

UNIT – 3

Models of Consumer Behaviour

A consumer`s behaviour varies owing to the many factors that influence consumer behaviour. Consumer Behaviour Models have been developed to substantiate the various factors that influence consumer behavior and their decision making process.

The ten Consumer Behaviour models explained below are:

- Pavlovian Model
- Economic Model
- Input, Process, Output Model
- Psychological Model
- Howarth Sheth Model
- Sociological Model
- Family Decision making model
- Engel-Blackwell-Kollat Model
- Industrial Buying Model
- Nicosia Model

PAVLOVIAN MODEL

Ivan Pavlov, a famous Psychologist, devised this consumer behaviour model and the model is named after him. Ivan Pavlov conducted experiments to determine the change in behaviour with the help of Dogs. He conditioned the dog`s mind to receive a piece of meat every time a bell is rung and measured the extent of change in behaviour on the basis of levels of saliva secretion in dogs.

Learning was defined as the changes in behavior which are developed through practice and personal experience. The learning process consisted of Drive, Drives and Reinforcement. While a drive refers to a strong internal stimuli which demands an action, drives are inborn psychological needs arising out of thirst, physical pleasures, hunger and pain that create a stimuli that gives out a triggering and non-triggering cues. The triggering (activate the decision process) and non-triggering cues (Only influence the decision process) help to create a response (purchase or do not purchase) which gets reinforced over time in a conditional pattern. Pavlovian Model is purely based on psychology and has been widely accepted around the world.

ECONOMIC MODEL

According to Economic model of consumer behaviour, consumers try to maximize the utility from products on the basis of law of diminishing marginal utility. The desire of consumers to obtain maximum gains by spending a minimum amount acts as the core for the derivation of this model.

The economic model assumes that there is close similarity between the behaviour of buyers and that a homogenous buying pattern is exhibited in the market. The model is based on Income effect, Substitution effect and Price effect.

- Income Effect substantiates that when a person earns more income, he will have more money to spend and so he will purchase more.
- Substitution Effect substantiates the fact that if a substitute product is available at a cheaper cost, then the product in question will be less preferred or less utilized by people.
- Price Effect suggests that when the price of a product is less, consumers tend to purchase more quantity of that product.

INPUT, PROCESS, OUTPUT MODEL

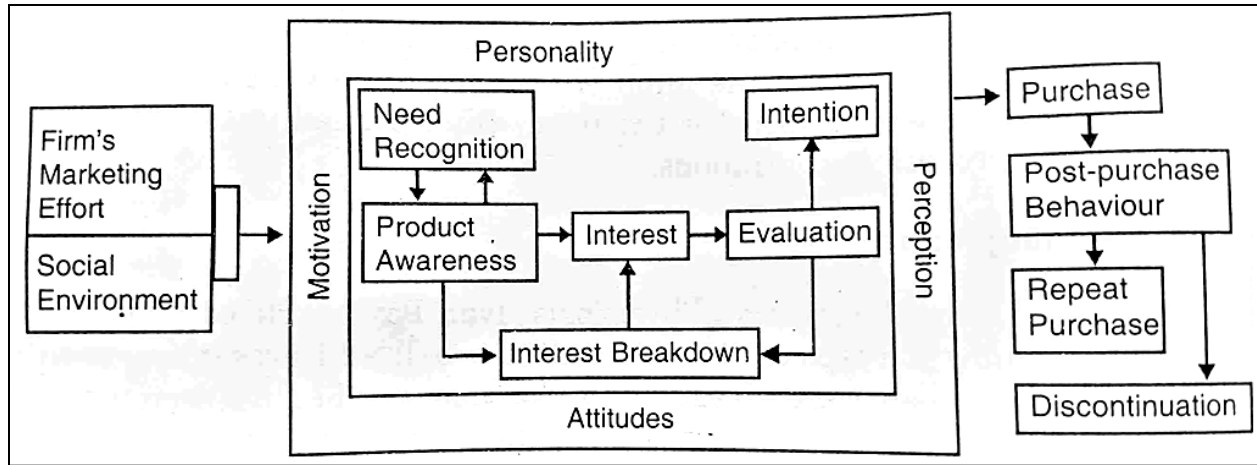
The input, process, output Model focuses on the product that is being marketed, the environmental forces and family background of the consumer. Factors that act as inputs and outputs in this model are:

Inputs are the marketing efforts in terms of product, price, place, promotion taken by an organization and the environmental forces such as family, reference groups, culture, social class etc. that influence the decision making process of a consumer. These factors which act as inputs trigger the consumer to identify his needs and ensure that the consumer gets the intention to purchase products after careful evaluation of the factors.

Process is concerned with the purchase process. A consumer goes through various steps like need recognition, awareness, evaluation and purchase in order to make a buying decision. While a satisfied customer acts as the brand ambassador exerting influence on future purchases, a dis-satisfied customer acts as a negative reference point spoiling the marketing efforts of the company to promote the product.

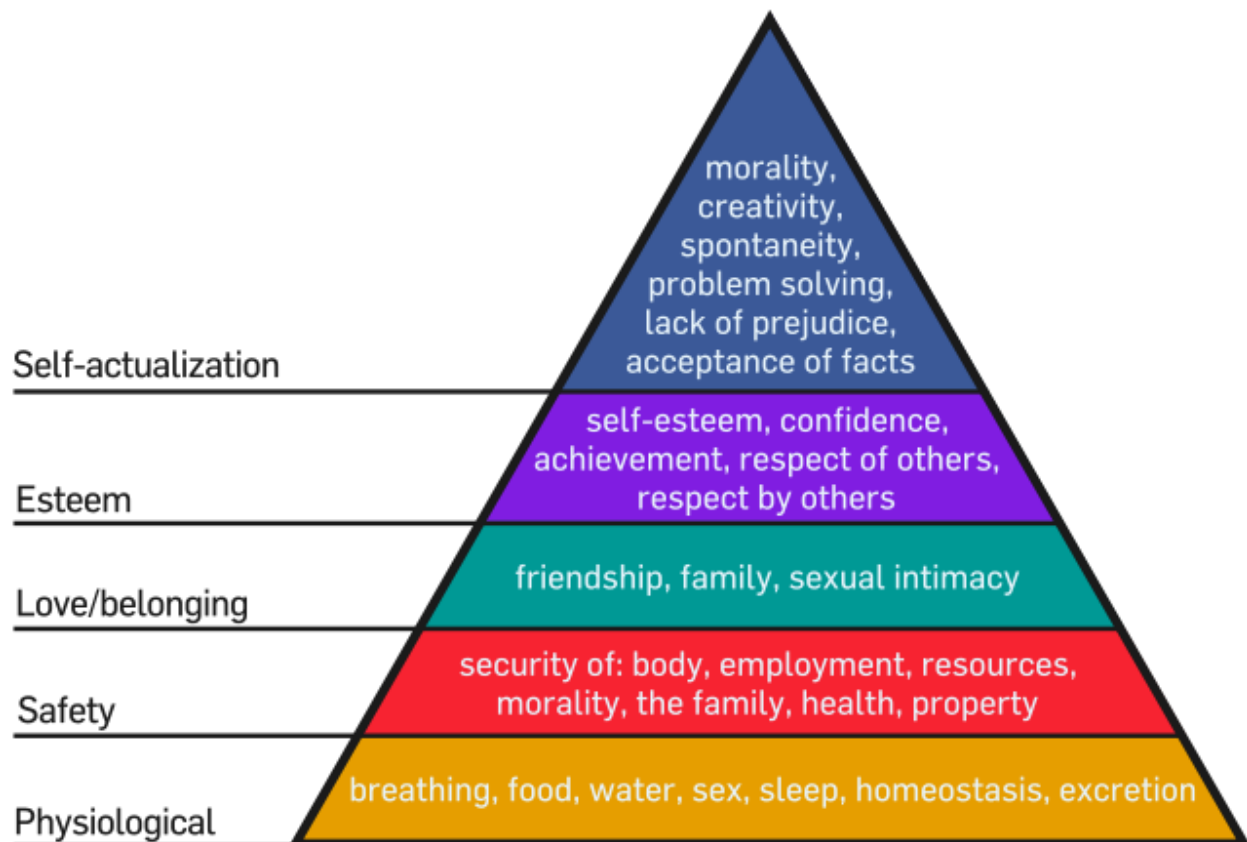
Outputs refer to the consumer's response to the marketing efforts of the organization. Some responses that consumers display are regarding:

- Buying decision
- Choice of Product
- Choice of Brand
- Choice of Dealer or Store
- Purchase timing and amount
- Post Purchase behaviour



PSYCHOLOGICAL MODEL

The Psychological Model is based on the famous psychologist A.H. Maslow's theory of Hierarchy of Needs. The psychological model divides the needs into Psychological Needs, Safety and Security Needs, Social Needs, Ego Needs and Self Actualization Needs. This division of needs is termed as Hierarchy of Needs.



According to this model, the behaviour of consumers gets motivated by their needs and consumer needs never ceases to exist but arise one after another with passing time. A consumer acts according to the strongest need at a particular time, he strives to satisfy the basic needs first and then moves on to a higher level of needs and tries to satisfy them. This process continues till he reaches the highest level in the hierarchy of needs.

HOWARTH SHETH MODEL

Howarth Sheth Model substantiates the complexity involved in consumer behavior and takes into consideration various factors like attitudes of consumer, their perception levels and learning capacity that influence consumer behaviour. This model is based on four variables that are:

- Inputs Parameters
- Constructs that are related to perception and learning
- Output Parameters
- Variables that are external or exogenous in nature.

Input Parameters

As per Howarth Sheth Model, inputs are provided by three types of Stimuli namely, Significant Stimuli, Symbolic Stimuli and Social Stimuli that are essential to make a purchase decision.

While a Significant Stimuli refers to the tangible product characteristics like uniqueness, quality, stock availability, price and service effectiveness, a Symbolic Stimuli refers to perception of an individual about a particular product characteristic. Social Stimuli takes into consideration all factors that belong to the societal group to which a consumer belongs. Some factors related to Social Stimuli are reference groups, family and background and consumer's financial status in the society.

Perceptual and Learning Constructs

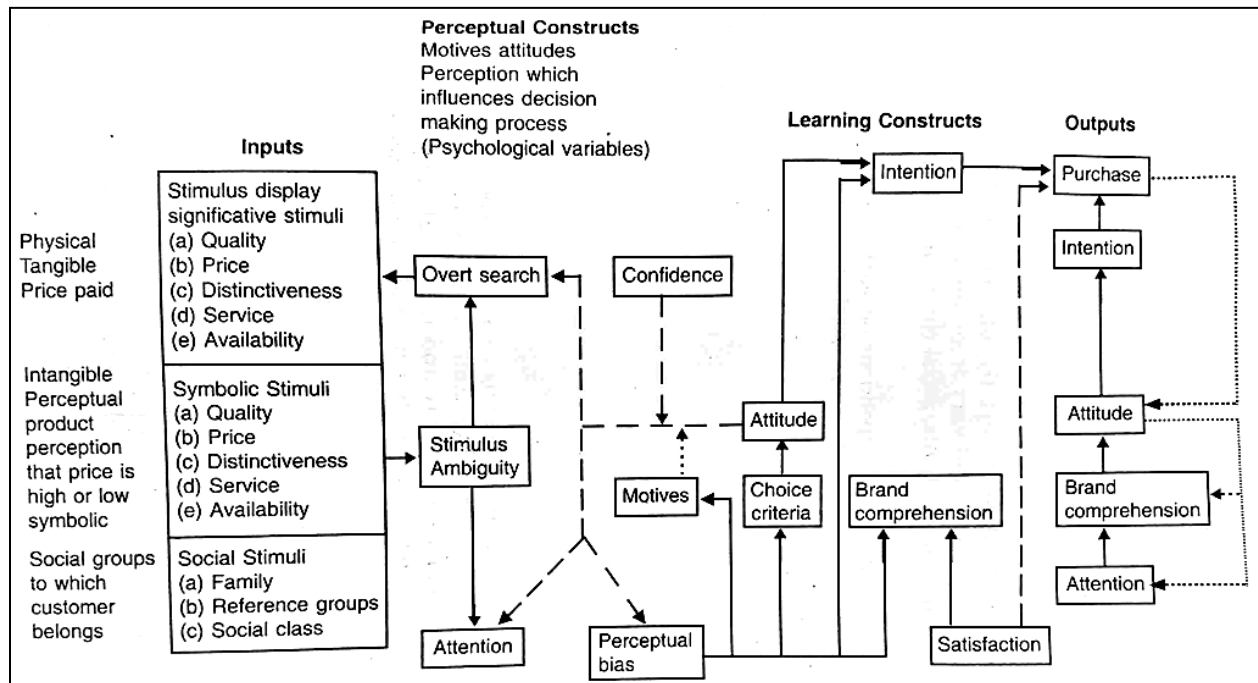
Constructs or Psychological variables like Motivation, Attitude, Learning and Perception influence the decision making process of a consumer. When a consumer receives a stimuli and interprets it, the interpretation is influenced by two factors that are stimulus ambiguity and perceptual bias. A stimulus ambiguity occurs when a consumer cannot fully interpret a stimuli while a perceptual bias occurs when an individual manipulates the stimuli according to his needs and experience. These two factors influence a consumer to evaluate a product or brand as good or bad and develop the confidence to purchase it.

Output Parameters

Output in Howarth Sheth Model refers to the final purchase decision and satisfaction or dissatisfaction levels of a consumer after making a purchase. High satisfaction results in elevated brand performance while dissatisfaction leads to lower brand performance.

External or Exogenous variables

External or Exogenous variables refer to the indirect influence exerted on the decision making process of consumers by factors such as financial status, social class, necessity to purchase and personality traits of individuals.



All four factors are dependent on each other and influence the decision making process of a consumer.

ANOTHER WRITER'S EXPLANATION OF HOWARD-SHETH MODEL

This model suggests three levels of decision making:

(i) The first level describes the extensive problem solving. At this level the consumer does not have any basic information or knowledge about the brand and he does not have any preferences for any product. In this situation, the consumer will seek information about all the different brands in the market before purchasing.

(ii) The second level is limited problem solving. This situation exists for consumers who have little knowledge about the market, or partial knowledge about what they want to purchase. In order to arrive at a brand preference some comparative brand information is sought.

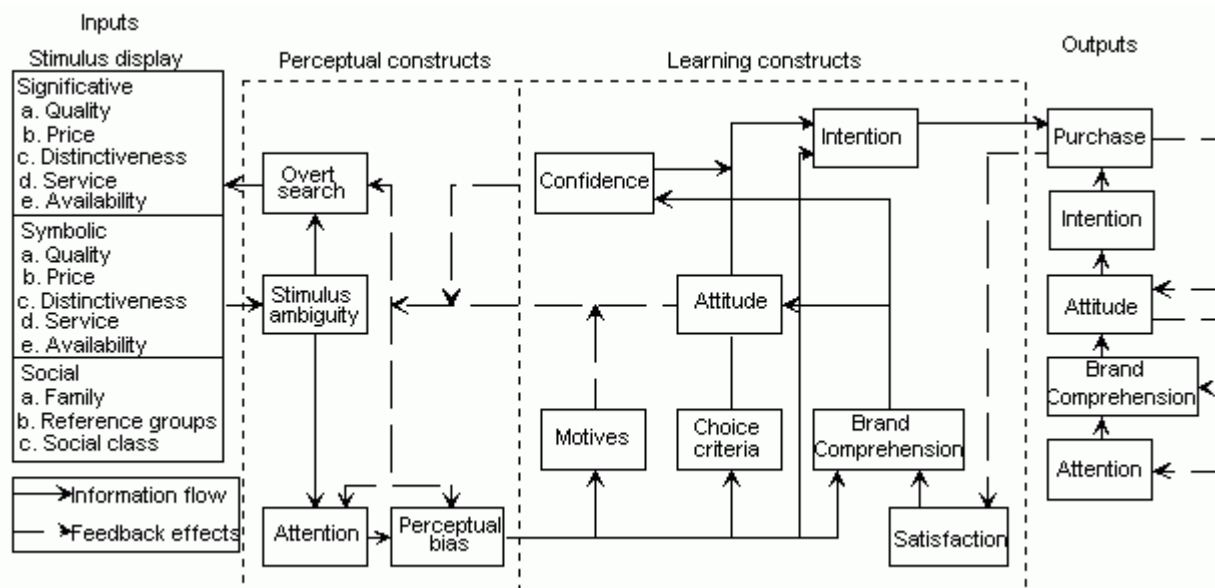
(iii) The third level is a habitual response behavior. In this level the consumer knows very well about the different brands and he can differentiate between the different characteristics of each product, and he already decides to purchase a particular product. According to the Howard-Sheth model there are four major sets of variables; namely:

(a) Inputs– These input variables consist of three distinct types of stimuli (information sources) in the consumer’s environment. The marketer in the form of product or brand information furnishes physical brand characteristics (significant stimuli) and verbal or visual product characteristics (symbolic stimuli). The third type is provided by the consumer’s social environment (family, reference group, and social class). All three types of stimuli provide inputs concerning the product class or specific brands to the specific consumer.

(b) Perceptual and Learning Constructs– The central part of the model deals with the psychological variables involved when the consumer is contemplating a decision. Some of the variables are perceptual in nature, and are concerned with how the consumer receives and understands the information from the input stimuli and other parts of the model. For example, stimulus ambiguity happened when the consumer does not understand the message from the environment.

(c) Outputs- The outputs are the results of the perceptual and learning variables and how the consumers will response to these variables (attention, brand comprehension, attitudes, and intention).

(d) Exogenous(External) variables- Exogenous variables are not directly part of the decision-making process. However, some relevant exogenous variables include the importance of the purchase, consumer personality traits, religion, and time pressure.



The Decision Making Process, which Howard-Sheth Model tries to explain, takes place at three Inputs stages: Significance, Symbolic and Social stimuli. In both significant and symbolic stimuli, the model emphasizes on material aspects such as price and quality. These stimuli are not applicable in every society. While in social stimuli the model does not mention the basis of decision-making in this stimulus, such as what influence the family decision? This may differ from one society to another. Finally, no direct relation was drawn

on the role of religion in influencing the consumer's decision-making processes. Religion was considered as external factor with no real influence on consumer, which give the model obvious weakness in anticipation the consumer decision.

SOCIOLOGICAL MODEL

The Sociological Model of Consumer Behavior is closely related to the society and the versatile groups involved in the same. These groups can be classified into Primary and secondary ones. Primary groups consist of close acquaintances, friends, relatives and family members. Secondary group consists of any member in the society, his personality type and requirements based on the same. Sociological Model focuses mainly on the lifestyle and related product requirements of consumers in the society in a holistic manner.

FAMILY DECISION MAKING MODEL

The role every member of a family plays in the purchase decision is unique. There are six types of members in a family structure who exert influence over the purchasing decision of the others in the family. They are:

1. The User
2. The Influencer
3. The Preparer
4. The Gatekeeper
5. The Buyer
6. The Decider

The User is the person in the family who plans to use the product being purchased. The user may be a single person in the family or the whole family. For instance, if the purchase decision pertains to a car or television, it may be used by all family members. When a purchase decision pertains to buying a mobile phone or a laptop, it may be for a single person in the family.

The Influencer is the person who keeps the family members updated about products and services new to the market. He convinces them to go in for the same. His influence plays a crucial role in the ultimate decision taken by the family members

The Preparer is the person who gives a product its final shape in which it is actually going to be used by the users in the family. Raw vegetables used for cooking food is an example for the Preparer role where one who cooks is involved in the process.

The Gatekeeper is a person in the family who influences the family members to go in for products which they feel will be useful to them. They safeguard the gates disallowing any product or service information that they dislike from reaching their family members. They

help the family in decision making by filtering information or product attributes to make a purchase decision.

The Buyer is the person who actually buys the product. Irrespective of the different kinds of influences exerted by other member of the family, the person playing the role of the Buyer makes the final purchase of the product or service

The Decider is the person in the family who has the money power to buy a product or service chosen for purchase. Family members playing this role have an upper hand in the purchase decision.

Family Decision making Model thus takes into account the many roles played by members of a family and their influence in decision making pertaining to purchase of products and services.

ENGEL-BLACKWELL-KOLLAT MODEL

Engel-Blackwell-Kollat Model is based upon four key components namely Information processing (IP), Central Control Unit (CCU), Decision Making process and influences exerted by the environment.

Information Processing (IP) is dependent on many factors which act as stimuli both from a marketing and non-marketing perspective, it consists of four components that are exposure, attention, comprehension and retention. Information Processing focuses on the message to which the consumer is constantly exposed (exposure). When the message instantly grabs the attention of the consumer (attention), the next logical step for him is to comprehend about the same in the rational manner (comprehension). When all of the activities happen in the perfect manner the message is retained in the memory of the consumer (retention).

Central Control Unit (CCU) is based on four factors that are psychological in nature.

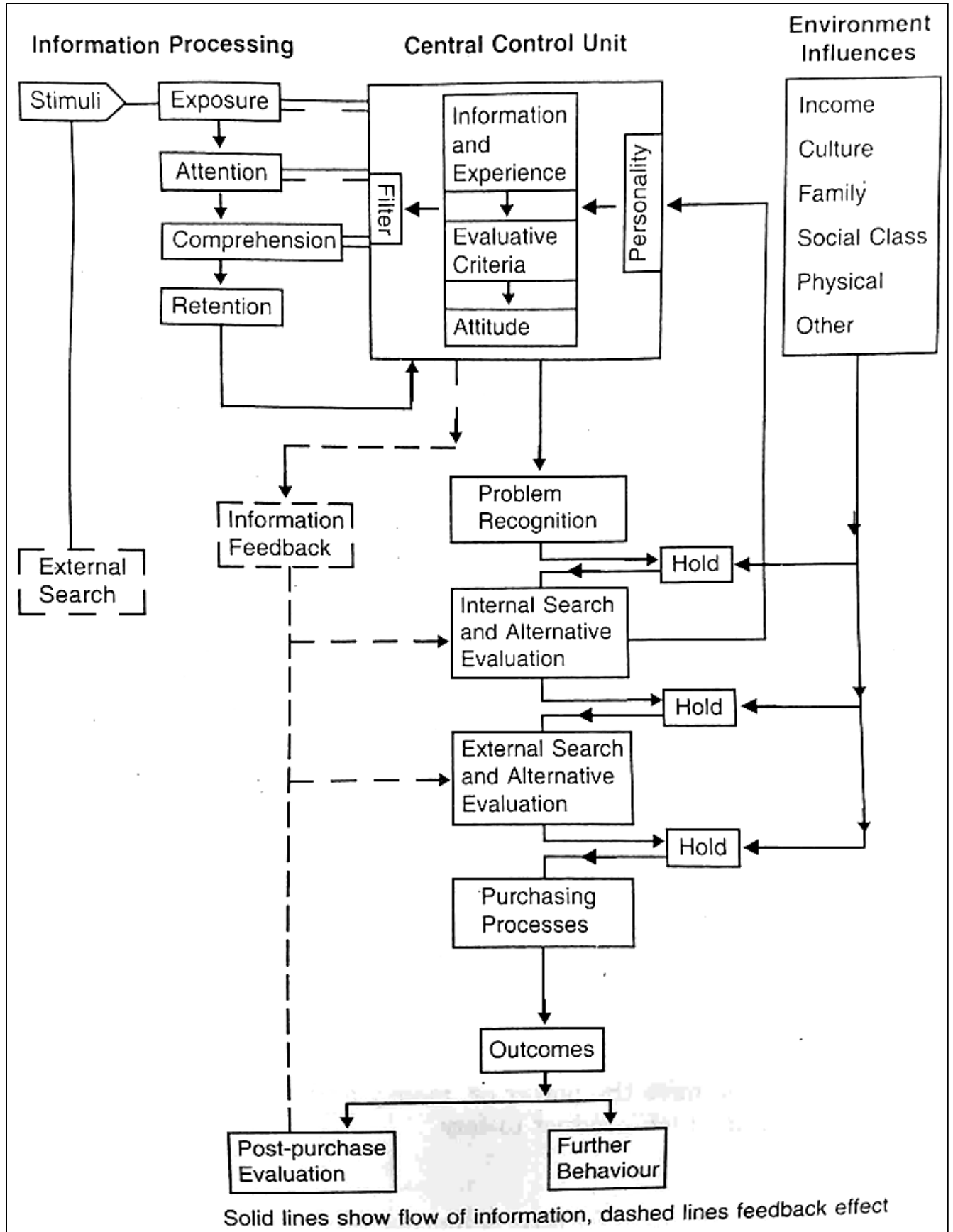
- Previous experience of the consumers and their acquaintances about the product
- Criteria based on which a consumer evaluates a product
- Changing mindsets of consumers and
- Personality of the consumer based on which he or she takes the purchase decision.

A consumer processes and interprets all the information on the basis of the above four factors.

The Decision process consists of recognizing the problem, internal and external information search, evaluating the alternatives available and finally purchasing the product. This component deals with the post purchase satisfaction levels as well as dissatisfaction levels which play a crucial role in the future decision making process of the consumers.

The Environmental influences consists of all those factors that may favour or dis-favour the purchase decision like:

- Income level of consumers
- Financial status and social class in the society
- Family Influences and other societal factors etc.



ENGEL, BLACKWELL, MINIARD MODEL (OPEN SYSTEM)

This model was created to describe the increasing, fast-growing body of knowledge concerning consumer behavior. This model, like in other models, has gone through many revisions to improve its descriptive ability of the basic relationships between components and sub-components, this model consists also of four stages;

First stage: decision-process stages The central focus of the model is on five basic decision-process stages:

Problem recognition, search for alternatives, alternate evaluation(during which beliefs may lead to the formation of attitudes, which in turn may result in a purchase intention) purchase, and outcomes. But it is not necessary for every consumer to go through all these stages; it depends on whether it is an extended or a routine problem-solving behavior.

Second stage: Information input At this stage the consumer gets information from marketing and non-marketing sources, which also influence the problem recognition stage of the decision-making process. If the consumer still does not arrive to a specific decision, the search for external information will be activated in order to arrive to a choice or in some cases if the consumer experience dissonance because the selected alternative is less satisfactory than expected.

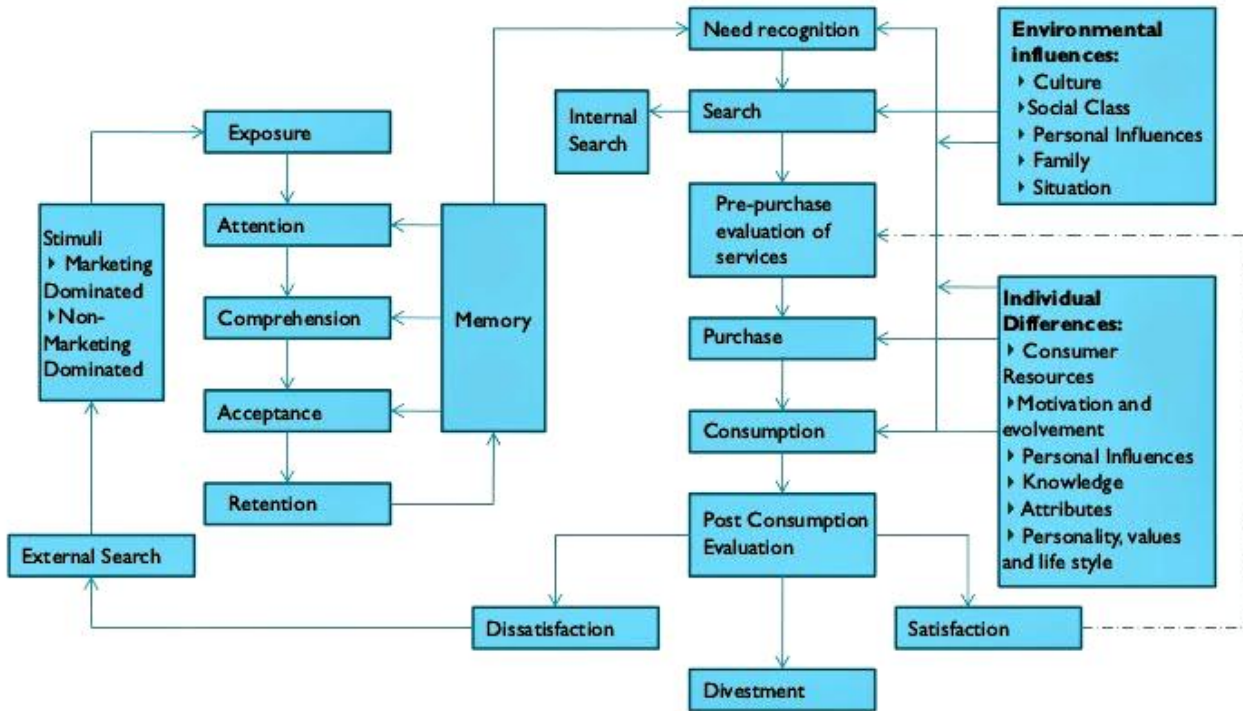
Third stage: information processing This stage consists of the consumer's exposure, attention, perception, acceptance, and retention of incoming information. The consumer must first be exposed to the message, allocate space for this information, interpret the stimuli, and retain the message by transferring the input to long-term memory.

Fourth stage: variables influencing the decision process This stage consists of individual and environmental influences that affect all five stages of the decision process. Individual characteristics include motives, values, lifestyle, and personality; the social influences are culture, reference groups, and family. Situational influences, such as a consumer's financial condition, also influence the decision process.

This model incorporates many items, which influence consumer decision-making such as values, lifestyle, personality and culture. The model did not show what factors shape these items, and why different types of personality can produce different decision-making? How will we apply these values to cope with different personalities? Religion can explain some behavioral characteristics of the consumer, and this will lead to better understanding of the model and will give more comprehensive view on decision-making.



Engel-Blackwell-Miniard Model



► Source: Blackwell, Miniard and Engel, 2001; Rau and Samiee, 1981; Foxall, 1980.

INDUSTRIAL BUYING MODEL

Industrial Buying Model deals with the cumbersome process involved in making purchase decisions in a typical industrial set up. The decision making process related to purchase in an Industrial setup involves many Departments that are concerned with the same in a direct or indirect manner. This model highlights three crucial characteristics involved in purchase decisions by Industries.

- Individuals who hail from different backgrounds, possessing varying psychological outlook are involved in the decision making process
- Joint decision making is inevitable in an Industrial setup
- Decisions pertaining to a purchase may lead to opinion clashes between concerned departments or individuals before an amicable solution is found

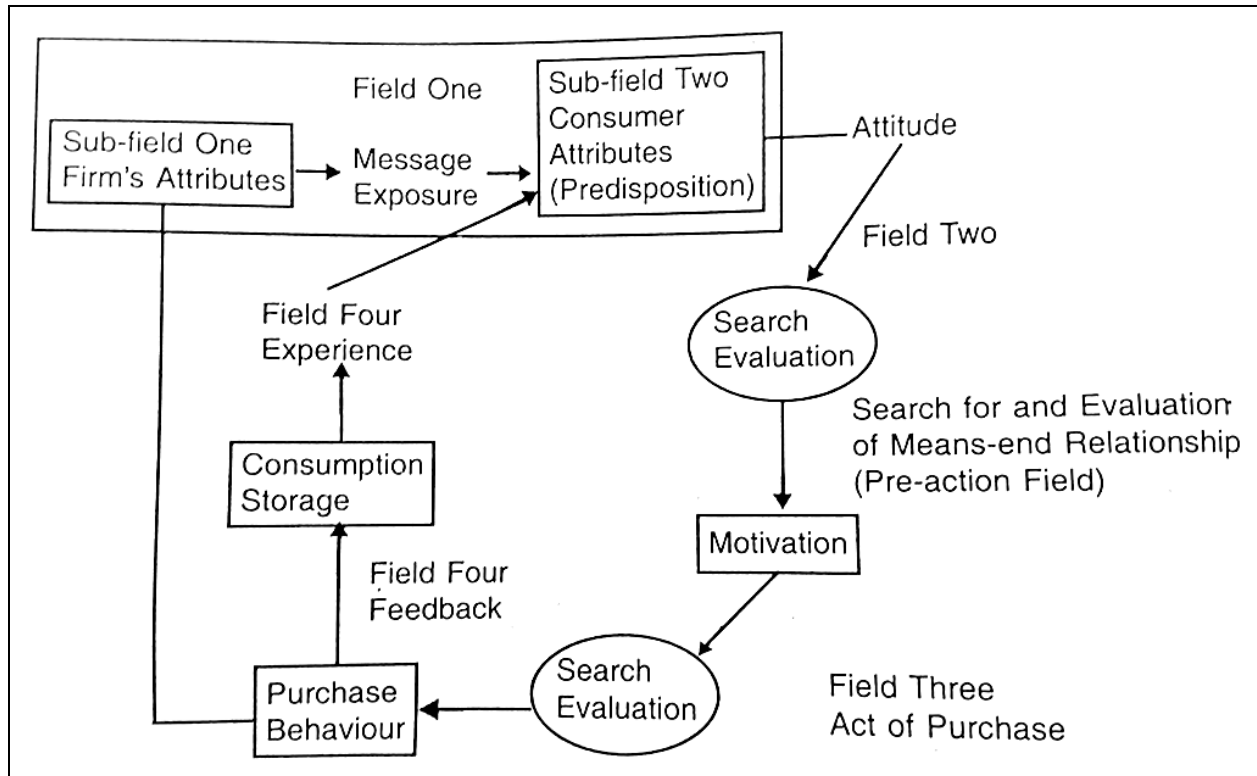
Individuals in decision making capacities may be from various departments in an organization. Some Departments concerned are Research and Development Department, Quality Control Department, Finance Department, Manufacturing Department and Technical Support Department amongst the many others. The committee that is formed for making purchase related decision may comprise individuals who

- Have different perceptions
- Hail from varying backgrounds
- Have differing satisfaction levels related to past experience
- Obtain information from different sources
- Search experience that is totally dependent on their skills

The purchase decision in an Industrial setup is dependent on many factors. These factors may be specifically related to products or to the organization that manufactures the concerned products. The product specific factors are the kind of purchase done by consumers, probable risks involved in choosing a particular alternative and the pressure pertaining to the timely delivery of product. The Organization Specific factors focus on solving problems that arise due to the purchase decision from time to time, the persuasion and bargaining issues connected with the same and other factors pertaining to situations that may arise every now and then.

NICOSIA MODEL

Nicosia Model deals with the level of exposure a consumer gets with respect to the purchase decision. This model is based on four fields such that the output of one field acts as the input of second field and so on.



The First field divided into two sub fields namely:

Sub-field one consists of:

- Product Attributes
- Firm`s Attributes

While subfield two consists of:

- Pre-disposition or existing attitude of a consumer towards the product
- The attributes exhibited by the organization whose products are to be purchased.

The Second Field consists of consumer research and evaluation.

The Third Field is concerned with the buying decision of the consumer.

The Fourth Field is concerned with the post purchase behavior, use of product, its storage and consumption. The consumer who is satisfied with a product or service tends to stock the product for regular or future usage and develops a positive attitude. On the contrary, a

dis-satisfied customer tends to develop a negative attitude towards the product or the business house.

The feedback from Fourth Field acts as input for field one. Feedback from field four compels a firm to change the product attributes which in turn act as in put for field two. A change in product attributes bring a change in consumers perception about the product and hence may affect his buying decision and subsequently his post purchase behavior.

ANOTHER WRITER'S EXPLANATION OF NICOSIA MODEL (CONFLICT MODEL)

NICOSIA MODEL (CONFLICT MODEL)

This model focuses on the relationship between the firm and consumers. The firm communicates with consumers through its marketing messages (advertising), and the consumers react to these messages by purchasing response. Looking to the model we will find that the firm and the consumer are connected with each other, the firm tries to influence the consumer and the consumer is influencing the firm by his decision. The Nicosia model is divided into four major fields:

Field 1: The consumer attitude based on the firms' messages. The first field is divided into two subfields. The first subfield deals with the firm's marketing environment and communication efforts that affect consumer attitudes, the competitive environment, and characteristics of target market. Subfield two specifies the consumer characteristics e.g., experience, personality, and how he perceives the promotional idea toward the product in this stage the consumer forms his attitude toward the firm's product based on his interpretation of the message.

Field 2: search and evaluation The consumer will start to search for other firm's brand and evaluate the firm's brand in comparison with alternate brands. In this case the firm motivates the consumer to purchase its brands.

Field 3: The act of the purchase The result of motivation will arise by convincing the consumer to purchase the firm products from a specific retailer.

Field 4: Feedback This model analyses the feedback of both the firm and the consumer after purchasing the product. The firm will benefit from its sales data as a feedback, and the consumer will use his experience with the product affects the individuals attitude and predisposition's concerning future messages from the firm.

The Nicosia model offers no detail explanation of the internal factors, which may affect the personality of the consumer, and how the consumer develops his attitude toward the product. For example, the consumer may find the firm's message very interesting, but virtually he cannot buy the firm's brand because it contains something prohibited according to his beliefs. Apparently it is very essential to include such factors in the model, which give more interpretation about the attributes affecting the decision process.

CONSUMER BEHAVIOUR IN INDIA

Indian consumer durables market is broadly segregated into urban and rural markets, and is attracting marketers from across the world. The sector comprises of a huge middle class, relatively large affluent class and a small economically disadvantaged class. Global corporations view India as one of the key markets from where future growth is likely to emerge. The growth in India's consumer market would be primarily driven by a favorable population composition and increasing disposable incomes.

Per capita GDP of India is expected to reach US\$ 3,273.85 in 2023 from US\$ 1,983 in 2012. The maximum consumer spending is likely to occur in food, housing, consumer durables, and transport and communication sectors.

Market Size

- The growing purchasing power and rising influence of the social media have enabled Indian consumers to splurge on good things. Import of electronic goods reached US\$ 53 billion in FY18.
- Indian appliance and consumer electronics (ACE) market reached Rs 2.05 trillion (US\$ 31.48 billion) in 2017. India is one of the largest growing electronics market in the world. Indian electronics market is expected to grow at 41 per cent CAGR between 2017-20 to reach US\$ 400 billion.
- Television industry in India is estimated to have reached Rs 740 billion (US\$ 10.59 billion) in CY2018 and projected to reach Rs 955 billion (US\$ 13.66 billion) in CY2021.
- As of FY18, washing machine, refrigerator and air conditioner market in India were estimated around Rs 7,000 crore (US\$ 1.09 billion), Rs 19,500 crore (US\$ 3.03 billion) and Rs 20,000 crore (US\$ 3.1 billion), respectively.
- India's smartphone market grew by 14.5 per cent year-on-year with a shipment of 142.3 million units in 2018. India is expected to have 829 million smartphone users by 2022. In 2019, India is expected to manufacture around 302 million handsets.

Investments

According to the Department for Promotion of Industry and Internal Trade, during April 2000 – June 2019, FDI inflows into the electronics sector stood at US\$ 2.45 billion.

Following are some recent investments and developments in the Indian consumer market sector.

- In November 2019, Nokia entered in partnership with Flipkart to enter consumer durables market in India and plan to launch smart TVs.
- In October 2019, Apple Inc. entered in agreement with Maker Maxity mall, co-owned by Reliance Industries to open its first company-owned iconic outlet in India.
- In August 2019, Voltas Beko launched India's first five star washing machine.
- In July 2019, Voltas Limited entered into partnership with Energy Efficiency Services Limited (EESL) to manufacture and sell 5-star rated Inverter Air Conditioners.

- In April 2019, TCL Electronic announced its entry into home appliances market in India.
- Xiaomi became the India's largest brand network in the offline market, having presence in over 790 cities in the country.
- Bosch Home Appliances to invest US\$ 111.96 million to expand in India.
- Number of TV households and viewers in India reached 197 million 835 million, respectively in 2018.
- According to the retail chains and brands, there is 9-12 per cent increase in the sales of consumer electronics in Diwali season in October 2019.
- The smartphone shipment witnessed a year-on-year growth of 9.3 per cent in July-September 2019 with 46.6 million unit shipped.
- Consumer durables loans in India increased by 68.8 per cent to Rs 5,445 crore (US\$ 780 million) in September 2019.
- Intex Technologies will invest around Rs 60 crore (US\$ 9.27 million) in 2018 in technology software and Internet of Things (IoT) startups in India in order to create an ecosystem for its consumer appliances and mobile devices.
- Micromax plans to invest US\$ 89.25 million by 2020 for transforming itself into a consumer electronics company.
- Haier announced an investment of Rs 3,000 crore (US\$ 415.80 million) as it aims a two-fold increase in its revenue by 2020.

Government Initiatives

- National Policy on Electronics Policy was passed by the Ministry of Electronics & Information Technology in February 2019.
- A new Consumer Protection Bill has been approved by the Union Cabinet, Government of India that will make the existing laws more effective with a broader scope.
- The mobile phone industry in India expects that the Government of India's boost to production of battery chargers will result in setting up of 365 factories, thereby generating 800,000 jobs by 2025.
- The Union Cabinet has approved incentives up to Rs 10,000 crore (US\$ 1.47 billion) for investors by amending the M-SIPS scheme, in order to further incentivise investments in electronics sector, create employment opportunities and reduce dependence on imports by 2020.
- The Government of India has allowed 100 per cent Foreign Direct Investment (FDI) under the automatic route in Electronics Systems Design & Manufacturing sector. FDI into single brand retail has been increased from 51 per cent to 100 per cent; the government is planning to hike FDI limit in multi-brand retail to 51 per cent.

Changing Consumer Behaviour in India

As India continues to evolve as an economic power in the global scenario, Consumerism is undergoing tremendous changes in the business arena. Liberalization, Globalization and Increasing income and purchasing power among the people of India can be attributed as the main reasons for the prevalent market trend and changing consumer behaviour in India. The affluence levels have exerted tremendous influence over the consumer market and changing consumer behaviour in India.

Few changes in the Indian consumer market are:

- The consumers have become more aware, demanding and quality conscious.
- Liberalization and globalization has increased competition giving rise to consumer oriented products and marketing techniques.
- The overall costs are rising, prices are falling and profit margins are decreasing.

Changing Consumer Behaviour in India

Consumer Behavior has gone through many changes in the attitude, motivation, perception, spending habits, and post purchase behaviour during the past few decades in India. Some of the key factors that have contributed towards changing consumer behaviour in India are:

- Rapid Urbanization leading to changes in the mindset of consumers
- Increasing income levels
- Shift in approach towards family systems

Rapid Urbanization

In 1980`s, a typical consumer in India had very limited choices. Consumer choice was restricted by low income, supply shortages, non-availability of products, traditional buying methods, low competition, limited choice, import restrictions. Rapid urbanization in the country is brought a huge change in the mindset of Indian population. Liberalization and globalization in the 1990`s opened new avenues for marketing, advertising, travel and communication which in turn helped in increasing the GDP of the country. Innovative marketing techniques, increasing competition and product branding made the consumers more aware, demanding and quality conscious. Now consumers have wide product choices at competitive prices.

Increasing income levels

Increasing households Income have increased the spending capabilities of people, making India one of the top countries in the Consumer market segment. Now consumers do not settle for sub-standard products but demand high quality products at competitive prices. Consumers have access to abundant information through newspapers, T.V. and internet which bought about a change in marketing techniques of businesses. Marketers strive to differentiate their products and services through pricing, packaging, promotions, customer service and branding. With radical revolution in information technology consumer satisfaction was given more importance as consumer expectations had increased and all consumers had multiple options to satisfy their respective needs.

Annual growth in household spending			
(%, at 2004-05 prices)			
Consumption categories	FY94 to FY05	FY05 to FY15	FY15 to FY21
Food	3.0	4.2	5.3
Apparel & Footwear	3.3	6.1	6.2
Health Care	7.1	8.2	8.3
Education	11.5	8.9	8.9
Conveyance	8.7	9.1	9.1
Non-food FMCG	4.9	4.1	5.0
Durable goods	9.8	10.1	10.3
Consumer services	10.6	6.8	6.9
Others	8.4	5.8	6.8
Total consumer market	5.0	5.7	6.7

Source: Indian Consumer Market 2020: Structure, Size, Growth and Intensity, Rajesh Shukla & Mridusmita Bordoloi, 2015, PRICE

Shift in approach towards family systems

India has been witnessing a shift with respect to family systems and family influence on consumer behaviour. Joint families are decreasing in number giving way to nuclear families. The spend ratio has increased by leaps and bounds owing to the increasing number of nuclear family systems. Lifestyle amenities get more priority amidst the younger generation who opt for nuclear family structures. Less number of Gatekeepers and matured influencers in such nuclear families gave rise to what was considered as ‘unnecessary spending’ by earlier generations. The food, apparel and entertainment industries have gained maximum owing to the tendency of the younger generation to keep up with the latest trends at all points of time.

However, marketers must keep the following points in mind to effectively adjust to the changing consumer behaviour in India –

- It is essential to communicate with customers.
- All marketing efforts must be directed towards the customer.
- Products and services must be developed keeping in mind the needs and desires of consumers.
- Efforts must be made to understand the mindset of the consumer for which a feedback mechanism must be developed.
- All strategies must aim at providing customer satisfaction and delight.

Difference between CONSUMER BUYING Behavior and ORGANIZATIONAL BUYING Behavior

Robinson, Faris & Wind states that when understanding the Industrial Buying Behavior a permanent process of problem solving and decision – making must be taken into consideration. All members in a business who become involved in such a buying process are centered to specify group – These processes and group members may vary when purchasing different kinds of products and services.

An important part of the marketing process is to understand why a Customer or Buyer makes a purchase. Without such an understanding, business finds it hard to respond to the customer's needs and wants. Marketing theory traditionally splits analysis of buyer or customer behavior into TWO broad group of analysis – Consumer Buying and Industrial Buying.

Consumer Buying

The study of how and why people purchase goods and services is termed as Consumer Buying.

The term covers the decision making processes from those that precede the purchase of goods and services to the final experience of using the product or services.

Models of Consumer Buying Behavior draw together the various influences on the process of the buying decision. They attempt to understand the proverbial “Black box” (Buyer's mind) of what happens within the consumer between his/her exposure to marketing stimuli and the actual decision to purchase.

Consumer Buying Process

- (i) Recognition of need
- (ii) Information Search
- (iii) Evaluation of Alternatives
- (iv) Purchase decision
- (v) Post Purchase Behavior

INDUSTRIAL BUYING

Industrial purchasing stands for more than half of the whole economic activity in Industrialized countries. Hardly any consumer has the buying authority as organization and any given end product is made up by many industrial purchase that is important to understand how industries perform buying activities.

Industrial buying behavior is in essence the arrangement of how Industrial Organizations purchase goods and services. This area is essential for the understanding of the consumer needs and must be taken into consideration for successful suppliers.

Industrial Buying Process

- (i) Problem Recognition
- (ii) General need description
- (iii) Product specification
- (iv) Supplier search
- (v) Proposal solicitation
- (vi) Supplier selection
- (vii) Order routine specification
- (viii) Performance review



1. Need Recognition

Organizational buying process starts from need recognition. In an organization, a certain person recognizes need of certain goods and after buying the needed goods, need is fulfilled. Needs in organization can be recognized in two ways. They are: external stimuli and internal stimuli. If a company decides to produce new goods, it is internal stimuli. It needs to buy new goods and equipment. Similarly, when a buyer observes trade exhibition, s/he may make his/her idea to buy new goods. Such idea is external stimuli, because this idea is made from outer environment and materials should be purchased for this.

2. Need Description

After the need is recognized, the buyers should describe need. This task is completed in the second stage of organizational buying process. While describing need, features of needed goods and needed quantity should be described. If the goods have standard, this task becomes easy; if otherwise, it becomes complicated. Help of engineers, users and consultants should be taken for complex goods.

3. Product Specification

The task of preparing specific description of goods is the third stage of organizational buying process. In this stage, description performance of goods is prepared to solve the problems. Technician's help should be taken for this task. In this stage, the value of goods is analyzed.

4. Supplier Search

At this stage of organizational buying process, the buyer searches proper suppliers or sellers. Buyer prepares a list of suppliers to select good and proper suppliers. This list is prepared by looking at trade directory, searching in Internet, asking other companies for suggestions etc. If the goods to be bought are new, complicated and costly, it needs long time to search suppliers.

5. Proposal Solicitation

Proposal solicitation is the fifth stage of organizational buying process. At this stage, buyer calls best suppliers for submitting proposal. As the reaction, some send catalog or sellers to the organization. If the product is costly and complicated, the buyer demands detailed proposal, and if the product is technical, business organization calls for presenting the product itself.

6. Supplier Selection

At the sixth stage of organizational buying process, buyers assess the proposal and select one or more suppliers. For selecting the suppliers, a list is prepared and rating is made on the basis of their attribute and importance. Then the best supplier is selected. Analysis of the suppliers is done in the following ways.

Supplier attribute	Rating				
	Very poor (1)	Poor (2)	Fair (3)	Good (4)	Excellent (5)
Price competitiveness			X		
Product quality, reliability					X
Service and repair capabilities					X
On-time delivery			X		
Quality of sales representatives				X	
Overall responsiveness to customer needs					X

Overall reputation Average Score = 4.29					X
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7. Order Routine Specification

After the best suppliers have been selected, the buyer prepares final order. In this order, all the matters such as attribute of goods, quantity, specification, time for supply, warranty, method of payment, service after sale etc. should be clearly mentioned.

8. Performance Review

This is the last process of organizational buying. At this stage, the buyer reviews suppliers' performance. This type of review helps to take decision whether to continue relation with the supplier or change or end the relation. If the performance of the supplier is satisfactory, the relation can be continued; if it is somewhat defective, if partial correction is made and the relation is maintained. But if the performance is disagreeable, it is broken.

Stages of the buying process	Buying situations		
	New task	Modified rebuy	Straight rebuy
1. Problem recognition	Yes	May be	No
2. General need description	Yes	May be	No
3. Product specification	Yes	Yes	Yes
4. Supplier search	Yes	May be	No
5. Proposal solicitation	Yes	May be	No
6. Supplier selection	Yes	May be	No
7. Order-routine specification	Yes	May be	No
8. Performance review	Yes	Yes	Yes

DIFFERENCES

Bases	Consumer Buying Behavior	Organizational Buying Behavior
Purpose of Buying	The individual consumers buy goods and services for ultimate use or satisfy their needs. The buying purpose of such consumers is not to earn profit by reselling the goods and services.	The organizations buy goods and services for their business needs. The buying purpose of them is to earn profit by using and reselling the goods and services.
Quantity	Although consumers buy various kinds of goods, the quantity of goods remains small. They buy only the necessary quantity of goods, which they need for regular use.	Organizational buying is done in large quantities. There are several reasons why organizations must buy the goods they need in bulk. In the first place, they use large quantities of each item and must maintain inventories at a level high enough that they will not run out of stock. Secondly, it is cheaper and more efficient to make large-volume purchases.
Purchase Decision	Consumer buying takes decision by consumers themselves. Sometimes they can consult with family members and friends. They need not fulfill any formality like organizational buying.	Organizational purchasing is a rational process because the purchasing behavior of organizations is guided by objective factors having to do with production and distribution. It takes long time than consumer buying.
Market Knowledge	Most of the consumers may not have adequate knowledge and information about market situation, available goods and services, etc. The educated customers may be aware and have knowledge about market and goods.	Organizational purchase criteria are specifically defined. Organizational buyers usually have fewer brands to choose from than do individuals, and their purchases must be evaluated on the basis of criteria that are specific to the overall needs of the organization. The organizational buyers have full knowledge of market and suppliers.
Types of Goods	Consumers buy many goods to use to satisfy personal or family needs.	Organizational buyers buy limited goods to use to conduct business.
Effect	Consumer buying behavior is effected by age, occupation, income level, education, gender etc. of consumers.	Many individuals are involved in the buying process. Within large organizations, rarely is one individual solely responsible for the purchase of products for the purchase of products or services. Instead, many individuals and departments may be involved and departments may be involved in the buying process.

Bases	Consumer Buying Behavior	Organizational Buying Behavior
Buying Process	The consumer buying process is very simple. No need to fulfill any formality. There is also no need to maintain extensive contact with sellers.	Buyers and sellers in the organizational market must maintain extensive contact.

- **Consumer products are :-** eatable products, usable products etc.
- **Industrial products are :-** raw materials, fabrication parts and materials, installation, accessories, equipments etc.

From the above , we conclude that without industrial buying production cannot be done. If the production is not done then consumer will not be able to get their wanted and needed things. If they will not get the things, they will not do the buying, i.e. consumer buying will not be done.

Thus we can say that without Industrial buying, Consumer Buying cannot be done. As Industrialists always try to fulfill the needs of consumers.

NATURE AND FACTORS AFFECTING INDUSTRIAL BUYING

Industrial buying behavior is the pattern of actions by a company involved in manufacturing, processing and other heavy industry. Many of these companies are required to make regular purchases as a means of supplying their businesses. Although each company — and each industry — will have buying behavior affected by its own set of factors, there are several main variables that can affect industrial buying as a whole.

1. Demand

Perhaps the main driver of industrial buying is demand. The amount of buying that an industrial concern will do is directly depended on the amount of business that the company can expect in the near future. Generally, if a company expects higher demand, then it will stock up on raw materials as a means of ensuring that it will be able to meet consumer demand and maximize revenue.

2. Price

Buying patterns are also affected by the price of the materials the companies are purchasing. When prices are higher or the company expects a decrease in the near future, the company may choose to hold off making purchases, so as to save money. This can involve some difficult decision making. For example, a company that uses fuel in the production of its products may attempt to guess the direction of oil prices.

3. Economy

In addition to current demand and the current prices for a product, industrial companies may look to the economy as an indication of the future availability of materials relative to the consumer demand for them. If the economy is trending upward, the company may purchase more based on the expectation of a future rise in sales, while a downward trending economy may push it to the opposite course of action.

4. Technological Changes

In addition, industrial companies are heavily influenced by changes in technology that affect both the provision of goods and their own requirements. For example, if purchasing a piece of technology means that a raw material becomes cheaper to use, then the company may choose to invest in the new technology. Similarly, the

acquisition of new technology will often change the company's buying habits, as the technology will have different raw material requirements to run.

5. Political/Legal Factors

Government influence on the Industrial marketing environment. From the time of Jawaharlal Nehru to the time of Mr. Atal Behari Vajapayee there has been major influence of the Government in the industry to protect the Indian industries' foreign investment or for that matter, foreign participation of any kind has not been allowed in the areas of defence, steel, drugs, fertilisers, machine tools etc.

More encouragement was given to small scale and cottage industry. Even the banks were nationalised, the multinationals which were present in India till about 1980s were engaged in commerce, trade and finance or export of tea. Indian Government felt that in areas where adequate Indian skills and capital are available, there was no need for foreign collaboration.

In fact, in 1977 Coca-Cola was asked to wind up operations in India, and IBM was to dilute equity to stay. Some companies like Alkali Chemicals, Dunlop, Goodyear and Asbestos Cement were allowed to remain as they were operating in non-priority areas. Today the Government having realised the importance has liberalised in many areas.

Still controls the industries do not contribute to an extent the effective and fair functioning of the economy. The Government acts as a regulatory agency in import and export matters. It controls the tax and interest rates. It provides economic stabilisation through control of inflation. It is environmentally and socially conscious. It passes rules, regulations and laws from time to time to ensure that general public interest is not compromised.

The Government has placed a large number of drugs with dubious justification under the scanner. Doubts persist about safety of a host of drugs including CISAPRIDE, the drug for night heart burn, and PPA, an ingredient in certain paediatric preparations. The review of iron preparations containing zinc, amino acids and vitamins decision could be of grave concern to many leading MNCs as these drugs are high margin products.

The Government can also change the marketing environment by making changes to its procedures for example Mr. Chandra Babu Naidu, Ex-Chief Minister of Andhra Pradesh, has decided to experiment with online procurement in four of its government departments.

Department	E-purchase
Andhra Pradesh Technology Services (APTS)	All IT related procurement for the State Government
Andhra Pradesh State Road Transport Corporations	Spares, Oil, Lubricants, bus body building services and office products
Commissionerate of Tenders	All tenders of value more than Rs 1 crore, projects relating to irrigation, roads and building
Andhra Pradesh Housing Infrastructure	Drugs, All civil and medicare related products and services

The impact of this decision is that the industries supplying to the Government are hoping to supply must gear up for IT invasion and must be able to bid and make tenders through a computer. The marketing strategies will have to be adjusted to accommodate these changes.

Since Government transcends all levels of the industrial environment, it is capable of influencing and being influenced by environmental elements at all levels. Thus industrial marketers must keep careful watch pending regulations to ensure that their respective business plans will meet the government's approval. Industrial marketers must be constantly in touch with the laws, regulations and sanctions of the Government.

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