MK282
Customer Relationship Marketing
Lecture Four
Buying Behaviour and Decision-making
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Aims
- To explore consumer and organisational buyer behaviour and decision-making processes
- To understand the various influences on consumer buyer behaviour
- To understand the influences on organisational buyer behaviour

Types of Customers
- Loyalists
  - the most satisfied become apostles for your company.
- Mercenaries
  - only loyal to low prices and are transaction specific with no intentions of ever establishing a relationship.
- Hostages
  - "stuck" with you for a variety of reasons. Complainers.
- Defectors
  - various types of dissatisfied former customers.

Types of customers by Relationship Strength
- Intimate relationships
  - doctor and patient
- Face-to-face relationships
  - customer and small retail store
- Distant relationships
  - interactions over phone or online
- No relationships
  - manufacturers with final customers who buy through middlemen

Applicability of CRM
- Goods suppliers
- Service providers
- Competitors as in strategic alliances
- Nonprofit organizations
- Government entities as in joint R&D
- Ultimate customers
- Intermediate customers:
  - Franchisees
  - Channel members
  - Functional departments
  - Employees
- Other company business units

Definitions
- Buying behaviour: 'The decision process and actions of people involved in buying and using products'
- Customer Attitude: 'An individual's enduring evaluation, feelings and behavioural tendencies towards an object or activity'

Baran, R.J., R.J. Galka, and D.P. Strunk (2008), Principles of Customer Relationship Management, Thomson
Dibb, Simkin
1. **Simple Response Model**

   - **Stimulus** → **Organism** → **Response**

2. **Model of Buying Behavior**

   - **Marketing stimuli**
     - Product
     - Price
     - Place
     - Promotion

   - **Other stimuli**
     - Economic
     - Technological
     - Political
     - Cultural

   - **Buyer’s characteristics**
     - Cultural
     - Social
     - Personal
     - Psychological

   - **Problem recognition**
   - **Information search**
   - **Evaluation**
   - **Decision**
   - **Postpurchase behavior**

   - **Buyer’s decisions**
     - Product choice
     - Brand choice
     - Dealer choice
     - Purchase timing
     - Purchase amount

3. **Buyer’s Characteristics**

   - **Cultural**
     - Culture, sub-culture, and social class

   - **Social**
     - Reference groups, family, roles, and status

   - **Personal**
     - Age and life cycle, occupation, economic circumstances, lifestyle, and personality

   - **Psychological**
     - Motivation, learning, perceptions, beliefs, and attitudes

4. **The Traditional Family Life Cycle**

   - Young single
   - Young married without children
   - Young married with children
   - Middle aged married with children
   - Middle aged married without dependent children
   - Older married
   - Older unmarried

5. **Product Adoption Process**

   - **Lack of Awareness**
   - **Awareness**
   - **Comprehension**
   - **Attitude**
   - **Action**

   - **The DAGMAR Process**
   - **The AIDA Model**

6. **Product Adoption Categories**

   - Distribution of Product Adopter Categories

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Four Types of Buyer Behaviour

- Repetitive: Petrol, FMCG, Banks, Sales Promotions
- Dissonance: reduction Clothes, Carpet, Added Value
- Variety Seeking: Holidays, Furniture, Accessible Information
- Complex: Cars, PCs, In-Depth Information

The degree and significance of differences between brand alternatives

Low
High

The customer’s degree of involvement with the product

DMU: Decision Making Units

- ‘The group of people within an organisation who are involved in making organisational purchase decisions’
- Members of the buying centre:
  - Users
  - Influencers
  - Buyers
  - Deciders
  - Gatekeepers

How Customers Use or Dispose of Products

- Get rid of it temporarily
- Rent it
- Get rid of it permanently
- Loan it
- Use for original purpose
- Keep it
- Convert to new purpose
- Store it

To be (re)sold
- Direct to consumer
- To intermediary
- Through middleman
- Rent it
- To be used
- Trade it
- Sell it
- Give it away
- Throw it away

DMP: Decision Making Process

- Problem Recognition
  - General Need
  - Specification
- Supplier Search
- Proposals Submission
- Supplier Selection
- Order Specification
- Performance Review
- Supplier Selection
- Order Specification
- Performance Review
- Supplier Selection
- Order Specification
- Performance Review

Business vs. Consumer Markets

- Fewer buyers
- Larger buyers
- Close supplier-customer relationship
- Geographically concentrated
- Derived demand
- Fluctuating demand
- Professional purchasing
- Several buying influences
- Multiple sales calls
- Direct purchasing
- Reciprocity
- Leasing

Major Influences on Industrial Buying Behaviour

- Environmental: Level of demand
- Economic: Outlook
- Interest rate
- Rate of technological change
- Political and regulatory developments
- Competitive developments
- Social responsibility concerns

Organizational: Objectives
- Policies
- Procedures
- Organizational Structures
- Systems

Interpersonal: Interests
- Authority
- Status
- Empathy
- Persuasiveness

Individual: Age
- Income
- Education
- Job position
- Personality
- Risk attitudes
- Culture

Business Buyer