending trade shows, advertising and trying to identify prospective customers. By so doing the company can be considered early in the decision process and may even be involved in the formulation of specifications.

Evaluation may be systematic, involving some form of supplier evaluation technique. These can be detailed, covering quality, price, delivery and after-sales service. The buying centre will evaluate proposals and alternative product offerings and decide on the most suitable purchase choice. At this stage there may be further negotiations to alter the price on certain product specifications. The buying centre may choose to have a number of suppliers to protect it from being too dependent on one supplier. The selection stage may also incorporate some form of reordering system and the evaluation of the product after purchase, and such a procedure is often formalized.

Time spent, resources committed and whether all stages are passed through depends on the type of product bought. A 'new task' product means that all stages will probably be passed through. A straight re-buy will be a relatively quick process, missing a number of stages, and this type of purchasing is now often accessed by routine computerized buying. The people involved in the decision-making process can change over time, and it is important for the marketer to be aware of how marketing tactics can be modified because of this.

Members of the buying centre or DMU are influenced by both rational and emotional factors in their decision making. Marketers should be aware of different influences on the buying centre, although emotional factors are much more difficult to predict and interpret. Rational motives include price, service, quality and reliable delivery, whereas emotional motives include personal friendships between sellers and buyers and perceived risks of purchasing. Other influences on organizational buyers are now examined.

Influences on organizational buying

In consumer buying behaviour we discussed environmental and individual factors that influence purchasing behaviour. In organizational buying there is a more complex environment as illustrated in Figure 2.5 adapted from Hutt and Speh's model.[17]

Environmental forces on buyer behaviour include economic, legal, political, cultural, physical and technological factors, so general economic trends in the commercial arena in which the buying organization is located are important, as are specific economic trends in areas in which it trades (due to derived demand). When evaluating economic trends, the marketer should take a global perspective as world trade expands. The political and legal environment includes government spending, taxation and import and export controls, which should be evaluated for their influence on buying decisions. As global markets develop it is easy to disregard cultural differences, yet there are many different cultural climates and they should be addressed individually. Physical influences involve the geographical location of the organization and a changing technological environment also influences buying decisions. Marketers must also take account of group force purchasing influences:
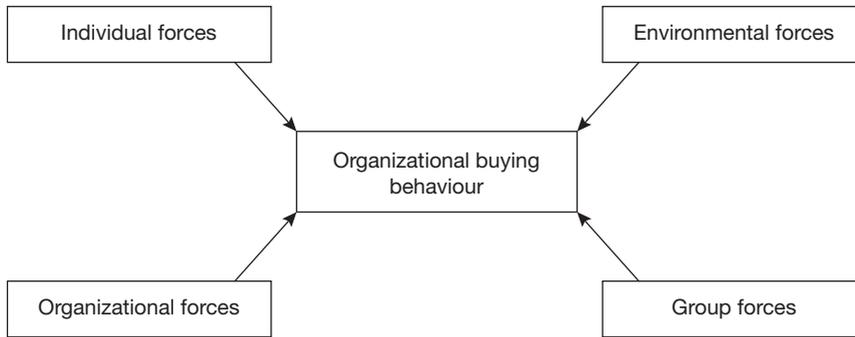
FIGURE 2.5 Influences on organizational buying

Source: Adapted from M.D. Hutt and Speh, T.W. (1999), *Business Marketing Management*, London: Dryden Press.

1   Who is involved in the buying decision?
2   What influence does each member have?
3   How does each member of the buying centre evaluate alternative products?

The type of information that is needed on *group forces* only becomes available when close contact is maintained with the buyer. This reinforces the role of the salesperson in the buying decision process. Members of the DMU are distinguished by the roles that each member carries out.

   Organizational forces, such as the organizational culture of the business, also have an effect on the buying decision. For instance, when marketing to an organization that has a highly centralized structure, including the buying function, this needs a different marketing approach to companies that have a decentralized structure.

   It might be assumed that organizational buying has little to do with *individual forces*. In any buying centre, individuals make buying decisions, not the organization. Different members of the buying centre may evaluate products using different criteria, which complicates the issue for the organizational marketer. Individuals try to reduce the level of risk they are exposed to in the purchase decision by using multiple sources or using an extensive information search. These factors have been developed into a comprehensive model of organizational buying behaviour by Webster and Wind.[18]

   There have been a number of trends over recent years within organizational purchasing that have implications for marketing management:

1   Purchasing is now more specialized and professional.
2   There is more centralized purchasing.
3   Computerized purchasing has increased.
4   There are new philosophies of purchasing, e.g. 'just-in-time', zero defects and materials management.
5   Supplier capability and performance analysis have improved.
6   Use of e-commerce purchasing and supply has increased.

TRENDS IN ORGANIZATIONAL PURCHASING

These trends are important in the sense that they have potentially significant implications for the development of marketing strategies and plans. However, three of these trends in organizational purchasing are felt to have been particularly important in this respect, and are now considered in more detail.

Just in Time purchasing

Originally devised in America, but first applied in the Toyota Company in Japan, many manufacturing companies have moved towards a system of manufacturing based on having parts and components for production in stock and available when, and only when, they are required by the production line or unit. For obvious reasons this system of manufacturing and inventory control has come to be termed **Just in Time (JIT)** although a more formal term is '**lean manufacturing**'. Used extensively in Japan for many years, it has now made major inroads into manufacturing companies in Western economies. A definition of JIT by Dion *et al.*[19] explains the meaning of JIT and captures its essential features:

> an inventory control system which delivers input to its production or distribution site only at the rate and time it is needed. Thus it reduces inventories whether it is used within the firm or as a mechanism regulating the flow of products between adjacent firms in the distribution system channel. It is a 'pull' system which replaces buffer inventories with channel member co-operation.

Companies realize that holding stock, including stock for production or sale, is costly. Not only is capital tied up, but there are potential costs in stockholding: for example, extra staff needed as stores personnel, pilferage, damage, changes in customer demand or product specification which renders stock obsolete. A JIT system aims to minimize stockholding and associated costs by supplying raw materials and component parts for production just at the time they are needed. The consequence of such a system for suppliers is that they must be able to provide parts and components on a continuous basis, typically within a four-hour time window, to consignees. In turn, this means there must be a close working relationship and exchange of information between customers and suppliers and to this end, as Lancaster[20] points out, close associations must be developed between marketer and customers.

JIT purchasing is the main factor underpinning the growth of 'relationship marketing' which we consider in more detail in Chapter 9. In addition to the need for close working relationships between suppliers and customers, supplying on a JIT basis increases the importance of effective distribution and logistical systems on the part of marketers. We consider some of the impacts of JIT on this element of marketing in Chapter 6 on logistics. The introduction of JIT purchasing by a customer means a reduction in supplier numbers, normally one for each item being supplied, and often with increasing numbers of parts being purchased from outside rather than being manufactured internally. In a properly synchronized JIT system customer demands can be met and profits maintained or

increased through a reduction in stockpiles and inventory levels. An accounting rule of thumb says: 'on average the cost of holding stock can add 25 per cent to the costs of materials and component parts'.

There are however some drawbacks to JIT, principally through the need for synchronization. Suppliers might have commitments to other customers, so causing delays. A company's industrial relations must be excellent, which is why the first Japanese car manufacturer to set up in the UK (Nissan at Sunderland) insisted on single trade union representation with a 'no strike' clause written into workers' agreements, because to operate a successful JIT system means no downtime on the production line and the acceptance of flexible work routines.

Zero defects

Zero defects is closely related to JIT purchasing. The need for zero defects and reliable quality on the part of the supplier is critical as components are incorporated into the manufacturing process almost immediately following delivery. There is no time to test components or inspect for defective supplies. End customers demand totally consistent quality and this has pushed the need for quality back down the chain of manufacture and supply to involve all the different companies in the production and supply chain. For example, the Jaguar Motor Company in the 1970s, when experiencing substantial loss of market share and falling profits (particularly in export markets) due to the supply of poor quality components, turned the situation round by insisting on improved quality from their suppliers. Early recognition of the importance of quality, however, has now moved on with many companies now implementing and operating **total quality management (TQM)** systems. Lancaster[21] has shown that companies must focus on the total product quality of their goods to differentiate themselves from the opposition. JIT purchasing means that components and supplies must be 'right first time'. In the 1960s and 1970s it was typically sufficient to ensure that defects were within controllable and acceptable levels when supplying customers. Customers now insist that there must be no defects in supply. This has revolutionized manufacturing, quality control, design, marketing and logistics systems.

B2B markets

In business to business (B2B) markets, customer satisfaction is an evaluation by purchasers of suppliers, based on supply and consumption experience. The customer is the ultimate judge of supplier performance. Therefore, the organizational marketer has to ascertain how customers evaluate and hence choose between suppliers and in particular what, from the perspective of the customer, constitutes good and bad supplier performance. Business customers are becoming much more sophisticated in their supplier evaluation and selection systems. A study by Marzouk[22] illustrates just how sophisticated these systems can be. He proposes a model which allows a supplier-ranking process using a range of preference structures which can be used to rank potential suppliers with regard to the extent to which they have the required skills, resources and abilities.

As our earlier discussion of the decision-making unit shows, different functional areas have different criteria that determine their evaluation and selection of different suppliers. Engineers, for

example, use different criteria with suppliers than purchasing or manufacturing personnel. In assessing the industrial buyers' perceptions of quality and satisfaction one must look at the buying group and not just the purchasing function. Despite these differences in perceptions of what constitutes supplier performance, there is no doubt that most organizations understand the importance of effective supplier evaluation and performance. A study by Cormican and Cunningham[23] shows how careful supplier selection can result in increased quality, reduced lead times and a reduction in the number of defects.

E-commerce and organizational buying

A major development affecting marketers in recent years has been the development of electronic commerce. **E-commerce** has major implications for marketing practice and it embraces a range of techniques and procedures for conducting business electronically. It is the use of electronic technologies and systems to facilitate and enhance transactions between different parts of the **value chain**. The value chain stretches from primary production of raw materials to the end customer, as opposed to the **supply chain** which stretches from the end product manufacturer to the primary source of supply. Just to complete this explanation the **demand chain** stretches from the end product manufacturer to the end customer, so the value chain is represented by the demand chain plus the supply chain.

One of the first applications of e-commerce was in the area of B2B marketing. In the 1980s companies began to use computers as a matter of course in purchasing and supply. Eventually, this developed into systems whereby suppliers and buyers could readily exchange information through linked computer systems. This developed into full **electronic-data-interchange (EDI)** systems which offer advantages to both parties in the transaction. For example, in the customer's company, when stocks reach a pre-ordained minimum level an automatic order is sent via the computer to the supplier's company whose computerized systems will in turn set in train the complete sequence of actions required to fulfil the customer's order. EDI systems are now so widely used in B2B markets that often suppliers are selected by a computer. All major motor companies in the world insist that their suppliers supply on an EDI basis with Japanese companies being at the forefront of this development.

Continuing the trend towards more and more electronically based systems, companies now have **extranet** systems that go further than linking just suppliers and buyers, as they seek to link together all members of the value chain including suppliers' suppliers and distributors and intermediaries. The extranet allows closer and more sophisticated relationships to be developed between the members of the value chain as it requires access to, and use of information between, members of the chain. This requires trust and commitment between all members.

We have discussed the main influences and processes of buyer behaviour in consumer and organizational markets, and examined some of the key trends and developments particularly regarding JIT purchasing, zero defects and the growth of e-commerce in B2B markets. This text is based upon a strategic as well as a tactical marketing outlook, so it is worth re-examining the application of strategic marketing concepts and assessing the insights that understanding buyer behaviour can offer.

STRATEGIC IMPLICATIONS OF BUYER BEHAVIOUR

Whatever definition of marketing is selected, consumer orientation is central. Implicit in a marketing-oriented company is the assumption that the wish is to satisfy customers. We now look at aspects of the strategic marketing process and discuss applications of buyer behaviour at each stage, starting with the **business mission**.
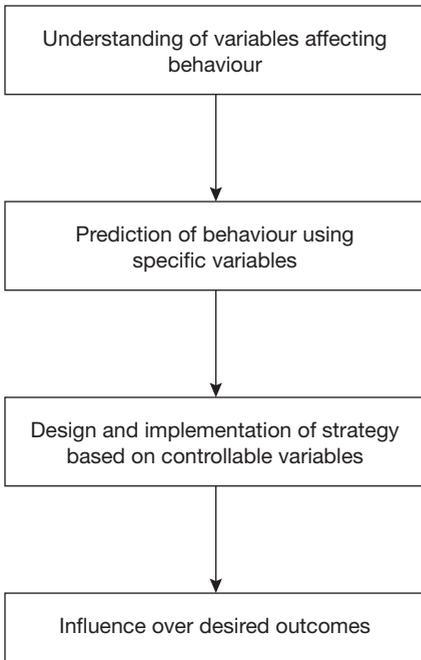
Business mission

Production and sales-oriented companies usually have 'company' based missions rather than 'customer'-based missions. A customer-based mission necessarily aligns the company with the marketing concept and affirms the importance of consumer behaviour to the firm.

SWOT analysis

Strengths and weaknesses that are internal to the organization are assessed to ascertain its capability and resources. Opportunities and threats are external to the organization and are evaluated to determine the broad environmental and competitive trends that have an impact on it. Companies that can diagnose threats and turn them into opportunities have an added advantage in the marketplace. This includes trends in consumer behaviour e.g. a change in lifestyle may have implications for the company; over recent years more people have been concerned with healthy eating, so food producers who monitored this trend and anticipated such changes were in a better position than competitors. Such companies changed their product offerings, e.g. Walkers put less salt into their potato crisps, or communicated existing healthy attributes about their products to consumers. Consumer behaviour can also be used in the strengths and weaknesses analysis to discover attitudes and awareness about their brands as well as those of competitors.

Market opportunity analysis

From an analysis of consumer behaviour it can be seen how existing products are perceived in comparison to those of competitors. **Market opportunity analysis** also shows whether or not there are any gaps in the market that your company can meet profitably with new products e.g. the shampoo brand 'Empathy' was launched to cater for the specific needs of older female consumers, a segment that was previously ignored. The theme of segmentation targeting and positioning is dealt with in detail in Chapter 3 as it has a strong link with the study of buyer behaviour. Suffice to say here that markets can be segmented into homogeneous groupings of consumers in a number of ways. Some of these ways are included in Figure 2.2, for example: demographics, lifestyle and social class. Therefore, consumer behaviour itself is used as a segmentation variable. When groupings of consumers are identified, companies decide which ones to target. Positioning strategies then aim to take the product offering and 'position' it in the mind of consumers to reflect consumer behaviour of targeted customers.

```
┌─────────────────────────────────┐
│  Understanding of variables      │
│  affecting behaviour             │
└─────────────────────────────────┘
                 │
                 ▼
┌─────────────────────────────────┐
│  Prediction of behaviour using   │
│  specific variables              │
└─────────────────────────────────┘
                 │
                 ▼
┌─────────────────────────────────┐
│  Design and implementation of    │
│  strategy based on controllable  │
│  variables                       │
└─────────────────────────────────┘
                 │
                 ▼
┌─────────────────────────────────┐
│  Influence over desired outcomes │
└─────────────────────────────────┘
```

FIGURE 2.6 Knowledge of consumer behaviour facilitates development of successful marketing strategies

Source: Schiffman and Kanuk.[24]

Design of marketing strategies

Marketing strategies that companies decide to implement should be consistent with the consumer behaviour associated with the product or service. In Figure 2.6 Schiffman and Kanuk show how knowledge of consumer behaviour can aid the development of successful marketing strategies. First, the variables affecting purchase behaviour must be analysed and understood. This allows for the prediction of behaviour using the most important variables. Strategies based on controllable variables i.e. marketing mix variables of product, price, place and promotion, are designed and implemented which should influence the desired outcome of making a purchase.

Product

The study of consumer behaviour should indicate the types of product or service that will be successful. This can be extended into detailed product attributes and packaging decisions, including after-sales service. For example, a car manufacturer, to be successful, should look at consumer behaviour to see:

1   the preferred types of cars for certain groups of customers;
2   what product attribute/features are required, e.g. large boot, four doors, speed or fuel consumption;
3   warranties required after the sale.

In organizational markets we have already seen that with regard to the product, what is particularly crucial is control of the quality of the product or service being supplied, and the need to look at quality and its attributes from the perspective of the decision-making unit.

Price

Research into the relationship between price and consumer behaviour is important to the marketer. Consumers may not be aware of the prices of certain goods they purchase. This is especially true in **fast-moving consumer goods (FMCG)** markets. Consumers may be sensitive to price differentials between competing brands; in this case the marketer will have to monitor competitors' pricing strategies and either compete on price or try to add value to the product in another way. For many products, there is a relationship between price and perceived quality. An appropriate marketing strategy should therefore take into account consumer attitudes toward price for the product category in question.

In marketing to organizational buyers it is important not to make the mistake of believing and acting on the notion that organizational buyers buy only on price and will always select the lowest priced supplier. In both consumer and organizational markets it is overall value that is most important. Organizational buyers recognize that the lowest priced supplier does not necessarily equate with the lowest cost solution, particularly where this means lower quality.

Place

These decisions concern channels of distribution from the producer to the consumer. Different consumer groups have preferences for different retail outlets for certain products e.g. in ladies fashion some customers prefer to shop in department stores or in independent retail outlets, market stalls, mail order or chain stores. Consumer behaviour research can indicate how many outlets there should be, and where they should be located. A study of consumer behaviour can indicate to a company whether to provide out-of-town shopping facilities or to locate in a city centre. Where and how products are sold is also linked to store design. The layout of the shop is important as are 'atmospherics' within the store. Research has shown that consumers like the convenience of supermarket shopping but also want good quality fresh food. Fresh fruit and vegetables are usually displayed as a consumer enters a supermarket to indicate freshness and quality. In-store bakers are not simply there to provide fresh bread, but also to provide the smell of baking bread, and consumer behaviour research allows marketers to make decisions about enhancing 'atmospherics' in retail outlets.

The widespread adoption of JIT purchasing has meant that in organizational markets, reliable delivery and the design of distribution and logistics systems are crucial.

Promotion

Different consumer groups respond positively or negatively to marketing communications. Research into consumer behaviour will indicate to which promotional tools the target market will respond favourably. This can be used for general media planning e.g. when marketing a skin cream to teenage girls, research may help in deciding to conduct press advertising; further research may then indicate

more specific media e.g. a monthly teenage magazine with further research indicating how often the advertisement should be inserted and the type of advertising copy and images to use.

Promotion can also be used to try to change a poor consumer image. In the UK, many companies have attempted to change their images by positive promotional campaigns.

As with price, there are some misconceptions about the role and value of promotion when marketing to organizational buyers. Many companies have a belief that the 'rationality' and 'hard-headedness' of organizational buyers has meant that the promotional element of the mix is less effective and important in forming attitudes of buyers. However, organizational buyers are individuals and in this context might be swayed by effective advertising and imagery provided as part of the marketing mix. Evidence suggests that advertising in organizational markets can help to substantially reduce costs of selling.

Control of marketing effort

By observing and analysing consumer behaviour we can evaluate the success of marketing programmes. Marketing strategies can then be refined to fit customer needs more closely.

SUMMARY

The concept of fulfilling consumer needs is central to successful marketing strategy. The study of buyer behaviour has become a specialist area of marketing owing to its complexity and it covers questions concerning who is in the market, what they buy, when they buy, how they buy and where. Marketing mix variables – price, product, place and promotion and the extra 3Ps of the mix for services – affect buyer behaviour, so the strategic marketer should be aware of the impact of these controllable variables.

Buyer behaviour does not simply encompass the straightforward decision process, but covers the underlying influences and motives to purchase. These are difficult to measure, but are nonetheless very important in gaining a thorough understanding of purchase behaviour. The principles of buyer behaviour theory can be applied to both consumer and organizational sectors, to non-profit-making institutions and service providers. A simple model has been used in this chapter to describe the factors that might influence purchase behaviour. Models range in complexity from simple 'black box' models to comprehensive multivariate models. They are useful in providing a framework for study. In the consumer model that was outlined, individual and environmental influences have an effect on the decision-making process of motivation, search, evaluation, choice and outcomes.

In organizational decision making, two additional influences are included. These are group influences and organizational factors. The decision-making process will depend on whether the purchase is a new task, a modified re-buy or a straight re-buy. The process involved is similar to the consumer decision-making process. Within organizational buying, motivation is not purely rational as emotional purchase motives can also play a part in decision making. Recent trends in organizational purchasing have implications for marketing management e.g. computerized

purchasing and centralized purchasing have meant salespersons' roles and responsibilities have changed. In particular the growth of JIT purchasing and requirements for zero defects, together with developments in e-commerce have had an important impact on marketing in organizational markets.

The implications of researching buyer behaviour can apply throughout the strategic marketing process. The next chapter takes the concept of consumer behaviour further into the logical next step of market segmentation, targeting and positioning.

KEY TERMS

CASE STUDY

Six to Seven

Six to Seven is a telecommunications company marketing state of the art telecommunications equipment. The company is currently in the process of developing a new generation of mobile phones. When developed, this phone will not only enable users to make standard telephone calls and connect to the Web, but will have a small screen on which users can view the person at the other end of the line in high definition, unlike competitors' models whose definition characteristics leave a lot to be desired. Needless to say, investment to develop the technology and market the product is substantial.

As part of the development process, the company is eager to find out more about potential customers for this product. In particular, they are interested in finding out whether there is a market for the product, how big this market might be, and how customers will respond to this concept. They propose hiring a specialist market research agency with skills in the area of researching buyer behaviour, particularly for new product concepts.

CASE STUDY QUESTIONS

1   What areas of buyer behaviour should this proposed research encompass, and why?
2   What types of research techniques might be useful in researching these areas?

Suggestions as to how to approach and answer this question are contained on the accompanying website. In addition a number of longer strategic case studies, along with suggested solutions, are also contained on the website.

REFERENCES

1 Tamilia, D.R. (2007), 'Placing Wroe Alderson's contributions to buyer behaviour in historical perspective', *European Business Review*, 19(6): 468–94.

2 Blackwell, F.D., Engel, J.F. and Miniard, P.W. (2005), *Consumer Behaviour,* 10th edn, Hinsdale, IL: Dryden Press.

3 East, R., Vanhuele, M. and Wright, M. (2008), *Consumer Behaviour: Applications in Marketing*, London: Sage Publications.

4 Schiffman, L.G., Kanuk, L.L., and Hansen, H. (2008), *Consumer Behaviour: A European Outlook*, Harlow, UK: FT Prentice-Hall.

5 Kotler, P. (2006), *Marketing Management: Analysis, Planning, Implementation and Control*, 12th edn, Upper Saddle River, NJ: Prentice-Hall.

6 Op. cit. (2).

7 Schiffman, L.G. and Kanuk, L.L. (2007), *Consumer Behaviour*, 10th edn, Upper Saddle River, NJ: Prentice-Hall.

8 Tuck, M. (1976), *How Do We Choose?*, London: Methuen.

9 Damparat, M. and Jolibert, A. (2009), 'A dialectical model of buyer–seller relationships', *Journal of Business and Industrial Marketing*, 24(3/4): 207–17.

10 Talluri, S., Vickery, S.K. and Narayanan, S. (2008), 'Optimization models for buyer–seller negotiations', *International Journal of Physical Distribution and Logistics Management*, 38(7): 551–61.

11 Yaprak, A. (2008), 'Culture study in international marketing: a critical review and suggestions for future research', *International Marketing Review*, 25(2): 215–29.

12 Maslow, D. (1954), *Motivation and Personality*, New York: Harper & Row.

13 Swoboda, B., Haelsig, F., Morschett, D. and Schramm-Klein, H. (2007), 'An intersector analysis of the relevance of service in building a strong retail brand', *Managing Service Quality*, 17(4): 428–48.

14 Ozuem, W., Howell, K.E. and Lancaster, G. (2008), 'Communicating in the new interactive marketspace', *European Journal of Marketing*, 42(9–10): 1059–83.

15 Moliner, M.A., Sanchez, J., Rodriguez, R.M. and Calarisa, L. (2007), 'Perceived relationship quality and post purchase perceived value: An integrative framework', *European Journal of Marketing*, 41(11/12): 1392–422.

16 Webster, F.E. (Jr.) and Wind, Y. (1972), *Organizational Buying Behavior*, Upper Saddle River, NJ: Prentice-Hall, pp. 78–80.

17 Hutt, M.D. and Speh, T.W. (1999), *Business Marketing Management*, 6th edn, London: Dryden Press.

18 Webster, F.E. and Wind, Y. (1972), 'A general model for understanding buyer behaviour', *Journal of Marketing*, 36, April.

19 Dion, P.A., Banting, P.M. and Halsey, L.M. (1990), 'The impact of JIT on industrial marketers', *Industrial Marketing Management*, 19: 42.

20 Lancaster, G. (1993), 'Marketing and engineering: can there ever be synergy?', *Journal of Marketing Management*, 9: 141–53.

21 Lancaster, G. (1995), 'Marketing and engineering revisited', *Journal of Business and Industrial Marketing*, 10(1): 6–15.

22 Marzouk, M. (2008), 'A superiority and inferiority ranking model for contractor selection', *Construction Innovation: Information Process Mangagement*, 8(4): 250–68.

23 Cormicam, K. and Cunningham, M. (2007), 'Supplier performance evaluation: lessons from a multinational organisation', *Journal of Manufacturing Technology Management*, 1(4): 352–66.

24 Shiffman, L.G. and Kanuk, L.L., op.cit. (7).