

## **Chapter Four - Why do we study buying behavior in Marketing and what have we learned?**

In Chapter Three we explored the different types of markets and the process of dividing those markets into small portions called market segments. In this chapter we examine a few basic concepts related to buying behavior. We use the term “a few” because in marketing, more has been written about buying behavior than in any other area. Why do you suppose this is true?

Of course, you already know the answer: Marketers believe the “Customer Rules” thus we know our primary responsibility to the organization is to gain an intimate knowledge of our customers: what satisfies them and makes them happy and what benefits they are seeking in the marketplace.

### **Consumer Buying Behavior**

Researchers in marketing have studied most areas of consumer behavior including the impact of everything from music to lighting on how people behave and how they consume products. This is not surprising considering the fact that we live in a consumption-driven culture. We will focus on the basic constructs accepted today in the study of buying behavior.

### **Consumer Decision-Making**

Most studies of the decision-making process in marketing have used an adaptation of the scientific method. This decision-making process is as follows:

- a. Problem recognition – the consumer recognizes a problem. For example, her car has had major mechanical problems for the last two months.
- b. Information search – internal and external. The consumer thinks about options she may have to remedy her situation (internal search). And then she seeks external sources of information such as friends, newspapers, TV, and the internet.
- c. Alternative identification and evaluation – she has some ideas about what alternatives she has and how to approach them. She now must compare and contrast the options she has.
- d. Choice and purchase – based on this process of consideration the consumer now purchases the most attractive option she has identified.
- e. Post purchase evaluation – the consumer experiences her choice and determines if she is happy with it.
- f. Feedback learning for future consumption behavior – the consumer remembers how she feels about her purchase and makes note of it for future reference (internal search).

As a student, learning this approach is worthwhile for you so that you will have a general framework to understand your purchasing behavior and the purchasing behavior of others for purposes of marketing research.

Of course, there are exceptions to the rather rigid, mechanistic process above. First, we often don't go through all of the steps. This fact sometimes has to do with '**involvement**'. Involvement can be defined as the personal importance and social significance of the purchase. The importance can be a function of how much the product or service costs and whether there are any social risks involved. Involvement is often classified as 'high' or 'low'. We would add 'medium' to the categories, because many products we buy fit into that area. For example, we rarely buy new cars, laser surgery for vision correction, and new houses (all three of these would be high involvement) and while we frequently buy low involvement products (coffee, soft drinks, chewing gum) we also buy many more durable products that can be considered medium involvement. For example, if a college student buys a new CD player for his car or a new sports-coat, both of these would probably be considered medium involvement because they are in the medium price range as far as his budget is concerned and there is some level of risk surrounding the purchase.

There is also another important consideration called **situational effects**. Situational effects are all of the circumstances surrounding our purchases that may strongly impact our decision-making process. For example, a female college student is preparing to go out with her friends for the evening. She and her 'buds' have decided to go to a club where there will be music, dancing, and, most importantly, young men. The student decides to go to Dillard's and buy a new blouse and a pair of new 'dressy' slacks in preparation for the night out. She also buys some makeup and fragrance. Just last night in the midst of studying for an exam when the same student went out with her friends for pizza at a local pizza parlor, she wore jeans and a ragged sweatshirt. Why was there such a difference in her dress and preparation? The social nature of the two evenings was very different, thus situational effects strongly impacted this person's buying behavior. We have all had a battery 'go out' in our car and most of us don't think of shopping for a battery until our present battery goes dead. Again, the situation strongly impacts what are willing and able to do as far as buying behavior. Usually, we just try to find a battery wherever we can and as soon as we can to solve our problem.

We, as consumers, feel no responsibility 'to follow the rules' thus we may engage in unorthodox buying behavior that defies classification. For example, go to Walmart and observe customers there. You will see all types of people buying all kinds of things: some of those purchases will be planned and some will be unplanned, although, of course, you won't be able to tell which is which. Often, a 'shopping trip' is directed not to a specific, planned purchase but just to 'see what available' – so while the cognitive perspective on shopping is useful, there is also a lot of buying behavior that defies understanding. For example, think a situation

in which you engaged in an 'impulse purchase.' An impulse purchase is an unplanned purchase in which we just decide to buy the product with very little prior consideration.

### **Group/Social Variables that impact Buying Behavior**

While there are many different impacts on consumer buying behavior that have to do with groups, we consider the following three as the most important overall.

#### **Reference Groups**

First, **reference groups** are collections of other people who strongly affect what we buy and how we go about buying it. What do you think is the most influential reference group for most people? If you guessed "family" you are absolutely right. The family is not only the most important reference group for children, a person's family background can impact his or her buying behavior throughout life in many ways. Sometimes adults buy 'what our family bought' and sometimes they 'won't touch what my family liked'. This has been shown to be true in durable goods such as cars and appliances, as well as, nondurable goods like laundry detergent and shampoo. The family is a membership reference group whereas other reference groups may be nonmembership reference groups. The U.S. Marines recruits people based on the attractiveness of being "A U.S. Marine, the Few, the Proud." This brings another factor into consideration. If you consider the reference groups available to you, some will be groups you would like to be a member of but are not (for example, Beta Gamma Sigma, the business student honor society (<http://www.betagamma.org/>) and other groups you would not like to be a member of: perhaps an example would be the "winning lottery ticket losers club."

Groups you would like to be a member of but are not, are called **Aspirant Reference Groups**, groups to which you don't really expect membership, but still want to be somehow related to are called **Associative Reference Groups** and groups in which you would not seek membership are termed **Disassociative Reference Groups**.

Many adopt the appearance of their aspirant or associative groups by engaging in consumption behavior to express their personal sentiment. For example, one may buy a Colorado Rockies Hat and wear in public because s/he is a fan of that particular baseball team. This person would belong to an associative reference group but not be a member of an aspirant reference group because in our example the fan does not really expect to be able to join the Rockies team in any official capacity.

#### **Ethnicity - Culture/Sub culture**

The ethnic landscape of the U.S. has changed constantly over the last few thousand years and that process continues. Native Americans continually shifted geographic habitat due to weather and other human adversaries. As our country developed in the eighteenth, nineteenth, and twentieth centuries, different ethnic groups joined the growing population. Today the ethnic composition of the U.S. is still changing. An excellent overview of this important material can be found on the internet at <http://www.census.gov/population/cen2000/c2kbr01-2.pdf>.

Incumbent in these changes in ethnicity are changes in Culture for the U.S. Historically dominated by the thoughts and mores of a Western European tradition, the U.S. is changing rapidly to accommodate many new ideas and ways of doing things. We define “culture” as the totality of artifacts and behaviors handed down from one generation to the next. A subculture can be any segment of society that hands down its own beliefs across an extended period of time. If we look at the great blues music tradition of the U.S. We see a subculture of music, introduced by the music of African-Americans and adopted by large segments of the white population. Thus, different subcultures intermingle their ideas and art forms in a ethnically diverse society.

## **Individual/Psychological Variables that Impact Buying Behavior**

### **Learning**

We, as human beings are constantly learning about our environment and a portion of this learning is related to what we consume and when and how we consume it. Therefore, learning is an important concept in consumer buying behavior. Learning can be defined as “changes in attitudes or behavior based on experience.” We learn constantly about products and services available and adjust our consumption patterns to what we learn. However, we sometimes obtain knowledge that does impact our consumption patterns for some time. Marketers cannot assess such learning easily. Although as a marketing person you can’t assess it, you must remain aware and track changes occurring in the environment. For example, today most people do not perceive significant risks in consuming hamburger meat, however, that may be changing quietly across our U.S. population in response the “Mad Cow” and “foot and mouth disease” outbreaks in the United Kingdom (check out this website:( <http://www.mad-cow.org/>). Many people are aware of this threat presently, and it would not take much to drive them away from consuming beef and hamburger meat in all forms. If you were a marketing manager for a food company, you would be well advised to continually gather information on and be aware of this trend as consumers become more aware of this threat to health.

### **Attitude**

There are probably more studies of attitude in the marketing literature than any other individual variable affecting consumer buying behavior. An attitude can be

defined 'predisposition to respond to stimuli.' In plain English, an attitude is simply how we feel about something. If you are apathetic about a certain product or issue, you don't really have an attitude related to it. "Neutral attitude" is an oxymoron, it is internally contradictory. Attitude formation can follow several different patterns. However, we can use a simple approach to understand how people form an attitude towards a product or service. Attitudes are usually comprised of three parts: cognitive, evaluative, and behavioral. That is, a consumer normally goes through three stages when forming an attitude. The stages may differ in the order they occur. For example, for a high involvement product, most consumers will probably first think about a product (cognitive stage), develop a feeling towards that product (evaluative stage) and then, if s/he likes the product, purchase it (behavioral stage). We will expand our discussion of attitude formation in the chapter on marketing communications.

The most common attitude model applied in business is the 'belief/importance weight model' also called the 'multiattribute attitude model (MAM).' The MAM orientation to measuring attitudes is a simple but effective way to understand how people feel about products and services. The MAM can be expressed in formula as follows:

$$A = \sum E_i * I_i$$

Where:        A = an attitude toward a product, service, or idea  
                   E = evaluation of attribute 'i'  
                   I = importance of attribute 'i'

A brief example will be offered to explain this approach.

Let us say that Mike has just graduated from college and is preparing to buy a new car. He has visited several dealerships, talked to his friends, and read product reviews on the internet (external search). He has prepared the following list of products and his evaluation of each product across four attributes (cost, economy, quality, and acceleration):

	Saturn	Ford Contour	Pontiac Grand Am
Cost	5	7	7
Economy	7	5	4
Quality	8	7	6
Acceleration	4	5	8

Mike's importance weights are as follows:

Cost = 40, Economy = 10, Quality = 10, Acceleration = 40

( Mike used the 'constant sum scale for his importance weights and the weights add up to one-hundred)

What is Mike's attitude toward the brands he is considering?

Solution

Saturn –  $5 \cdot 40 + 7 \cdot 10 + 8 \cdot 10 + 4 \cdot 40$  Attitude toward (Saturn) = ?

Ford Contour –  $7 \cdot 40 + 5 \cdot 10 + 7 \cdot 10 + 5 \cdot 40$  = Attitude toward Ford = ?

Pontiac –  $7 \cdot 40 + 4 \cdot 10 + 6 \cdot 10 + 8 \cdot 40$  = Attitude toward Pontiac = ?

This approach to assessing attitudes is easy and can be a helpful tool for marketers attempting to understand how to improve their product offerings.

## Perception

Perception can be defined as 'the way we experience life.' That is, perception is how we attach meaning to all of the inputs that we are exposed to in daily living. These inputs can be new words, a new song, or an advertisement about a product. Marketers have been interested in perception because they are constantly trying to communicate product and service ideas to their target markets and they need to understand how that information will be received and understood. Humans normally go through several stages in the process of perceiving meaning. These stages include exposure, attention, attached meaning, and retention. You may see a TV ad for Coca Cola (check it out at: <http://www.cocacola.com/>). For example, first, you were present by the TV to be exposed to the ad. Second, it may have gained your attention because you liked the music in the ad. Third, you attached meaning to the ad, recognizing the product and the musical theme, and finally, you find yourself humming the musical theme "Life tastes good" later in the day.

Much has been written about 'subliminal perception' over the years. Several popular writers have made considerable money on books they published warning consumers that "You are being manipulated and you don't even know it." While, this is really an exciting conspiracy theory that persists in media study, you as a college student, and soon to be graduate, should be in possession of the facts. Subliminal perception means literally 'below the level of consciousness' thus if you can identify symbols or words in an ad, you are not dealing with subliminal perception. Research indicates that while subliminal perception exists, if exposed to subliminal stimuli, you may see a red bottle of Coca-Cola and decide you are seeing Santa Claus. That is, subliminal perception is not efficient at all. However, check out the following website for research on the matter of subliminal perception before you make up your own mind:  
(<http://www.parascope.com/articles/0397/sublim.htm.>)

Perception remains an important construct in marketing because the study of perception can give information to marketing communications professionals about when and how people receive and make sense of information.

## **Risk**

Risk, in the consumer buying behavior area, can be defined as the potential negative consequence of a certain action including buying or using a certain product or service. In marketing, we usually use the term 'perceived risk' because the person or persons we are trying to understand determine the amount of risk. That is, we can advertise that there is no risk associated with taking aspirin for a headache, but some of the populace will perceive a health risk (physical risk) because they have heard that aspirin is dangerous. There are several types of risk that have been identified in research. We will cover four kinds of risk:

- a. Physiological risk - associated with threats to one's health
- b. Financial risk – risk associated with the loss of economic wealth or financial security
- c. Psychological risk – threats associated with some psychological construct, for example, a threat to one's self-esteem
- d. Social risk – a threat to one's social standing or social comfort

Surely, you are familiar with each type of risk as a consumer. You can see that marketers want to understand not only how they can use risk to make their products more appealing for purchase (for example, home security systems). Also, one can see how companies live in fear of hoaxes that will cause consumers to avoid the company's products (check out these websites to see some present hoaxes in our society.

(<http://search.yahoo.com/search?p=hoaxes&n=25>  
<http://hoaxbusters.ciac.org/> )

## **Organizational Buying Behavior**

### **Organizational Decision-Making**

Organizations often make decisions in a very similar fashion to consumers. In fact, there has been substantial disagreement about whether the differences in consumer decision-making and organizational decision-making are adequate to justify separate models of decision-making for the two. We agree that the differences are small, and don't necessarily justify separate treatment. However, we do want to point out a couple of important differences that exist in a fairly universal way. First, organizational purchase decisions are frequently made by a group of individuals. One might argue that families are similar and we would agree. However, the group decision-making approach is consistent across most organizations whereas families may be less oriented to this form of decision-making at least for many decisions. Second, the decision-making process for organizations is certainly more formalized. Most families don't consider any structured approach to their decision-making as a group and many organizations

find it necessary to codify many details about how purchase decisions shall be made. Government agencies are legend for incredibly complex buying approaches.

Thus, marketers must strive to understand how organizations in their chosen markets reach the buying decision. In considering the organizational purchase process we would recommend that the student remember two differences between consumer decision-making and organizational decision-making related to purchasing. First, we would suggest adding a stage to the consumer decision-making process covered earlier in this chapter. Organizations often solicit bids from an approved bidder list or publish specifications related to the product they are seeking to obtain. Second, there has been considerable research on the 'roles' assumed by people who impact the buying decision. These people, taken as a group, are called the **buying center**.

A list of the roles usually existing in the buying center might include:

- a) initiator – this person first recognizes the need for the product or service and may or may not have a say in the purchase decision.
- b) user – this person will be responsible for operating the product that is bought or consuming the service that is purchased. Again, this person may or may not have a say in what is purchased.
- c) influencer – this person's role may be only tangential to product use, but s/he will still have an impact on the purchase decision.
- d) buyer – this person is responsible for obtaining the product, though s/he may or may not have any impact on what is purchased.
- e) decider – this person is responsible for the final determination of what will be purchased.

You should become familiar with these roles and be able to understand how they would be expressed in a group-buying scenario. You should also be able to explain why a marketer would be interested in who plays what role.

### **Group/Social Variables that impact Organizational Buying Behavior**

While there are group variables that affect organizational buying behavior, the amount of research in this area is relatively small. Certainly, organizational relationships and organizational culture, for example, may have a strong impact on what is ultimately purchased.

### **Individual/Psychological Variables that Impact Organizational Buying Behavior**

While there has been a limited amount of research regarding these variables, the average business-to-business marketer doesn't really have easy access to much knowledge in this area. There are some studies on perceived risk that indicate

risk is an important personal consideration for industrial buyers as supported by the saying “No one have ever been fired for buying from IBM.”

Other individual/psychological variables including learning, perception, attitudes, and organizational culture also are important considerations in organizational buying as well as consumer decision-making. There is still a lot to be learned in this area.

### **Customer Relationship Management (CRM)**

This area of organizational marketing is one of the most vibrant, intriguing areas in today’s marketing landscape. While many marketers have realized for years that the key to long-term success is at least in part customer knowledge and customer care. However, this initiative is often lost in promotion without creation of a service delivery system to ensure that customers are treated as ‘number one.’

While this catch phrase has gained added space in trade magazines and academic journals, some companies will see this as another opportunity to be ‘sales driven’ and use the concept as a way to promote their ‘customer care’ programs. Sadly, such programs often are not really directed at customer satisfaction and relationship building but only represent something else to advertise that may increase sales. Many organizations that aggressively advertise such programs haven’t really done the research and made the commitment necessary to make the programs successful in the long term. However, many businesses in organizational markets have realized the importance of relationship building and have made this a priority in their business planning activities.

## Chapter Four Exercises

1. Write a one-page essay on your thoughts about how you would classify your behavior and orientation to products you buy?
2. Use the consumer decision-making process to describe a recent purchase you made. Make comments on each stage of the process.
3. Can you think of situational effects that would make the purchase of a new sports-coat a high involvement purchase? Explain.
4. Identify and fully describe one of each of the types of reference groups discussed in this chapter.
5. Give an example of a low involvement, a medium involvement, and a high involvement purchase you have made recently. Describe how your decision-making behavior was different for each purchase.
6. Explain how situational effects might impact a person's decision-making in each of the following examples:
  - a) Mark has a job interview on Friday and is wondering what to wear
  - b) Janie is driving across Utah to visit her parents and, due to a broken radiator hose, her car overheats on the interstate.
  - c) The Marvin family is headed to Texas to visit relatives and wants to stop at a restaurant for lunch.
  - d) You have a first date tonight with a person to whom you are very attracted and are thinking about where to buy dinner.
7. "Learning always changes behavior. Otherwise, it is not learning and not important to marketers." Agree or disagree and explain.
8. Compare and contrast consumer-buying behavior and organizational behavior.
9. Identify the principal type of risk involved in each of the following:
  - a) Janet undergoes a lab test for a health problem.
  - b) Adam buys a new mini-compact car and is not sure about what his friends will say.
  - c) Glenn misses a marketing exam and fails to contact anyone beforehand.
  - d) Jerri decides to take a vacation and plans a trip to Africa.
  - e) Jamie invests her tip income every week in a local '.com' company.

## Chapter Four Glossary

**consumer behavior** - the processes people employ to obtain and use various products and services.

**consumer decision** - making the approach that a consumer employs in arriving at a purchase decision

**consumer involvement** - the personal importance and social significance of the purchase

**reference groups** - collections of other people who strongly affect what we buy and how we go about buying it

**culture** - the totality of artifacts and behaviors handed down from one generation to the next

**learning** – changes in behavior based on experience

**perception** – the manner in which we experience our environment

**attitude** – the magnitude of either positive or negative feelings about something

**risk** – the potential negative consequence of a certain action including buying or using a certain product or service

**buying center** – the group of individuals who play a role in the process of acquisition of goods and services for the organization

Customer relationship management – the overall process of establishing and sustaining positive interactions with the organization's various stakeholders