

## CHAPTER 5 CUSTOMER BUYER BEHAVIOR

### PREVIEWING THE CONCEPTS – CHAPTER OBJECTIVES

1. Understand the consumer market and the major factors that influence consumer buyer behavior.
2. Identify and discuss the stages in the buyer decision process.
3. Describe the adoption and diffusion process for new products.
4. Define the business market and identify the major factors that influence business buyer behavior.
5. List and define the steps in the business buying decision process.

### CONSUMER MARKETS AND CONSUMER BUYER BEHAVIOR

**Consumer buyer behavior** refers to the buying behavior of final consumers—individuals and households who buy goods and services for personal consumption. All of these consumers combine to make up the **consumer market**. The American consumer market consists of more than 320 million people.

#### Model of Consumer Behavior

The central question for marketers is: How do consumers respond to various marketing efforts the company might use? Marketing stimuli consist of the Four Ps. Other stimuli include major forces and events in the buyer's environment: economic, technological, political, and cultural. The marketer wants to understand how the stimuli are changed into responses inside the consumer's black box, which has two parts.

1. The buyer's characteristics influence how he or she perceives and reacts to the stimuli.
2. The buyer's decision process itself affects the buyer's behavior.

#### Characteristics Affecting Consumer Behavior

##### *Cultural Factors*

**Culture** is the most basic cause of a person's wants and behavior. Marketers are always trying to spot *cultural shifts*. **Subcultures** are groups of people with shared value systems based on common life experiences and situations. The *African American* market is growing in affluence and sophistication. The U.S. *Hispanic market* consists of more than 55 million consumers. *Asian Americans* are the most affluent U.S. demographic segment. By targeting segments such as Hispanics, African Americans, and Asian Americans with specially tailored efforts, marketers now embrace a **total marketing strategy**—the practice of including ethnic themes and cross-cultural perspectives within their mainstream marketing.

**Social classes** are society's relatively permanent and ordered divisions whose members share similar values, interests, and behaviors. Social class is not determined by a single factor but is measured as a combination of occupation, income, education, wealth, and other variables.

### *Social Factors*

**Groups and Social Networks.** A person's behavior is influenced by many small **groups**. **Word-of-mouth influence** is the impact of the personal words and recommendations of trusted friends, associates, and other consumers on buying behavior. **Opinion leaders** are people within a reference group who, because of special skills, knowledge, personality, or other characteristics, exert social influence on others. This group is also called the *influentials* or *leading adopters*. **Buzz marketing** involves enlisting or creating opinion leaders to serve as "brand ambassadors" who spread the word about a company's products. **Online social networks** are online communities where people socialize or exchange information and opinions. **Family** is the most important consumer buying organization in society. Husband-wife involvement varies widely by product category and by stage in the buying process. More than 50 percent of men grocery shop regularly. Women outspend men on new technology purchases, and they influence 80 percent of all car purchases. The nation's kids and tweens influence up to 80 percent of all household purchases. **Roles and Status.** A role consists of the activities people are expected to perform. Each role carries a status reflecting the general esteem given to it by society.

### *Personal Factors*

**Occupation.** A person's occupation affects the goods and services bought.

**Age and Life Stage.** People change the goods and services they buy over their lifetimes. Tastes in food, clothes, furniture, and recreation are often age related.

**Economic Situation.** A person's economic situation will affect product choice.

**Lifestyle** is a person's pattern of living as expressed in his or her psychographics.

AIO dimensions are activities (work, hobbies, shopping, sports, social events), interests (food, fashion, family, recreation), and opinions (about themselves, social issues, business, products).

### **Personality and Self-Concept.**

**Personality** refers to the unique psychological characteristics that lead to relatively consistent and lasting responses to one's own environment.

A **brand personality** is the specific mix of human traits that may be attributed to a particular brand. One researcher identified five brand personality traits:

1. Sincerity (down-to-earth, honest, wholesome, and cheerful)

2. Excitement (daring, spirited, imaginative, and up-to-date)
3. Competence (reliable, intelligent, and successful)
4. Sophistication (upper class and charming)
5. Ruggedness (outdoorsy and tough)

The basic *self-concept (self-image)* premise is that people's possessions contribute to and reflect their identities; that is, "we are what we have."

### ***Psychological Factors***

#### **Motivation.**

A **motive** (or drive) is a need that is sufficiently pressing to direct the person to seek satisfaction.

Freud suggests that a person's buying decisions are affected by subconscious motives that even the buyer may not fully understand.

**Motivation research** refers to qualitative research designed to probe consumers' hidden, subconscious motivations.

Many marketers are using *interpretive consumer research* to dig deeper into consumer psyches and develop better marketing strategies.

**Perception** is the process by which people select, organize, and interpret information to form a meaningful picture of the world.

**Selective attention** is the tendency for people to screen out most of the information to which they are exposed.

**Selective distortion** describes the tendency of people to interpret information in a way that will support what they already believe.

**Selective retention** is the retaining of information that supports their attitudes and beliefs.

**Subliminal advertising** refers to marketing messages received without consumers knowing it. Studies find no link between subliminal messages and consumer behavior.

**Learning** describes changes in an individual's behavior arising from experience.

A **drive** is a strong internal stimulus that calls for action.

A drive becomes a **motive** when it is directed toward a particular *stimulus object*.

**Cues** are minor stimuli that determine when, where, and how the person responds.

### **Beliefs and Attitudes.**

A *belief* is a descriptive thought that a person has about something.

*Attitude* describes a person's relatively consistent evaluations, feelings, and tendencies toward an object or idea.

### **The Buyer Decision Process**

The buyer decision process consists of five stages:

1. *need recognition*,
2. *information search*,
3. *evaluation of alternatives*,
4. *purchase decision*, and
5. *postpurchase behavior*.

### ***Need Recognition***

The buyer recognizes a problem or need.

The need can be triggered by either an:

- *internal stimuli* or
- *external stimuli*.

### ***Information Search***

Information search may or may not occur.

Consumers can obtain information from any of several sources.

- *Personal sources* (family, friends, neighbors, acquaintances),
- *Commercial sources* (advertising, salespeople, dealer Web sites, packaging, displays),
- *Public sources* (mass media, consumer-rating organizations, Internet searches), and
- *Experiential sources* (handling, examining, using the product).

Commercial sources *inform* the buyer.

Personal sources *legitimize* or *evaluate* products for the buyer.

### ***Evaluation of Alternatives***

**Alternative evaluation:** how the consumer processes information to arrive at brand choices.

How consumers go about evaluating purchase alternatives depends on the individual consumer and the specific buying situation.

In some cases, consumers use careful calculations and logical thinking.

At other times, the same consumers do little or no evaluating; instead they buy on impulse and rely on intuition.

### ***Purchase Decision***

Generally, the consumer's **purchase decision** will be to buy the most preferred brand.

Two factors can come between the purchase *intention* and the purchase *decision*.

1. *Attitudes of others*
2. *Unexpected situational factors*

### ***Postpurchase Behavior***

Consumer satisfaction is determined by the difference between the consumer's expectations and the perceived performance of the good purchased.

If the product falls short of expectations, the consumer is disappointed; if it meets expectations, the consumer is satisfied; if it exceeds expectations, the consumer is said to be delighted.

**Cognitive dissonance**, or discomfort caused by postpurchase conflict, occurs in most major purchases.

## **THE BUYER DECISION PROCESS FOR NEW PRODUCTS**

A **new product** is a good, service, or idea that is perceived by some potential customers as new.

The **adoption process** is the mental process through which an individual passes from first learning about an innovation to final adoption.

**Adoption** is the decision by an individual to become a regular user of the product.

### ***Stages in the Adoption Process***

Consumers go through five stages in the process of adopting a new product:

- *Awareness*: The consumer becomes aware of the new product but lacks information about it.
- *Interest*: The consumer seeks information about the new product.
- *Evaluation*: The consumer considers whether trying the new product makes sense.
- *Trial*: The consumer tries the new product on a small scale to improve his or her estimate of its value.

- *Adoption*: The consumer decides to make full and regular use of the new product.

### ***Individual Differences in Innovativeness***

People differ greatly in their readiness to try new products.

The five adopter groups have differing values.

1. *Innovators* are venturesome—they try new ideas at some risk.
2. *Early adopters* are guided by respect—they are opinion leaders in their communities and adopt new ideas early but carefully.
3. *Early mainstream adopters* are deliberate—although they rarely are leaders, they adopt new ideas before the average person.
4. *Late mainstream adopters* are skeptical—they adopt an innovation only after a majority of people have tried it.
5. *Lagging adopters* are tradition bound—they are suspicious of changes and adopt the innovation only when it has become something of a tradition itself.

### ***Influence of Product Characteristics on Rate of Adoption***

Five characteristics are important in influencing an innovation's rate of adoption.

- *Relative advantage*: the degree to which the innovation appears superior to existing products.
- *Compatibility*: the degree to which the innovation fits the values and experiences of potential consumers.
- *Complexity*: the degree to which the innovation is difficult to understand or use.
- *Divisibility*: the degree to which the innovation may be tried on a limited basis.
- *Communicability*: the degree to which the results of using the innovation can be observed or described to others.

## **BUSINESS MARKETS AND BUSINESS BUYER BEHAVIOR**

**Business buyer behavior** refers to the buying behavior of the organizations that buy goods and services for use in the production of other products and services that are sold, rented, or supplied to others.

In the ***business buying process***, business buyers determine which products and services their organizations need to purchase, and then find, evaluate, and choose among alternative suppliers and brands.

***Business-to-business (B-to-B) marketers*** must do their best to understand business markets and business buyer behavior.

## **Business Markets**

Business markets involve far more dollars and items than do consumer markets.

The main differences between business markets and consumer markets relate to the following:

- *market structure and demand*
- *nature of the buying unit*
- *the types of decisions and the decision process involved*

### **1. Market Structure and Demand**

Many business markets have **inelastic demand**; that is, total demand for many business products is not affected much by price changes.

Business markets have more **fluctuating demand**.

The business marketer normally deals with **far fewer but far larger buyers** than the consumer marketer does.

Business demand is **derived demand**—it ultimately derives from the demand for consumer goods.

### **2. Nature of the Buying Unit**

Business purchases usually involve **more decision participants** and a **more professional purchasing effort**.

### **3. Types of Decisions and the Decision Process**

Business buyers usually face **more complex** buying decisions than do consumer buyers.

The business buying process tends to be **more formalized**.

The buyer and seller are often much **more dependent** on each other.

**Supplier development** involves systematically developing networks of supplier-partners to ensure an appropriate and dependable supply of products and materials that they will use in making their own products or resell to others.

## **Business Buyer Behavior**

Within the organization, buying activity consists of two major parts:

1. The buying center and
2. The buying decision process.

### **Major Types of Buying Situations**

**Straight rebuy**: the buyer reorders something without any modifications.

**Modified rebuy:** the buyer wants to modify product specifications, prices, terms, or suppliers.

**New-task buy:** the company is buying a product or service for the first time.

**Systems selling (solutions selling)** is often a key business marketing strategy because many business buyers prefer to buy a packaged solution to a problem from a single seller.

In this situation, a buyer may ask sellers to supply the components and assemble the package or system.

### ***Participants in the Business Buying Process***

A **buying center** consists of all the individuals and units that play a role in the business purchase decision-making process.

The buying center is not a fixed and formally identified unit within the buying organization.

### ***Major Influences on Business Buyers***

Most B-to-B marketers recognize that emotion plays an important role in business buying decisions.

When suppliers' offers are very similar, buyers can allow personal factors to play a role in their decisions.

However, when competing products differ greatly, business buyers tend to pay more attention to economic factors.

**Environmental factors** include the current and expected economic environment, as well as shortages of key materials.

Technological, political, and competitive developments can also affect business buyers.

Culture and customs can also influence buyer reactions to the marketer's behavior and strategies.

**Organizational factors** are important because each buying organization has its own objectives, policies, procedures, structure, and systems.

**Interpersonal factors** influence the business buying process. These can be very difficult to ascertain.



**Individual factors** are involved as well. Each participant in the business buying process brings in personal motives, perceptions, and preferences.

Individual factors are, in turn, influenced by personal characteristics such as age, income, education, professional identification, personality, and attitudes toward risk.

1. **Problem recognition:** The buying process begins when someone in the company recognizes a problem or need that can be met by acquiring a specific product or service.
2. A **general need description** is generated to describe the characteristics and quantity needed of an item.
3. The **product specification** includes the technical product specifications. **Product value analysis** is an approach to cost reduction in which components are studied carefully to determine if they can be redesigned, standardized, or made by less costly methods of production.
4. A **supplier search** is conducted to find the best vendors. The newer the buying task, and the more complex and costly the item, the greater the amount of time the buyer will spend searching for suppliers.
5. The **proposal solicitation** is the stage in which the buyer invites qualified suppliers to submit proposals.
6. **Supplier selection** occurs after the buying center reviews the proposals.
7. An **order-routine specification** includes the final order with the chosen supplier or suppliers. Many large buyers now practice *vendor-managed inventory*, in which they turn over ordering and inventory responsibilities to their suppliers.
8. Buyers conduct a **performance review**. This review may lead the buyer to continue, modify, or drop the arrangement with the seller.

## **Engaging Business Buyers with Digital and Social Marketing**

### ***E-Procurement and Online Purchasing***

Online purchasing (**e-procurement**) has grown rapidly in recent years.

Companies can do e-procurement in any of several ways.

- They can conduct *reverse auctions*, in which they put their purchasing requests online and invite suppliers to bid for the business.
- They can use online *trading exchanges*, through which companies work collectively to facilitate the trading process.
- Companies can set up their own *company buying sites*.
- They can create *extranet links* with key suppliers.

Business-to-business e-procurement yields many benefits.

1. It shaves transaction costs and results in more efficient purchasing for both buyers and suppliers.
2. It reduces the time between order and delivery.
3. It frees purchasing people to focus on more-strategic issues.

The use of e-purchasing presents some problems.

1. It can erode decades-old customer-supplier relationships.
2. It can create potential security disasters.

### ***Business-to-Business Digital and Social Media Marketing***

Today's B-to-B marketers are now using a wide range of digital and social media marketing approaches.

Digital and social media marketing have rapidly become *the* new space for engaging business customers.

Compared with traditional media and sales approaches, digital and social media can create greater customer engagement and interaction. B-to-B marketers know that they aren't really targeting *businesses*, they are targeting *individuals* in those businesses who affect buying decisions.

### **Self-Check Questions**

- 5-1. Discuss the stages of the consumer buyer decision process and describe how you or your family used this process to make a purchase.
- 5-2. Name and describe the stages in the adoption process and discuss the importance of this model for marketers.
- 5-3. How does the market structure and demand faced by business marketers differ from that faced by consumer marketers?
- 5-4. Compare and contrast the types of business buying situations.