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WARWICK BUSINESS SCHOOL
THE UNIVERSITY OF WARWICK

For the Change Makers

Dr Scott Dacko

**Warwick Summer School
Communications and Marketing**

**Consumer Buyer Behaviour and
Industrial Buyer Behaviour**

Dr Scott Dacko

Session Objectives

To understand:

Models of consumer and organisational purchase decision processes.

Influences on purchase decisions:

What

How

Marketing implications of the models.





What influences purchase preference? How model it?

Definitions

Dibb, Simkin, Pride and Ferrell

Consumer Buyer

Behaviour is:

“The decision processes and acts of individuals involved in buying and using products.”



Decision process, Purchase

Use



Definitions

Dibb, Simkin, Pride and Ferrell

Industrial (or Organisational)
Buyer Behaviour is:
“The decision processes and
purchase behaviour of producers,
re-sellers, government units and
institutions involved in buying
and using products.”

Why do businesses need to understand their customers?

To influence purchase probabilities

To design new products

To analyse market potential, identify market segments and emerging markets

To assess and beat the competition



What decision process?

Why do customers buy products?



Why do customers buy products?

Drill Bits Vs Holes

Customers buy products for the perceived benefits they provide.



BERNER WEBSITE

<http://www.screwsandfixings.co.uk>

UK & EU Price: From
£5.41

Colour: No Colour
Choice

Description: Specially designed for optimum performance on concrete, natural and artificial stone, clinker and masonry. Ideal for Damp course injection. Benefits include:

Carbide tip, vacuum soldered at over 1000° c - extremely hardwearing. Advanced spiral design - allows fast drilling, improved safety and facilitates immediate and optimum removal of dust/material.

Digging spirals - less friction thus reducing wear and increasing working life of drills and machine.

Tough/flexible core and shot blasted surface - gives excellent strength, provides longer tool life and protects against breakages.

People also buy products for the meanings they have.



Wurlitzer COCA-COLA Vending Machine

An extraordinary machine, for either the home or office! On the outside, it's a perfect replication of the famed COCA-COLA Model 44 vendor, one of the most collected soda machines ever made. On the inside, it's thoroughly modern; unlike its predecessor, this machine can vend two selections, in either cans or bottles. Holds 64, 12 Oz. cans or 32, 8 oz. collector bottles. Requires floor space of just 16" or 18". Free or coin activated. Please allow 4 weeks for delivery. Continental U.S. delivery only. Price and online shipping fee includes both delivery and at home setup by a regional Wurlitzer distributor. Plus, you are supplied with a 800# for tech support. You will be informed of delivery arrangements prior to delivery.

List Price : \$4995.00

Member Price: \$4745.25

Focusing on benefits sought alerts managers to competitive threats

Enables focus on:

- ⦿ the degree to which the product provides benefits to the customer
- ⦿ the ability of other technologies to provide those same benefits



Different technologies can provide the same benefits



Customer Analysis

Segmentation

Who are the biggest customers? The most profitable?
The most attractive potential customers? Do the
customers fall into any logical groups based on needs,
motivations, or characteristics?

How could the market be segmented into groups that
would require a unique business strategy?



**Share the car,
not the ride**



Customer Analysis

Customer Motivations

What elements of the product/service do customers value most?

What are the customers' objectives? What are they really buying?

How do segments differ in their motivation priorities?

What changes are occurring in customer motivation? In customer priorities?



Customer Analysis

Unmet Needs

Why are some customers dissatisfied? Why are some changing brands or suppliers?

What are the severity and incidence of consumer problems?

What are the unmet needs that customers can identify? Are there some of which consumers are unaware?

Do these unmet needs represent leverage points for competitors?



The Customer as an Active Partner in Identifying Unmet Needs

Encourage **Active Dialogue**

Mobilize **Customer Communities**

Leverage customer diversity for insights – e.g.,
in customer sophistication in the product
category, accessing lead users

**How
do customers decide
what to buy?**

Buying Roles

Consumer Purchases

Initiator

Influencer

Decider

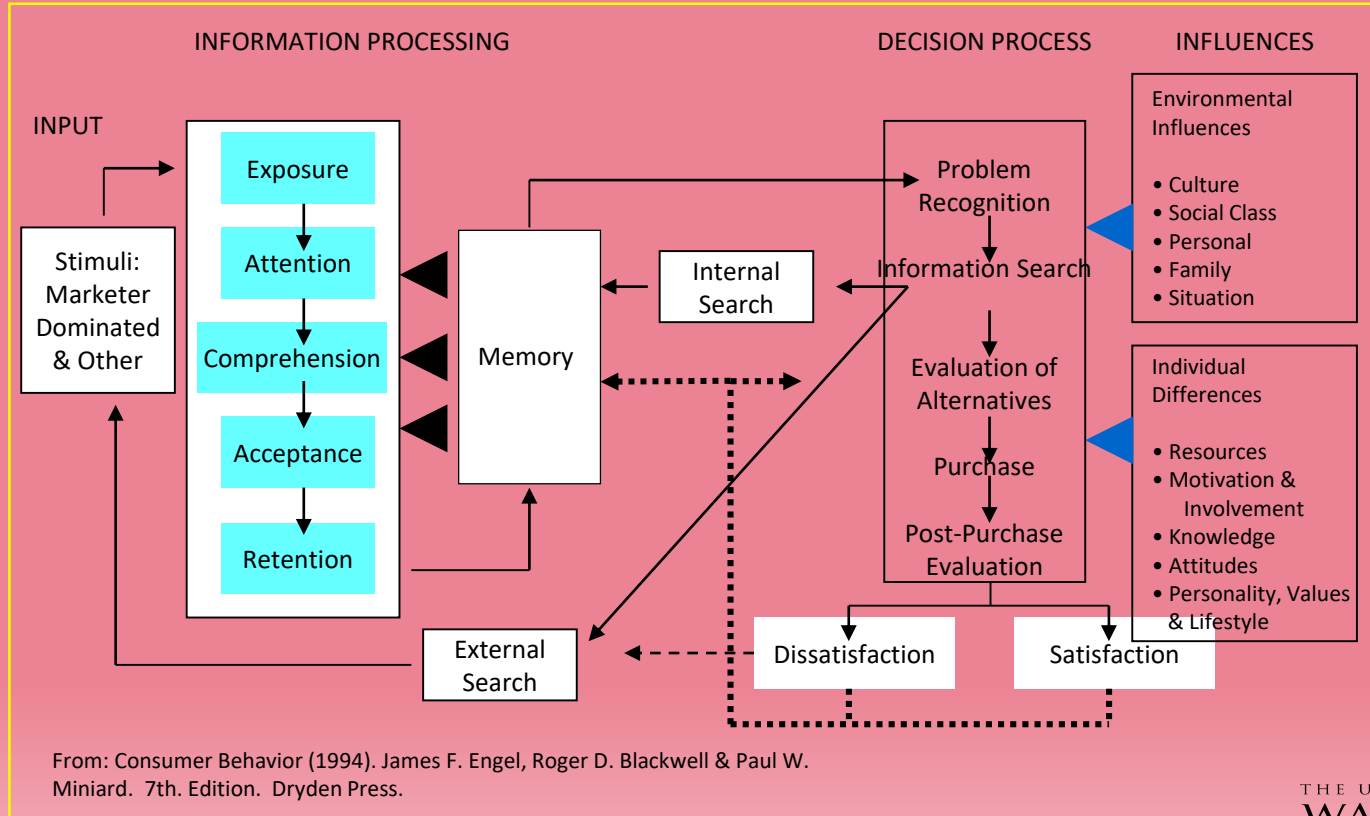
Buyer

User



Initiator? Influencer? Decider? Buyer? User?

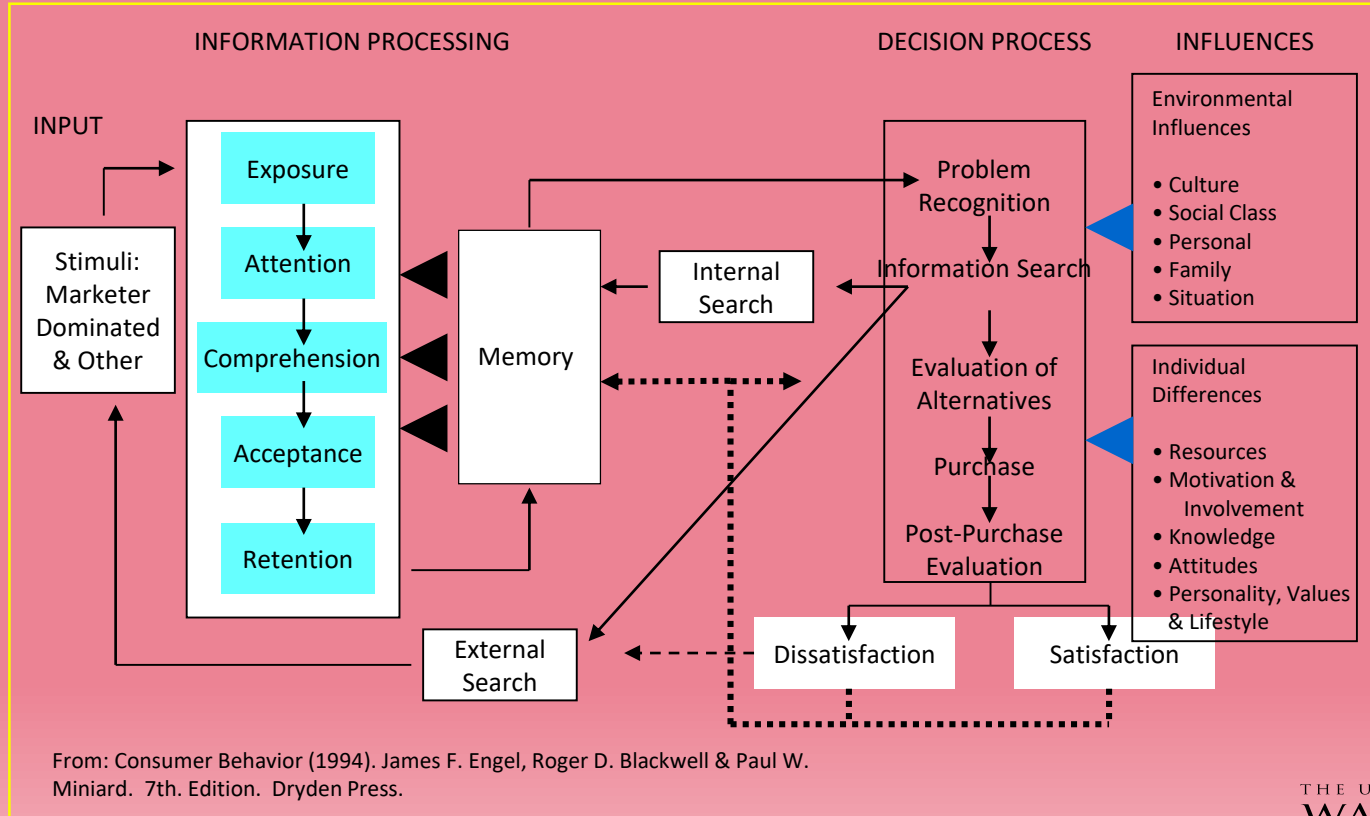
A Model of Consumer Behaviour





Problem recognition

A Model of Consumer Behaviour

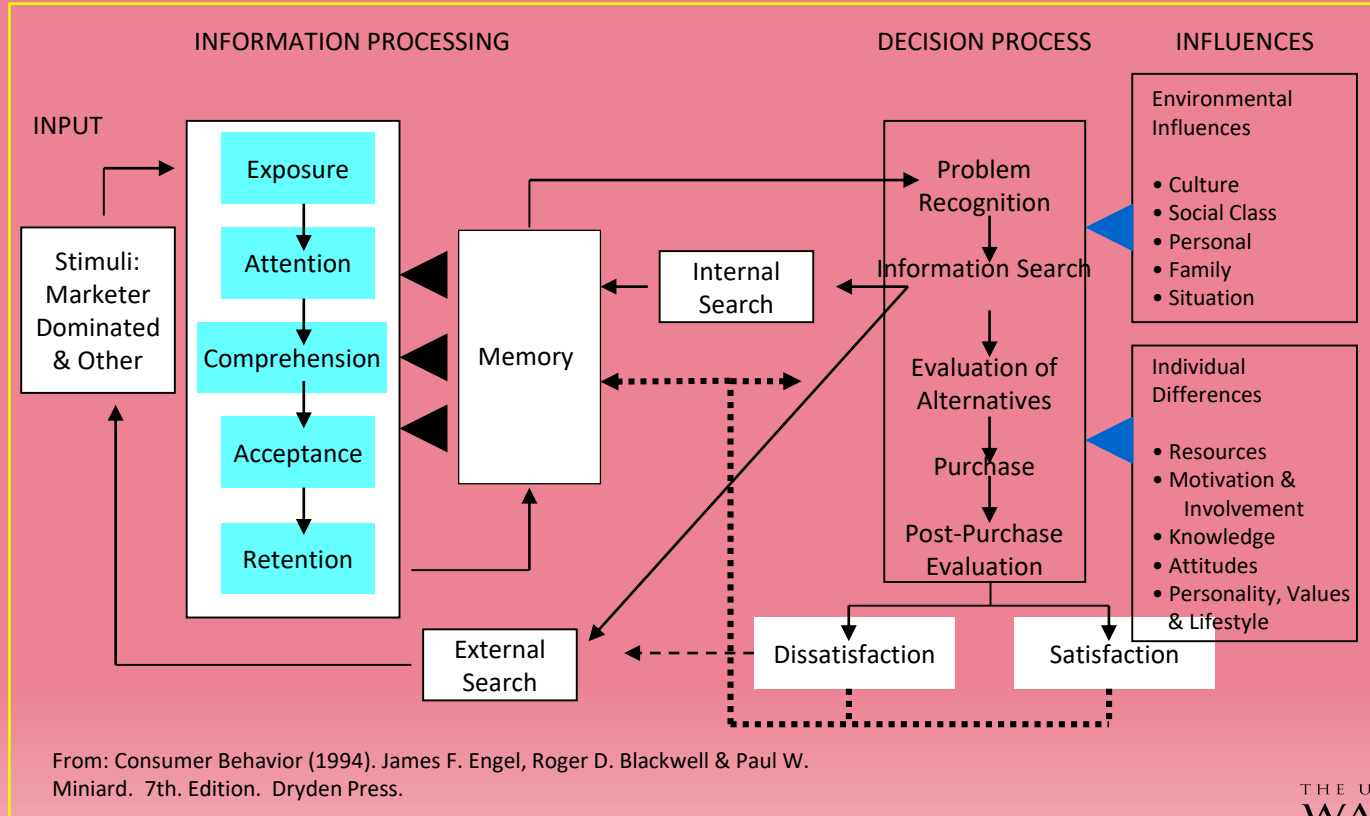


From: Consumer Behavior (1994). James F. Engel, Roger D. Blackwell & Paul W. Miniard. 7th. Edition. Dryden Press.



Information search

A Model of Consumer Behaviour





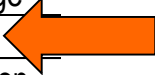
Evaluation of alternatives

Evaluation of Alternatives

- Of which alternatives are consumers aware?
- How do they evaluate them?
- What attributes do they use?
- Which are important or determinant?
- In what way are they judged?
- How do they consider them?
- Consumers may differ with respect to all of the above.

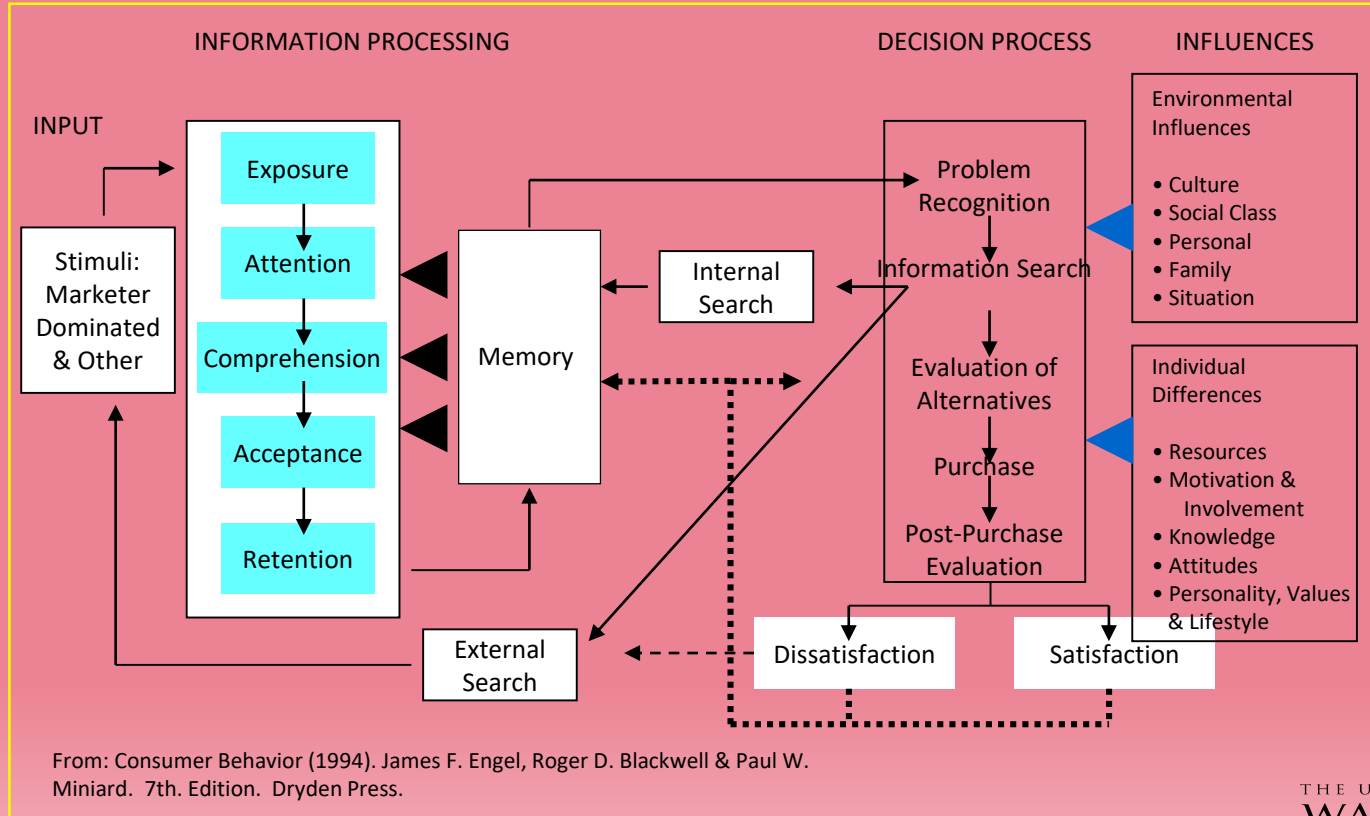
ANALYSING COMPETITIVE ADVANTAGE

USING EVALUATION OF ALTERNATIVES STAGE OF PDP MODELS

Attribute Importance	Our Performance	Competitor's Performance	Simultaneous Result
High	Poor	Poor	Neglected Opportunity
		Good	Competitive Disadvantage
	Good	Poor	Competitive Advantage 
		Good	Head-to-Head Competition
Low	Poor	Poor	Null Opportunity
		Good	False Alarm
	Good	Poor	False Advantage
		Good	False Competition

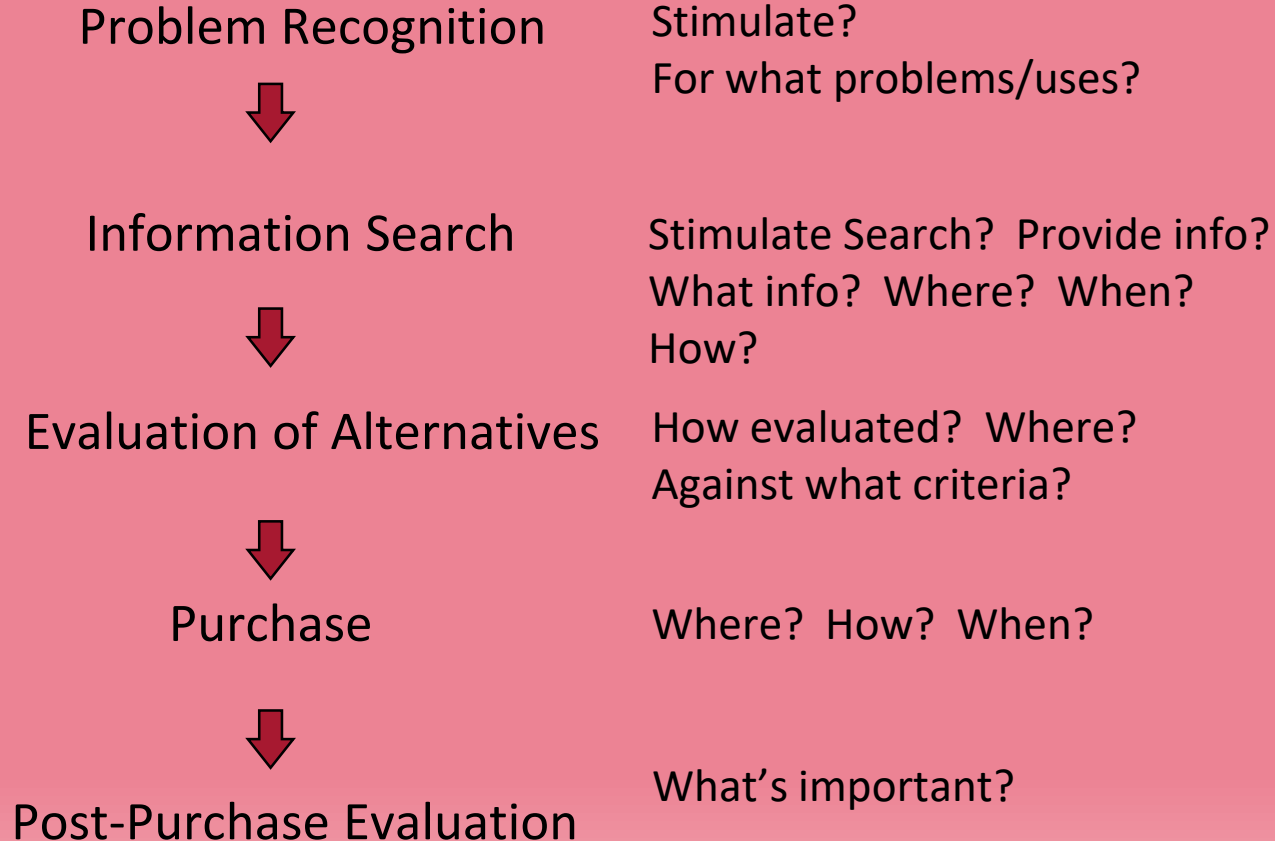
From: Alvin C. Burns, "Generating Marketing Strategy Priorities Based on Relative Competitive Position," Journal of Consumer Marketing. Vol. 3. (Fall 1986).

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PDP Model Suggests Marketing Actions





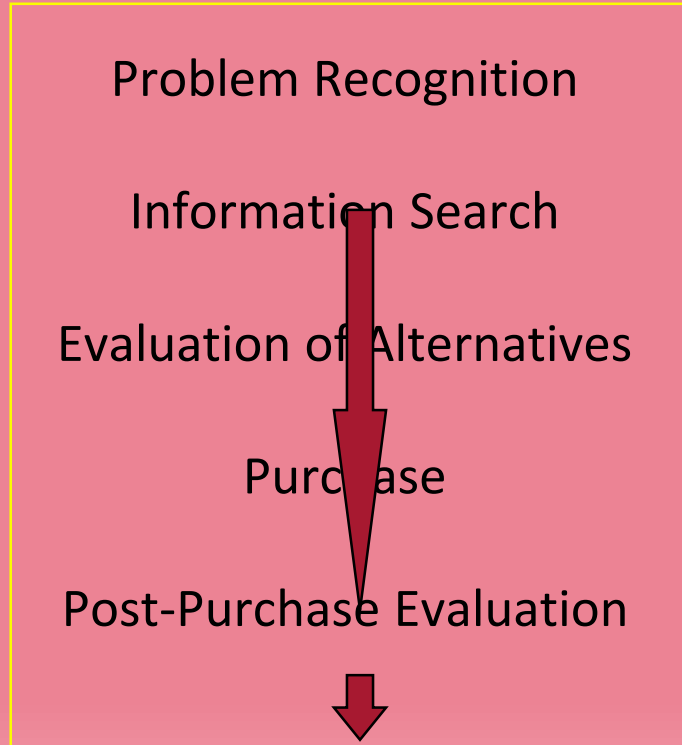
Purchasing Decision Process: What marketing actions?

Influences on the Extensiveness of the Purchasing Decision Process (PDP)

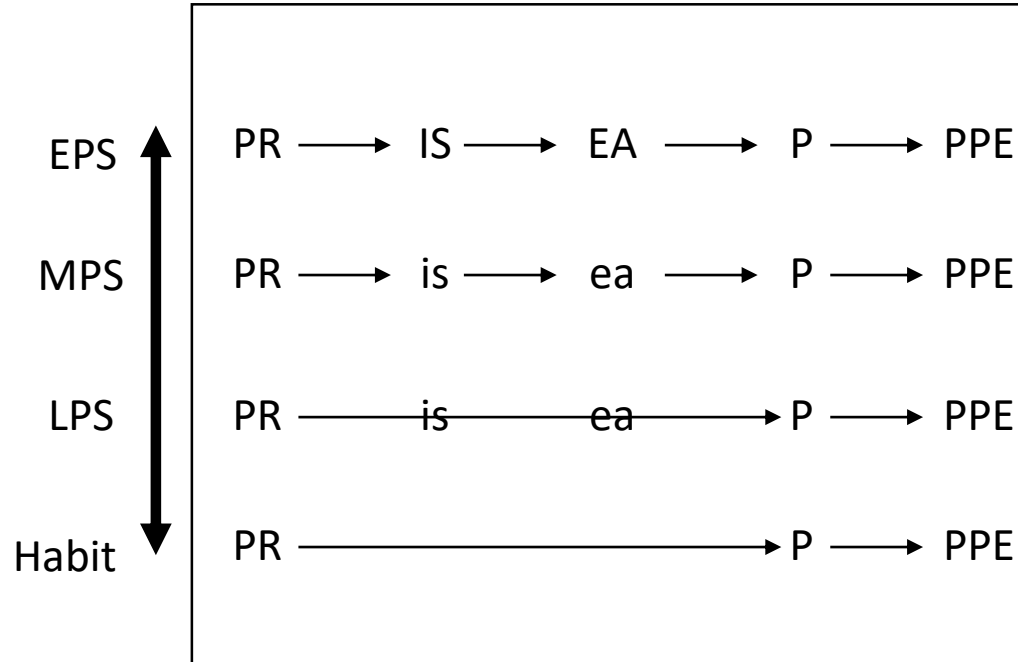
- ⦿ Degree of Risk
- ⦿ Personal relevance
- ⦿ Time available

Leads to a PDP Continuum

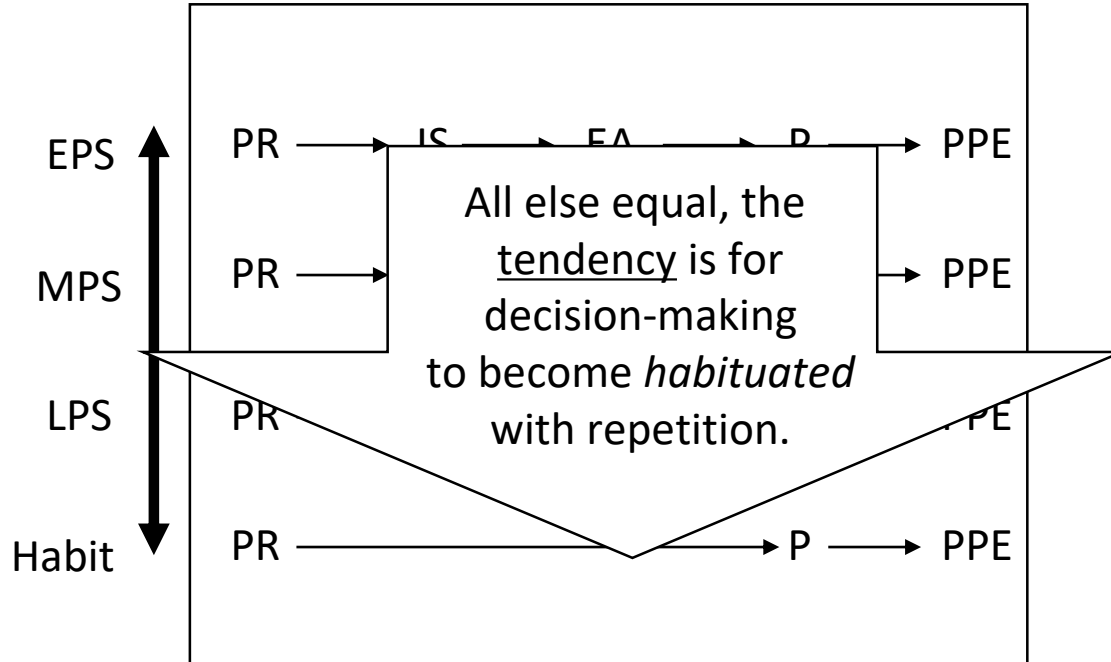
The full process may not be followed



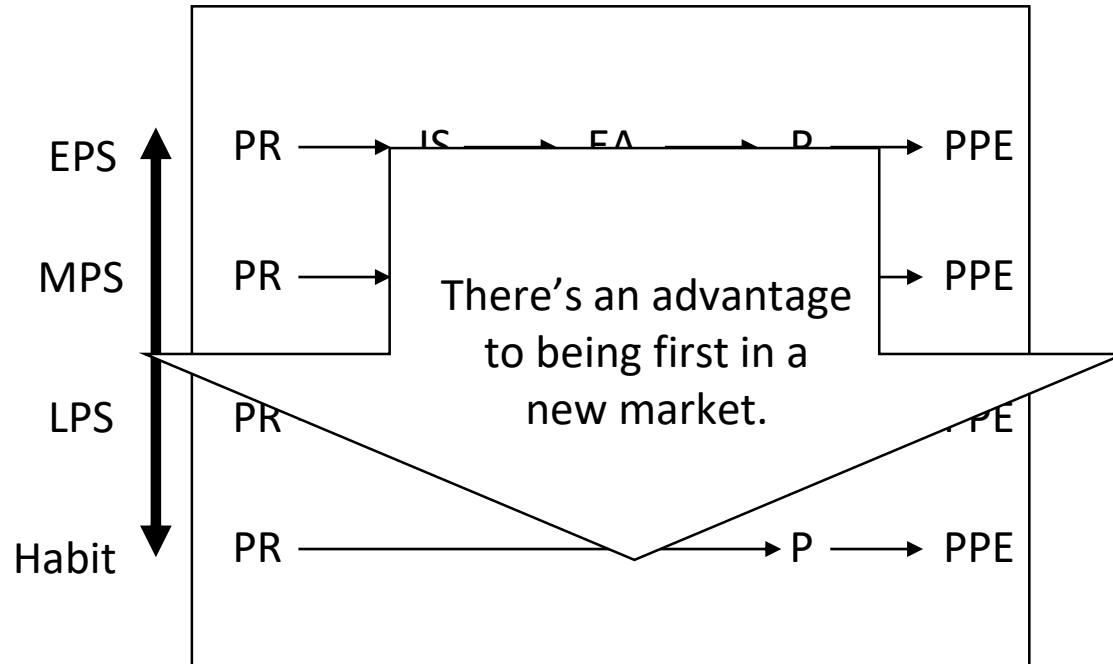
Buyer Decision Process: Model and Continuum



Buyer Decision Process: *DYNAMICS*



Buyer Decision Process: Strategic Implication





Habitual purchase? First-mover advantage

First Purchase: Extended Problem Solving

◎ Implications:

In marketing communications argumentation is likely to be more effective than presentation.

Buyers are more likely to notice brand differences

First Purchase: Limited Problem Solving

◎ Implications:

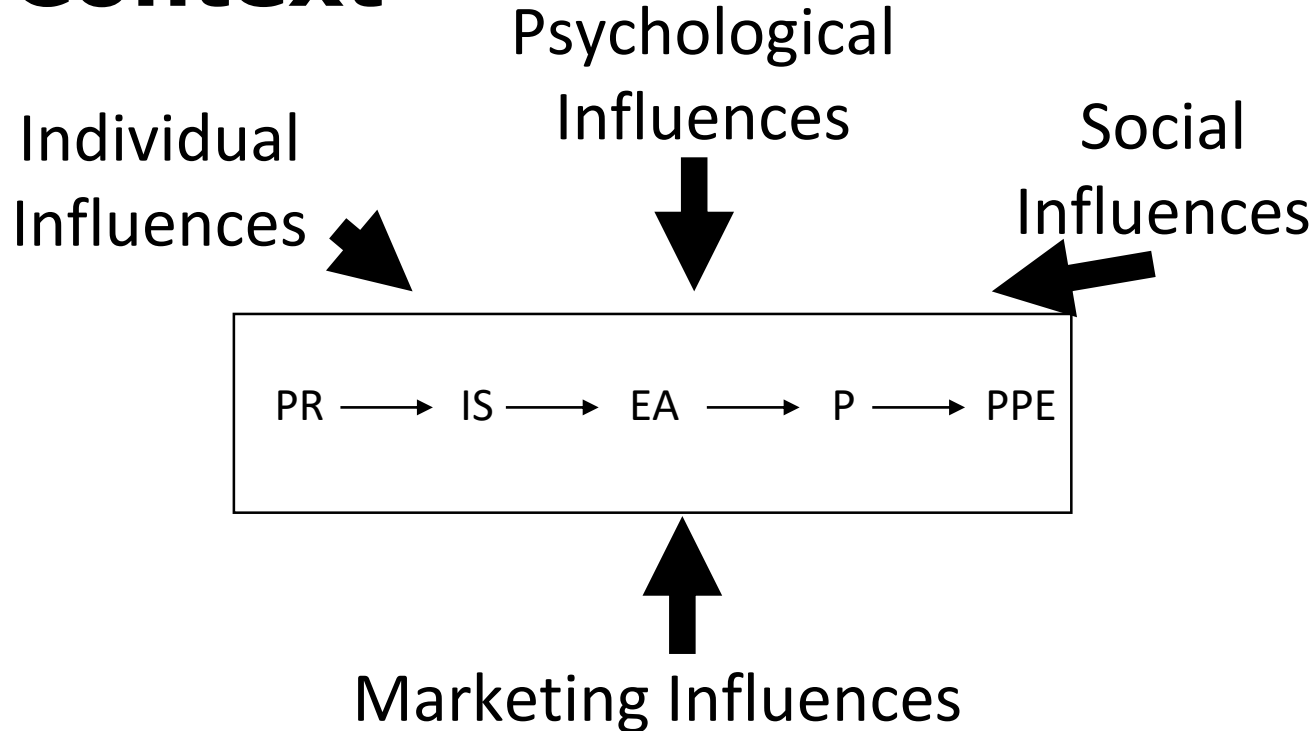
When involvement is low presentation is more effective than argumentation.

Search limited to known brands; unknown brands are doomed.

Distribution and POP advertising crucial.

Satisfaction leads to habitual purchase out of inertia.

Buyer Decisions in Context



Marketing Influences: Marketing Strategy Elements

- Value proposition
 - Positioning
 - Timing
 - Marketing Mix
 - Product
 - Price
 - Promotion
 - Place
- integrated for a
Target Market

Marketing Mix...

- ⌘ Product: Physical attributes, packaging, service elements
- ⌘ Price: Not just asking price but life-time costs
- ⌘ Promotion: Media and Messages Advertising, PR, publicity, sales force
- ⌘ Place: How the product reaches the customer

Some of the other influences on the PDP

Sociocultural

- Culture
- Social Class
- Personal

Situation

- Physical & Social Surroundings
- Time
- Nature of purchase task
- Prior states

Psychological

- Perception & Information Processing
- Attitudes
- Motivation
- Knowledge



Models can be diagnostic

	% of Potential Market at each Stage	
	Period 1	Period 2
Problem Recognition	20	30
Information Search	15	25
Evaluation of Alternatives	10	25
Purchase	5	5
Post-Purchase Evaluation	5	5

SUMMARY

- ◎ Marketing is just one of many influences on purchase decisions

 - In some cases, it may be the least influential
 - Marketing involves trying to get an edge over competitors

- ◎ Repeated decision-making tends to become habituated

 - This generates a possible early entrant advantage

Consumer and Organisational Models of Purchase Decisions: Common Features

- ◎ Decision-makers move through stages to the decision
- ◎ The extent to which all stages of each model applies varies with the nature of the task, and the nature of the people or organisation involved

Industrial vs. Consumer Behaviour: Basic Distinctions

Consumer

- ❑ Individual buyer
- ❑ Primary demand

Industrial

- ❑ Organisational buyers
- ❑ Derived demand



Industrial vs. Consumer Behaviour: Other Distinctions

Consumer

- ⌘ Impulse purchases
- ⌘ Many purchases
- ⌘ Brand aware
- ⌘ Fixed price
- ⌘ Repeat buys
- ⌘ Mass promotion

Industrial

- ⌘ Considered purchase
- ⌘ Fewer purchases
- ⌘ Highly rational
- ⌘ Negotiable
- ⌘ One off buys
- ⌘ Direct selling

Models of Buying Decision Processes

CONSUMER



ORGANISATION



The Buy Grid

	New Task	Modified Rebuy	Straight Rebuy
Recognise problem	YES	Maybe	NO
Describe general need	YES	Maybe	NO
Product specification	YES	YES	YES
Search for suppliers	YES	Maybe	NO
Ask for proposals/bids	YES	Maybe	NO
Select supplier	YES	Maybe	NO
Specify order-routine	YES	Maybe	NO
Review performance	YES	YES	YES

Buying Roles

Consumer Purchases

Initiator

Influencer

Decider

Buyer

User

Organisational Purchases

Initiator

Influencer

Specifier

Approver

Decider

Buyer

User

Gatekeeper

Buying Centre Roles: Some Implications

- ◎ Identify members of the buying centre and evaluate the relative contribution of each to the PDP.
- ◎ Tailor communications campaign to make different appeals to different role holders.
- ◎ Deliver relevant communications to the right person at the right time.

Influences on Organisational Buying

- ⦿ Environmental
- ⦿ Organisational
- ⦿ Interpersonal
- ⦿ Individual



Summary

- ⌘ Extent to which all stages are followed depends on: the risk, complexity, and importance of the purchase and the time available for purchasing it
- ⌘ The differences have significant implications for the design of marketing strategies
- ⌘ The tendency is for purchase decisions to become *routinised* over time
- ⌘ The model shown presents an *information-processing* view of learning, which does not apply to all products