Chapter 5/6
Final Consumers and Their Buyer Behavior/
Business and Organizational Customers and Their Buying Behavior

As you might surmise, marketers like to know what stimulates a buyer to actually make the purchase decision, especially the products and services they provide. You would assume that buyers are going to buy a product to satisfy a need such as food to satisfy hunger; clothing for style, work, leisure, and warmth; automobiles for transportation; plumbing services to unclog a drain; on and on. And that is a correct assumption. But understanding the consumer, and consumer behavior goes much beyond just satisfying a need. Marketers want to know and be able to develop strategies to attract consumers to their product or service, to their brand, and/or to their retail outlet. Thus, the study and understanding of consumer behavior is quite broad.

The study of consumer behavior has its foundation in the study of human behavior and psychology, and even sociology. Therefore it is akin to a science, which tells us consumer behavior is a process of behaviors through which a buyer makes the purchase decision. Think of yourself when you go shopping for food at the grocery store. Simply it starts with a need to buy food items for yourself and/or your family. You identify the need, and then you consider a number of things such as price, image, brand, value, nutritional content, taste, and more. Certain things influence you, such as a coupon or even a recommendation from a friend or family member. Often, this process to buy small items is somewhat automatic. It is learned behavior. Essentially, however, you go through the same process and you are influenced similar when buying larger items such as an automobile, golf clubs, jewelry, etc. It is these larger items where something called post purchase dissonance comes in when we look back at the purchase we made and have second thoughts about the decision we made and the money we spent. We have all experienced that. However, you may not recognize it, but this can happen, also, with even some small purchases. Personally, I go through it if I have something as small as a candy bar. I enjoy it while I’m eating it, but then I have second thoughts about the nutritional value and the sugar content of the product I just consumed. This kind of thing happens to all of us, too.

From this, you can see why marketers need to have an understanding of why, we as consumers behave as we do in the decision process, when buying a product or service. If/when they are able to understand that, it is then likely that they can come up with some tactics and strategies to influence our purchase decision.

The classic consumer decision-making process is basic to the understanding of consumer behavior.

1. Need recognition. This is the first step in the consumer decision-making process. I have already mentioned the aspect of need. At some time or another, we all have a need for something. We get hungry. We recognize the need to satisfy that hunger. Our car gets old and begins to require more maintenance than when it was new. We recognize the need to buy a newer car. So, need recognition is the
imbalance between an actual and a desired state. It is the first motivator to make a purchase decision. Thus, it is a stimulus. The question often arises: What is the difference between a want and a need? Again, a need is something that we as consumers recognize that occurs from a stimulus. A want is something we desire to satisfy the need, but may not always be able to reach. I may need a vacation. Therefore, I want to go to Hawaii, but I can’t afford it. So, to satisfy that need within my means, I may go camping at a nearby lake.

It is important for marketers to understand the psychology of the need recognition as it is associated with the actual versus desired state. It is that point that they step in with some strategy to influence the action to achieve the desired state.

2. Information search. A year or so ago, I needed a truck, since my older one had so many miles on it and it was requiring more maintenance. So, I went shopping at various dealers considering alternatives. I looked at such things as performance, warranty, service, price, etc. I even went on the internet, which is something most of us do nowadays. I also had an idea that I wanted to buy a Toyota Tundra, because I had a friend that owned one that looked pretty good. He also told me about the excellent service and warranty that came with the Tundra. The information that I gathered with my shopping and internet experience was the external search. The information that I already had in my mind constituted the internal search. Marketers learn how consumers do these searches and they become an actual part of the marketing strategy to influence those searches and the ultimate decision process.

3. Evaluation of alternatives and purchase. During my search for my new truck, I happened to stop by a Ford and Chevrolet dealership. I was attracted to these trucks, also. It made my decision more difficult, because these were beautiful trucks, also with good service warranties and competitive prices. Financing arrangements were attractive and similar to that of the Toyota Tundra, also. I eventually came back to the Tundra, due in large part because my friend told me the re-sale was better. I also went back on internet again, and looked at all of the material I could find on Fords, Chevrolets and Tundras of comparable size, feature, and performance. In the end, I made the decision to purchase the Tundra. Thus, my decision was made out of the internal and external searches and influences.

The purchase decision on this “large ticket” item was a piecemeal process. I examined the alternatives. I looked at advantages and disadvantages of each brand and the product. I relied on my internal and external search. I was influenced by the marketing material that I found, the sales person, the purchase arrangements, and certainly my friend. I am a typical consumer! Now, you say you would not go through all of this if you needed a new pair of casual sneakers. Not so fast. You may go through it to some extent and not even realize it. You look at the styles, colors, cushioning of the sole to make a determination of the comfort. You look at price. I even look at how they lace up. You may have seen
someone with a certain kind of shoe that you were looking for or you may have seen an ad. You may be influenced by the name of a sports figure endorsing the shoe.

4. Purchase decision. At some point, you are going to decide simply to buy or not to buy. Sounds simple enough, but several things go into that the actual purchase decision itself aside from simply buying the product or not. When buying that truck, I considered when to buy, because I knew I had to make several trips in the near future, and I needed to carry some things. I needed to make the final decision on what to buy (product type, features, and brand). I think the greatest influence on my decision to buy the Tundra was re-sale and the influence of my friend. I considered where to buy the product. I went to several Toyota dealers. I eventually bought the truck from the one that appeared to offer the best service after the purchase (and they have been good). I also liked the sales person I was dealing with. He seemed determined to satisfy me, and build a relationship. Then, lastly, the big one: how to pay for it. I had to finance the purchase, and I did consider the terms of the purchase that were available to me.

5. Post purchase behavior. As I said earlier, often the consumer will do some thinking about the purchase after they made it. You may start asking yourself such questions as: Did I really need that product? Did I pay too much for the product? Are the financing arrangements something I can live with? Will it perform in the way that I want it to? If it is candy bar, I may simply ask myself, “Did I really need to eat that product (if it was of questionable nutritional value?”

One of the most important challenges of marketers in the post purchase evaluation is convincing the consumer that he/she did make the right decision, and reducing any lingering doubts that the decision was sound. Marketers know that we as consumers go through this, so they look for tactics to help us with it, such as follow up contacts to, messages via email, or even some paraphernalia designed to boost the confidence of the purchaser. This natural reaction to a purchase decision is known as post purchase dissonance. One of the things many of us do is to attempt to seek new information that reinforces the idea of the purchase. Some manufacturers of products do this. When I bought my Tundra, I got a congratulations/thank you card in the mail from my sales person. The dealer sent emails asking how they could have made the purchase process better. They sent reminders of scheduled service on the vehicle. They reminded me in numerous ways that I made the best decision to buy their product over that of their competitors. They continued to build confidence and solidify the relationship that would perhaps result in repeat business someday.

**Motivation**

As we learn this classic consumer decision process, it becomes apparent that it is closely tied to “motivation.” A need leads to a stimulus or motivation to satisfy the need, at which point we may go through the consumer decision-making process. So, let’s
discuss motivation at this point, because it does play an important role in the decision to make a purchase. Motivation is a drive to take some action to satisfy something. It is a tension that leads to some behavior, likely some action to reduce the tension. Often, the actions that we take are based on our cognitive action processes that result from previous learning. And that’s where marketers come in. They see motivation as the force that induces consumption. It is those consumer consumption experiences that result in consumer learning, i.e. I’m hungry. I like potato chips, (I have learned), that they reduce my hunger. So, I will get up and go get some potato chips.

**Perception**

Perceptions among consumers can be huge determinants of behavior. Marketers know that we act and react on our perceptions, much more so, than even on the basis of reality. You say, well, is that really true? Think about it this way…. Marketers spend a lot more time trying to create a perception, about some trait associated with their product, than they do trying to prove it in actuality.

Perceptions have a lot to do with the way we view the world. It comes into play in virtually every aspect of personal and professional life, and that holds so true in consumer behavior. In fact, we subconsciously filter out a lot of stimuli. The kicker comes when you and I and the next person are subjected to the same stimuli that do get our attention. We could very easily come away with entirely different perceptions. For example, we could all see the same advertisement, and come away with entirely different perceptions. Therein lies a real challenge for the marketer.

- It’s pretty. It’s ugly.
- It’s high end. It’s not.
- It’s a good value. It’s too expensive.
- I have utility for that product or service. It won’t do me -any good.
- Can’t use it. Don’t need it.

I prefer not to get into this theory of perception very heavily, because it goes deep in the psychological side of it, and that is not what we are here for. But what I do want to talk to about are some key theories about the dynamics of perception, because this is where marketers really go as they try to influence consumer behavior.

There are 3 aspects of perception that give insight and meaning to the ways in which consumers behave:

1. Perceptual selection,
2. Perceptual organization, and
3. Perceptual interpretation.
1. Perceptual selection. This gives rise to why we react to some things we see, and perhaps don’t react to others. Think about it. We’re bombarded with information daily. All of us exercise selectivity in perception, and this relates to our previous experiences and our motives at the time. Motives can be different from one day to the next, i.e. I am motivated to buy tooth paste today, because I ran out this morning. So, I buy it, and that’s the end of it. I’m not motivated to buy it tomorrow. That’s all that means. But what about those previous experiences? Marketers know that some stimuli results in the selection I make. Now admittedly, stimuli can be a motivator, too, but the real point here is that so many things can stimulate the selection, like brand loyalty, knowledge of the product, package, image, contrast of products, usage, and certainly advertisements and messages, i.e. I used to use Crest, but now I use Colgate, because P&G marketers do a good job promoting the whitening power and fight against cavities. (contrast) Plus, now I like the way it tastes. (knowledge) So, I’m a Colgate guy. (brand) And besides, the Colgate carton is more attractive than the Crest carton. (package)

So, what can we say about that? We can say there are a number of stimuli, some of which help me to rapidly make my selection of tooth paste, and the product meets my expectations in several ways. By the way, I’m not sure that Colgate whitens and fights cavities any better than Crest, or anything else. That’s just my ‘perception.’ And I want to add one other thing to that: In case you didn’t know…..’sex sells.’ Marketers really use this one. But, could it have stimulated my selection of tooth paste? Maybe, but does sex really have anything to do with tooth paste? Of course not. But what it DOES do is get my attention, hopefully to the product, and not something else. Marketers use sex frequently in ads, but they know of the risk that consumers may remember the sexual overtone more than the product.

2. Perceptual organization. As we learned earlier, we are bombarded with stimuli, daily. And we do filter out a lot of it. But we do something else, also. We organize it into categories. This is an automatic within our brain, as a way to simplify things for us. From a purely psychological perspective, this is called Gestalt Psychology, which means (in German) pattern, grouping, configuration. Now, how do our brains do that? Marketers know how! They know that some messages/stimuli are clear, and some are not so clear. This is called figure and ground. I think about this all the time with my wife. Sometimes, she’ll miss the point of a joke, or a subliminal comment with an underlying meaning. But then, sometimes, we’ll watch a movie or hear a song, that has a subliminal point, and I’ll miss it! This can happen in marketing communications, also. Marketers must craft their message carefully in how they present the message, dependent upon
who the target is. For example, kids are huge consumers. So, the message to
them has to be something they can comprehend. But for adult items, the
message would be much different; one that kids don’t get.

We, as consumers group messages. Marketers design messages in this way,
because it facilitates memory and recall. Lots of stimuli occur in this way, i.e
vitamins for healthy people, sports drinks by popular sports figures, furniture
styles for certain geographical cultures (the coast, New England, the south, the
west, etc.). Then, consumers have a need for closure related to perceptual
organization. As we group or categorize perceptions, sometimes, there are gaps
in the complete picture. Our tendency is to close those gaps. Marketers will
intentionally design a message that will intentionally leave a gap. This peaks our
curiosity to close the gap. For example, the marketer may send a message
related to a car. There may be a subtle gap left with respect to actual
performance. That’s because they want you to go check it out to find out for
yourself, and your interest and perception peaks in the process. These
infomercials about great buys on CD’s of certain types of music do a good job of
that. They play only partial songs, and then they list others that they don’t play at
all.

3. Lastly, we have perceptual interpretations. One of the things we learn about
stimuli is that it is not always clear, and that really distorts our perceptions. For
example, our perceptions can be distorted by physical appearance. A lady might
see a pretty dress on a beautiful model, and think, ‘hey…if I buy that dress, I’ll be
just as pretty. Doesn’t always work that way. Does it? Or take a boat. I love
boats, and I’m always looking at them. A boat may look good, but it may not
perform well. Marketers can get in trouble right here. They’d better make sure
the product or service does what they say it will, and not base their message
related to traits just on physical appearance. Then, there are stereotypes. This
can work in a lot of different ways. Say, I’m going to buy a suit to wear to a big
business meeting. It is a nice special cut, double breasted, fitted, designer suit,
and I’m going to wear it with a red power tie. That fits the stereotype of sharp
business people. And I’ll be OK…until I open my mouth.

We also have a tendency to have first impressions about things. Say for
example, I get a new hi-tech computer. And I don’t know how to work it, or there
may even be something wrong with it. My first impression might be ‘this is a
piece of junk,’ when in fact, it may be a great product. That can also happen with
stores and restaurants, i.e. the first time you go there the service is bad. That can
leave a bad first impression that may be inaccurate. But it can work another way,
too. You may get a GOOD first impression of a product, retailer, service, or
whatever, and you will likely keep it, even if they make some kind of mistake
somewhere down the road. You will give them a second, maybe even a third chance. We are all guilty of jumping to conclusions. Why? What are some things that may lead us to do that? A good ad may cause us to do it; even the word of a friend. Sears has those tools I want. ‘Tommy said so.’ And you go to Sears, and they don’t have exactly what you want. Packaging can cause us to jump to conclusions about what’s in there, volume, or even performance.

A good example of how marketers use perceptual interpretations is with the beer companies. Companies like Anhauser Bush and Miller have very recognizable brands. They identify the product, and the beer drinking public likes to be identified with those brands. This kind of brand recognition can be valuable to a company because it will help them introduce new product lines, i.e. Bud Lite, Miller Gold Original. What are they doing? They are using their valuable brand name/identifier to give a *halo effect* to a new product. It is a kind of a ‘jump- start’ strategy. They are using their recognizable name to get instant recognition with a new product.

Consumer perceptions are a real key to *positioning* of products and services. What is positioning? It is nothing more than a perception…a perception of where that product or service is in relation to competitive products and services and brands. Positioning is a good way to differentiate a product or service. Think of how Ford is positioned against BMW. Think of how Wal-Mart is positioned against Target. Think of how Rolex is positioned against Timex. Think of how DBU is positioned against SMU. It is all in attributes and how the product or service fulfills our needs as a consumer.

**Commercial and Institutional Buyers**

In conjunction with the overall understanding of consumer behavior is the purchase behavior of commercial and institutional buyers. As you might suspect, significant purchases are made daily by commercial organizations of all sizes and varieties. Thus, marketers need to understand the consumer decision-making process of these organizations, also. Essentially, this is business-to-business buying, often referred to as B2B.

Examples of commercial and institutional buyers would be such organizations as commercial retailers; nonprofit organizations such as churches, schools, and medical organizations; manufacturing companies; wholesalers and distributors; and last but certainly not least, local, county, state and federal governments (civilian, military, and quasi-government. The U.S. Government is the largest buyer of products and services in the world.) Right away, you can see the distinction between individual consumer buyers like you and I compared to these larger institutional buyers. And, as you may conclude, their buying behavior and purchase decisions are much different.
In order to get a better focus on the differences in these organizations as it would relate to their buying behavior, consider: They ordinarily buy in volume quantities. Thus, some have considerable purchasing power, meaning they may expect volume discounts. They have unique purchase guidelines and policies related to specifications, quality, and service. Purchases may include a value analysis related to life-cycle, pay back, efficiency, and return on investment. Their purchases may be influenced by the state of the economy and economic trends and forecasts at any point in time. They frequently have budgets and purchase ceilings that must be adhered to. Some of their buying may be on a bid and cost comparison basis. Often, the person that actually does the buying is not the end user. Many are likely in a strong bargaining and negotiating position for price and customer service.

Right away, it becomes apparent that the purchase behaviors of commercial and institutional buyers are much different than those of the individual consumer. So, the ability to reach them and influence them results in a significantly different marketing strategy, as well.

As we study marketing and marketing management, one of the modern strategies that come to the forefront is the ability of the marketer to develop relationships with the customer. The ability to do that with commercial buyers is paramount to the success of B2B buying as a way to influence their purchase decisions. There is a term in the field known as customer relationship management (CRM) that evolves as a major strategy to achieve success in this arena. Marketers and their sales people need to develop relationship building tactics that result in confidence and trust with the buyer. We know that confidence and trust does not occur automatically nor overnight. It must be nurtured and developed over time. Lines of communication need to be opened. Marketers need to understand the businesses’ buying policies and procedures. Patterns and trends of purchases need to be tracked. This is a part of the strategy. One of the things I like to say to illustrate this is “that good sales people that work with commercial buyers know more about the purchase patterns and policies of the buyer than the buyer him or herself knows.” Think about that: If I am a sales person, and I am working to build a relationship with a buyer, and I can tell that buyer what was bought this time last year, the year before, and even the year before, then, likely I have won the confidence and loyalty of that customer. In actuality, I have taken some of the work load off of that customer, and actually helped him/her become more efficient and accurate with the job they do. I can offer up other products that may fit with their mission responsibility, and I can open up other dialogues related to a closer working (and selling) relationship. Moreover, if I am able to place an order fast and efficiently at the time of the contact, and offer the desired service, price, and delivery right then and there, then these are the secrets to building that relationship and managing it effectively. In short, I am making that buyer look good to his/her organization by having products and services at a place
where they are needed, at the time they are needed, and at a desired or economical price.

Much of this (CRM) is done informally, but often some of it is more formalized with what is known as a strategic alliance or strategic partnership. Customer relationship management—building that confidence and trust—may even lead to more of an official relationship with commercial buyers. There may be purchase contracts that involve volume discounts, periodic and scheduled deliveries, perhaps to meet production and building schedules, in return for pre-arranged purchase quantities and guaranteed prices, even in the face of price increases in other markets.

**Conclusion**

Considering the differences in commercial and institutional customers, and they are significant, then they warrant an entirely different approach to marketing and marketing planning. Strategies are different, and the approach to marketing management is different. Nevertheless, there remains the necessity to study and understand the buying behavior of the institutional customers just as it is important to the study and understanding of you and me as individual customers.