**Consumer Behaviour**

According to Schiffman and Kanuk “Consumer behaviour encompasses all of the behaviours that consumers display in searching for, purchasing, using, evaluating and disposing of products and services that they expect will satisfy their needs”.

Wells and Prensky defines that Consumer behaviour is the study of consumers as they exchange something of value for a product or service that satisfies their needs.

On the basis of above definitions, it can be concluded that consumer behaviour is the study of consumers regarding what they buy, when do they buy, from where they buy, how frequently they buy, and how they use certain products. But the study does not stop here as it also goes further to study the post purchase and evaluations of the consumers. So, it addresses all the issues related from pre-purchase to post purchase behaviour of the consumers.

The study regarding consumer behaviour can be divided into two parts i**.e. consumer buying dynamics and dynamics of business buyers**.

Consumer buying dynamics or Factors affecting the consumer decision making process are

**1,Psychological Factors**

**2 Personal Factors**

**3 Economic Factors**

**4.Social Factors**

**5 Cultural factors**

**1Psycholigical Factors**

**a) Motivation b) Perception c) learning d) Personality**

**(a) Motivation**: Motivation is a process of restoring the balance between actual and designed state of mind that has been effected by some physiological or psychological deprivation. This deprivation may be the cause of simple reaction in human biological system causing hunger, thirst, security and desire for sex etc. or it may be due to complicated acquired needs. So, its very important for the marketers to have a close eye on this dynamic process of motivation.

**(b) Perception**: Perception is the process by which an individual select, stimuli, organises information about those stimuli, and interprets the information. Perception poses powerful implications for marketers. What is perceived by an individual, it determines how he or she behaves? No consumer purchase can take place unless a consumer perceives that the product or service will offer the benefits he or she needs. Accordingly, marketers must understand how perception works in order to communicate successfully a product’s benefits. Regardless of the fact that a product is innovative or advertisement is effective, it will fail if it is not perceived favourably by the potential consumers.

**(c) Learning**: Learning is a continuous process by which individual acquires knowledge so that it causes a permanent change in behaviour. Learning is a kind of process that evolves over a time and can not be directly observed. When a person perceives new stimuli in the environment, it is related with the existing pond of knowledge. Therefore, learning reflects both current experiences and past back ground. Learning is essential to the consumption process. In fact, consumer behaviour is largely learned behaviour. We acquire most of our attitudes, values, tastes, preferences, symbolic meanings and feeling through learning. Human culture and social class, institutions such as schools and religious organisations, family, friends, mass media and advertising provide learning experiences that influence the kind of life style the consumers seek and the products they consume. Marketers spend considerable effort to ensure that consumers learn of their existence as well as about their products. Companies that make their consumers learn about their products and services in an effective and efficient manner often obtain a long-term competitive advantage them that of their competitors.

**(d) Personality**: Personality is defined as those inner psychological characteristics that both determine and reflect how a person responds to his environmental stimuli. Personality is enduring and ensures that a person’s responses are consistent over time. But personality can not be considered as a unified whole, for that purpose different personality traits are to be studied by the marketers. For example, dogmatism is a personality trait that measures the degree of rigidity among individuals. If a person is highly dogmatic, it’s very difficult to convenience him regarding the innovative products and brands. They are move likely to choose well established brands and can not be convinced by celebrities in the advertisements. Rather these kinds of people are influenced by the authoritative appeals. On the contrary, those who possess the trait of innovativeness are move receptive to new products, new services and new practices. They are prone to newer experiments. There could be some other personality traits like inner directed consumers and other directed consumers. So, on the basis of these personality traits, the process of segmentation can effectively be performed.

 **2 Personal Factors**

A consumer’s decisions are also affected by his personal characteristics

**a) Age b) Occupation c) Life-style**.

(**a) Age and stage in the life cycle**:

 The first factor influencing a consumer’s decision is his age. The need for different products and services changes with the passing of age. Milk powder, toys, baby foods are special preference of the babies and children. Adults require different kind of clothing, educational facilities, recreational facilities and much more items related to fashion. Girls and women require different products than that of their male counterparts. Consumption pattern is also affected by the specific stage of the family life cycle. With the different stages in the family cycle, different products are attached with each. For example, young and unmarried people living away from home have few financial burdens, are engaged in buying kitchen equipments and light furniture. They also enjoy leisure time and spend money on items like colour TV or stereo systems. On the contrary, old married couples with dependant children, spend on education, cars, homes and necessary appliances. So, life-cycle stage does effect a buyer’s decision.

**(b) Education and Occupation**:

Occupation and education influence buying behaviour. Education has always been associated with the purchase of books, healthier foods, and entertainment. Level of education also influences how decisions are made. They seek more information and better quality products than the other ones. The occupation also shapes the consumption needs. People belonging to different occupation need different products. But, apart from their specific needs, the status and role of a person within an organisation affects his consumption behaviour. For example, occupation can affect the type of clothing a person buys, transportation choice, food purchases, and the need for time-saving products.

**(c) Life-Style:**

Life-style is a more comprehensive and more contemporary concept and perceived as more useful than the concept of personality. For that reason, considerable attention is being devoted to understand the word life style, how it is measured and how it is used by the marketers. Broadly it is defined as patterns in which people live and spend their money and time. These are based on consumers’ motivations, learning, social class, demographics and other varieties. Therefore, it is a kind of summary construct which reflects the values of consumers.

In nutshell, life-style addresses the way consumers express their personalities in their social and cultural environment. The consumer researchers put their focus on attitudes, interests and opinions to measure the life-styles of different consumers. This measurement technique is known as psychographic. Based on this technique, different life-styles can be identified and measured and then these bases are used for segmentation, product positioning and for developing the promotional campaigns.

**3.Economic Factors**

Disposable income, Size of the family ,Consumption and savings, Credit availabilty

 The choice regarding product is greatly affected by person’s economic circumstances. It consists of consumer’s spendable income, savings, assets, borrowing power, perception, and attitude towards spending and savings etc. Marketers have to pay a continuous and constant attention towards personal income, saving and interest rates in the market because their marketing efforts largely depend on these issues. For example, if interest rates are low, then there would be more money supply in the market and accordingly, marketers can take steps to reposition or re price their products and vice-versa.

**4.Social Factors**

**a)Reference group b) Family c)Roles and status**

**a) Reference group**

Consumers turn to reference groups for many reasons. The consumer purchase process can be difficult and confusing one, and for that matter, the consumer might need information from others to make his or her way through the steps in his purchase process.

For example, a couple who wish to go for vacation rely on information from friends who had just enjoyed a vacation at a particular place. Their friends’ travel experiences and knowledge enabled this couple to gather information, evaluate alternatives, and reach a purchase decision more quickly than they would have been able to do alone.

The three categories of groups which are important for the marketers to understand are:

**(i) Primary and secondary groups**: A primary group is one with which an individual meets and interacts on regular basis. Family, close friends and co-workers are in the primary groups whereas secondary groups consist of those people to whom an individual interacts only occasionally and does not consider their opinion very strongly.

(**ii) Formal and Informal groups**: A formal group is one which has a highly defined structure, specific roles and authority position and specific goals. Rotary club, Lions Club, Labour Unions are name of the examples of formal groups. In contrary, an informed group is loosely defined and possess no specific roles and goals. Having a meeting with the neighbours over a cup of tea to discuss some happenings, is an instance of an informal group.

**(iii) Membership and symbolic groups**: When a person belongs to a group or qualifies for membership, such kind of group is known as membership group. For example, a doctor qualifies to be a member of medical association or all workers in a factory qualify for membership to the labour union. A symbolic group is one for which an individual aspires to belong to, but is not likely to be the member but he behaves like the members of that group. For example, a clerk may act as if he belongs to executive class by adopting their life styles, attitudes, values and wearing style etc.

Any of these groups can serve as a point of reference for the consumers in determining their purchase behaviour. Therefore, a marketer has to keep a constant track of group behaviour so as to be a successful marketer.

**(b) Family**:

Family also influence the buying behaviour. Although, now a days, women’s roles are changing fast but still they make buying decisions related to household items like healthcare products, foods, landing supplies and kitchen wares etc. Joint decisions of husbands & wives are also taken as regards a variety of products, particularly durables such as furniture, appliances and other expensive items. Today, children also play a bigger role in family purchase decisions. The colour of a car, size of the TV and brands of certain home appliances are influenced up to a greater extent by the children. The husbands decide specifically about the saving instruments, life insurance and house building materials etc.

To develop a marketing-mix that precisely satisfies the needs and wants of the target consumers, marketing managers need to understand the structure of the family and the roles of women and children in a family.

(c) **Roles and Status**: A role is a set of functions and activities that a person in a particular position is expected to perform. Since people possess different positions within groups, institutions, organisations, societies and families, they have different roles to play. For example, your roles may include student, son or daughter, friend, employee and spouse or parent etc. A person’s various roles influence buying behaviour. Being parents, you buy books for your children, toys clothing etc. In role of husband you buy jewellery for your wife. As a manager, you would like to buy clothes which reflect your status in the organisation, such as safari suit, three-piece suit, tie, leather shoes etc.

Each role that a person plays has a degree of status which is in relative term perceived by the society. It is the degree of influence that an individual exerts on the behaviour of others. People use different products and services to reflect their status. The CEO of an MNC may drive a BMW to communicate his status in the society. A marketer’s job is to adjust himself according to the changing roles and status of the individuals.

**5.Cultural Factors**

Cultural factors exert the greatest impact on buying behaviour of a consumer.

1. **Culture b) Subculture c) Social class.**

**(a) Culture:**

From the dawn of civilisation, human-being have been looking for ways and means to better their lives. In the process they have come together and have formed common action and reaction patterns, common ways of doing things, forming common values and beliefs to help one decide what to do or what not to do and this is a dynamic process in which something is added up and subtracted over the time as per the requirement of the situation. This process of building an common platform for better living is called ‘culture’ and have great impact on any of the consumer decisions. So, marketers have to take a concentrated note of this phenomenon.

: **(b) Subculture**

Members of a culture share most of the core values, beliefs, and behaviours of that culture. However, most individuals also belong to several subcultures. A subculture is a segment of a large culture whose members share distinguishing patterns of behaviour. An array of ethnic, **nationality, religious, regionality,** and even age characterize subcultures. For example, India as a whole considered as a culture but when it comes to different religions, different regions, castes and languages, it forms so many sub-cultural groups which are diverse in nature. A Punjabi is having different tastes and preferences for food and dresses against his counterpart who is a Gujarati or a Tamil. Hence, the existence of these subcultures provides marketers with the opportunity to develop unique marketing programmes to match the unique needs of each segment.

**(c) Social Class**

A social class of an individual usually comprises of an individual’s attitude, class and prestige. It depends on the way he carries himself socially or the position at which he is in his work or family or even in his group of friends. The social class ie High class,Middle class,low clsss of an individual influences his consumption pattern.

Example − A CEO may want to have a celebration and give a party to his colleagues, friends and family, so for his social status he may want to book a five star hotel, something like Taj or Oberoi instead of any other normal hotel.

**ORGANISATIONAL/INDUSTRIAL BUYING BEHAVIOUR**

S.J. Skinner defines “Organisational buying behaviour refers to the actions and decision process of producers, resellers, and governments in deciding what products to buy”.

**TYPES OF BUYING SITUATIONS/TRANSACTION**

A business buyer has to take number of decisions in making a purchase. These decisions depend upon the type of buying situations. These situations fall into one of three purchase categories - new task, modified rebuy and straight rebuy.

1. **A new task purchase**:

It is a kind of buying situation in which a purchaser buys a product or service for the first time to perform a new job or to solve a new problem. In a new task purchase, the organisational buyer needs much information. In this case, the buyer has to face so many challenges regarding product specifications, vendor specifications and procedures for the future purchase, therefore, the longer the time to decision completion.

1. A modified rebuy purchase:

It is a type of buying situation in which the buyer wants to modify product specifications, prices, delivery requirements, and other terms and conditions. For example, you might seek faster delivery, lower prices or higher quality of products to meet the changing needs of your customers. A modified rebuy situation may cause regular suppliers to become more aggressive and competitive to keep an eye on customers’ business. Simultaneously competing supplier may see an opportunity to obtain the company’s business.

1. **A straight rebuy purchase:**

It is a routine purchase of the same products under approximately the same terms of sale. The buyer chooses from suppliers on the basis of its already approved list giving weight to their past performances. He requires little information for straight rebuy purchase decisions. In such cases suppliers monitor the organizational buyer’s inventory and let the buyer know what needs to be ordered and when. These purchase decisions are extremely important to business buyers. It is critical that organizations purchase quality materials and components to be used in the manufacturing process. Simultaneously, they must strive to keep their costs down.

 **PARTICIPANTS IN BUSINESS DECISIONS**

Business purchase decisions are hardly made by just one person. Instead, most organisations make their purchase decisions through many individuals who work in the organisation and also participate in the purchase decision process. These people consist of users, influencers, buyers, deciders, and gate helpers.

**a)Users**:

These are those individuals who actually use the product in the organisation. They frequently initiate the process purchase ,establish the criteria or specifications for the purchase, and evaluate the performance of the product in comparison to established criteria

 **b)Influencers**:

These are highly technical people such as engineers, who help develop the specifications and evaluate alternative products of the competitors.

**(c) Buyers**:

These people are also called as purchasing agents who help in selecting suppliers and negotiating the terms and conditions of purchase.

1. **Deciders:**

These are the individuals who actually choose the products and suppliers. For routine items, deciders and buyers may be the same but if the price of a product exceeds a certain limit then higher management personnel generally make the purchase decisions.

1. **Gate keepers**:

 These people consist of secretaries and technical personnel who control the flow of information to and among the persons in the buying centre.

**THE ORGANIZATIONAL BUYING DECISION PROCESS**

Because organisational decisions typically involve more individuals in more complex decision tasks than household or individual decisions, marketing efforts to affect this process are much more complex. There are different stages in the decision-making process from problem recognition to post purchase performance evaluation. Let’s discuss these stages one by one.

**1. Problem Recognition**: Like any other decision-making process, the first stage of the organisational buying decision process involves problem recognition, where one or more persons recognise a problem. It may occur under a variety of circumstances. For example, the sales manager and office manager of an office play a key role in recognising the need to add computers to their office. Recognition of this problem, however, can come up in several ways. In this particular instance, a continuing problem between field sales agents and internal administrative staff may lead the office manager and sales manager to recognise the problem. The continuation of these sources of influence eventually leads to an increased level of importance and the subsequent stage of information search.

**2. Information Search**: Information search can be both formal and informal. Site visits to evaluate a potential vendor, laboratory tests of a new product or prototype, and investigation of possible product specifications are part of formal information search. Informal information search can occur during discussions with sales representatives, while attending trade shows, or reading industry specific journals. Business buyers search for information both to help make the best decision and to support their actions and recommendations within the organisation.

**3. Evaluation and Selection**: The evaluation of possible suppliers and selection of a supplier often follows a two-stage decision process. The first stage is making the buyer’s approved suppliers list. In this case, a conjunctive decision process is very common. Using this kind of process, the organisations screen out potential suppliers that do not meet all its criteria.

A second stage of organisational decision making could involve other decision rules such as disjunctive and lexicographic etc. In the disjunctive decision rule, a minimum level of performance for each important attribute is established. All brands that surpass the performance for any key attribute are considered acceptable. The lexicographic decision rule requires the business buyer to rank the criteria in order of importance. The buyer then selects the supplier/product that performs best on the most important attribute. If two or more brands tie on this attribute, they are evaluated on the second most important attribute. This process is further complicated by the fact that different members of the decision-making unit have different evaluation criteria.

**4. Purchase and Decision Implementation**: Once the decision to buy from a particular organisation has been made, the method of purchase must be determined. From the seller’s point of view, it means how and when they will get paid. In many cases, payment is not made until delivery. Others involve progress payments. For a construction or builders’ firm that takes years, the method of payment is critical. On international basis, purchase implementation and method of payment are even more critical.

**5. Post purchase performance evaluation**: In the final stage of business buying division process, the new product’s performance is evaluated. The product’s actual performance is compared to specifications and necessary adjustments are made of the product that does not function as per expectations, the organisation can ask the supplier to replace it. At the same time, the supplier’s performance is also evaluated. If it is found to be unacceptable, the buyer will seek corrective action from the supplier or he will search out for a new supplier.

**DIFFERENCE BETWEEN BUSINESS MARKET AND THE CONSUMER MARKET**

The business market consists of all the organisations that acquire goods and services which are used for further production so that these are sold or supplied to others and also involve many activities like banking, finance, insurance, distribution and services etc. In comparison to consumer market huge investment is also involved. On the contrary, in the consumer market, products and services are ultimately delivered to final consumers and lesser amount of money is involved. Let’s discuss some of the differentiating points between the two markets.

1. **Fewer buyers**:

In case of business market, buyers are fewer in number as compared to consumer market. For example, a book publisher looks towards universities for the recommendations of its books, but after recommendations sell the same to the students who are thousands in numbers.

**(b) Close supplier customer relationship**:

There is a smaller customer base but having important power, we can observe that there is a close relationship between the two parties because customer is heavily dependant upon supplier. It is expected of a supplier that he would offer customized service and will pay regular visits to the customer. If it is the case of a technical product, he would make special efforts to impart the technical know-how to the customer.

**(c) Geographically concentrated buyers**:

Most of the business concerns that produce the same nature of products are generally found concentrated in a particular geographic area. This kind of concentration helps producers to reduce certain amount of selling costs. Availability of raw material and transportation help them reducing costs. For example more than half of the textile industries in India are concentrated in two states only i.e. Gujarat and Maharashtra. Most agricultural inputs are produced in the states like Punjab and Haryana.

**(d) Derived Demand**:

The demand for organisational productis called derived demand because organisations purchase products to be used directly or indirectly in the production of goods and services to satisfy consumers’ demand. Consequently, the demand for organizational products is derived from the demand for consumer products. For example, as long as consumers continue to purchase pencils, there will be an organisational demand for graphite and wood to manufacture pencils. If there were no consumer demand for pencils, there would be no demand for wood and graphite to make pencils. As a result, organisations like wood manufacturers often target marketing efforts at the ultimate consumers, even though the firms don’t sell to them directly

1. **Inelastic Demand**:

The demand for many organisational products is inelastic. It means that fluctuations in price of a product will not significantly affect demand for the product. Elastic demand, by contrast, means that a change in price will cause an opposite change in demand. However a sizeable price increase for a particular component that represent a large proportion of a product’s cost may cause demand to become more elastic if the price increase of the component part causes the price of the consumer product to rise sharply. For example, if the price of wood rises sharply, paper manufacturers are likely to pass this increase on to consumers, who may in turn cut back on their paper consumption because of such increase.

1. **Professional Purchasing**:

The business products are generally purchased by highly trained and professional people. They invite biddings, proposals and quotations for their purchase contracts which are not found in case of consumer buying.

1. **Direct purchasing:**

When it comes to consumer buying, many intermediaries are involved but in case of business buying, buyers generally buy directly from the manufacturers. It is truer if it is a case of technical product which is complex as well as expensive. So, there are some of the examples of differentiation between a business purchase and a consumer purchase.