CONSUMER BEHAVIOUR

DIGITAL NOTES

ON

CONSUMER BEHAVIOUR

II MBA - III Semester

Department of MB

ANNAMACHARYA INSTITUTE OF TECHNOLOGY AND SCIENCES, RAJAMPET

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Unit 4 MODELS OF CONSUMER BEHAVIOUR 8

Howard Model, Howard-Sheth Model, EKB Model, Webster and Wind Model, Sheth Industrial Buyer Behaviour Model.

Learning Outcomes: At the end of the unit, the student will be able to:

- Establish the relevance of consumer behaviour theories and concepts to marketing decisions. (L2)
- Implement appropriate combinations of theories and concepts. (L3)

Consumer behavior models are instrumental for understanding how, when, and why your customers buy. By applying the models to your customer acquisition efforts, you can accurately predict who will buy your product and target the right customers at the right time.

In this post, we'll discuss the most important consumer behavior models and explain how you can use them to create customer-centric experiences.

A consumer behavior model is a theoretical framework for explaining why and how customers make purchasing decisions. The goal of consumer behavior models is to outline a predictable map of customer decisions up until conversion, thus helping you steer every stage of the buyer's journey.

Consumer behavior models may sound complicated, but they're not. They're a way to create a "buyer behavior story" that you can use to refine and improve your customer experience.

As a whole, buyer behavior refers to an individual's buying habits based on influences from their background, education, personal beliefs, goals, needs, desires, and more.

Businesses aim to understand buyer behavior through customer behavior analysis, which involves the qualitative and quantitative analysis of a target market. Even though this data can tell you your customer's favorite brand of socks, it doesn't mean much if it doesn't tell you why they purchased that brand of socks.

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That's where consumer behavior models come in. Consumer behavior models contextualize results from customer behavior analysis studies and help you get to the "why" of purchasing decisions.

Consumer Behavior Models

Customer behavior models help you understand your unique customer base and more effectively attract, engage, and retain them. These models are either traditional or contemporary.

TRADITIONAL CONSUMER BEHAVIOR MODELS	CONTEMPORARY CONSUMER BEHAVIOR MODELS
Learning Model	**Engel-Kollat-Blackwell (EKB) Model**
Psychoanalytical Model	Black Box Model
Sociological Model	Hawkins Stern Model
Economic Model	**Howard Sheth Model**
	Nicosia Model
	Webster and Wind Model

1.Howard Model

The Howard Sheth model of consumer behavior posits that the buyer's journey is a highly rational and methodical decision-making process. In this model, customers put on a "problem-solving" hat every step of the way — with different variables influencing the course of the journey.

John Howard and Jagadish Sheth put forward the **Howard Sheth model of consumer behavior** in 1969, in their publication entitled, 'The Theory of buyer Behaviour'.

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The **Howard Sheth Model** is a sophisticated integration of the various social, psychological, and marketing influences on consumer choice into a coherent sequence of information processing. It aims not only to explain consumer behavior in terms of cognitive functioning but to provide an empirically testable depiction of such behavior and its outcomes (Howard 1977).

The logic of the Howard Sheth model of consumer behavior summarizes like this. There are inputs in the form of Stimuli. There are outputs beginning with attention to a given stimulus and ending with purchase. In between the inputs and the outputs, there are variables affecting perception and learning. These variables are termed 'hypothetical' since they cannot be directly measured at the time of occurrence.

The **Howard Sheth model of consumer behavior** suggests three levels of decision making:

1. The first level describes **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.
2. 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.
3. The third level is **habitual response behavior**. At 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 of consumer behavior, there are four major sets of variables; namely:

1. **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 (significative stimuli) and verbal or visual product characteristics (symbolic stimuli). There are impersonal sources like mass media communication and advertising, over which the firm has no control. However, the

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information sources also include sales and service personnel who can add and help the marketing efforts of the firm. The third type is provided by the consumer's social environment (family, reference group, and social class). This social source is personal and the company/marketer has no control over this source. All three types of stimuli provide inputs concerning the product class or specific brands to the specific consumer.

2. **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. Perceptual bias occurs if the consumer distorts the information received so that it fits his or her established needs or experience. Learning constructs category, consumers' goals, information about brands, criteria for evaluation alternatives, preferences, and buying intentions are all included. The proposed interaction In between the different variables in the perceptual and learning constructs and other sets give the model its distinctive advantage.
3. **Outputs:** The outputs are the results of the perceptual and learning variables and how the consumers will respond to these variables (attention, brand comprehension, attitudes, and intention).
4. **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.

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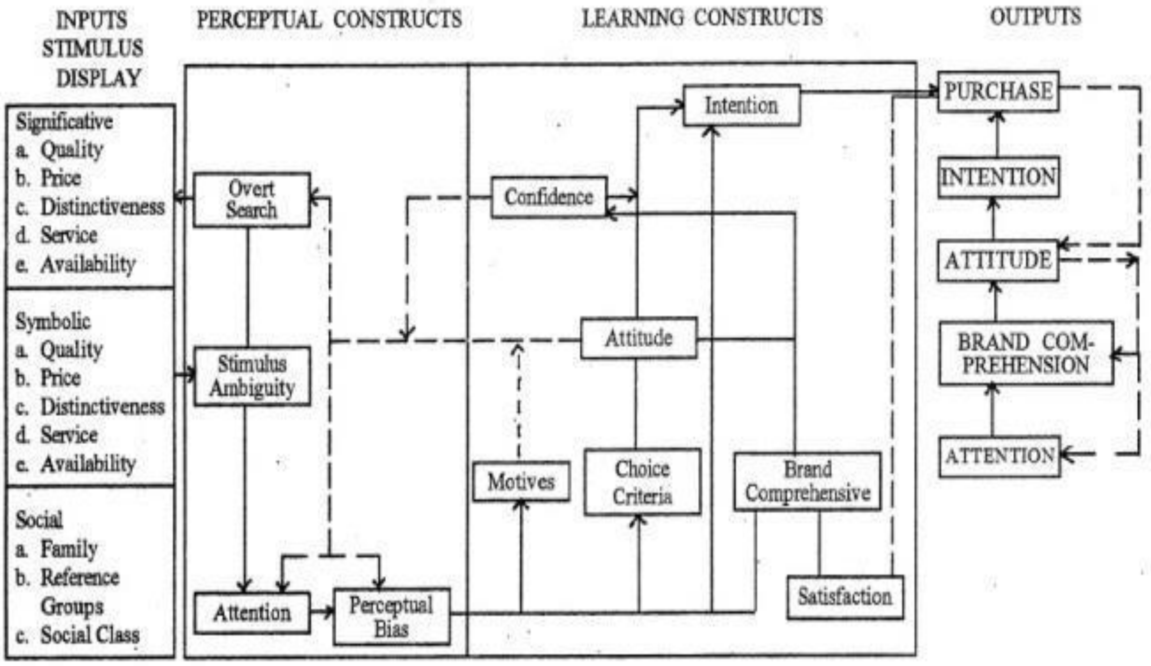

(Source: John A Howard, Jagdish Sheth. The Theory of Buyer Behaviour, John Wiley, 1969)

The decision-making process, which Howard-Sheth Model tries to explain, takes place at three Inputs stages: Significance, Symbolic and Social stimuli. In both significative and symbolic stimuli, the model emphasizes 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 influences the family decision? This may differ from one society to another.

Most scholars agree that the study of consumer behavior was advanced and given an impetus by Howard Sheth Model. The major advantage and strength of the model lied in the precision with which a large number of variables have been linked in the working relationships to cover most aspects of the purchase decision and the effective utilization of contribution from the behavioral sciences.

Finally, no direct relation was drawn to the role of religion in influencing the consumer’s decision-making processes. Religion was considered as an external factor with no real influence on consumers, which gives the model obvious weakness in anticipation of the consumer decision.

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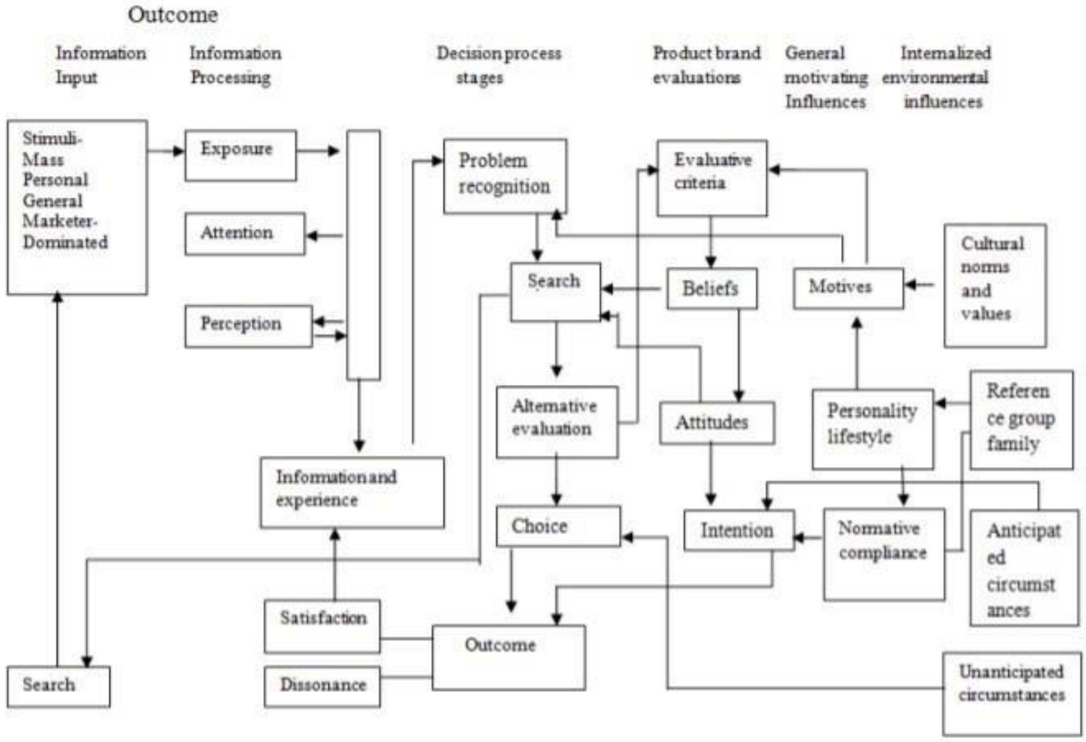
2.Engel-Kollat-Blackwell model (1968)

Engel Kollat Blackwell model was first developed in 1968 describing the expansion and flourished knowledge concerning consumer behaviour, consisting of four stages (Prasad & Jha, 2014). It is today one of the most popular consumer behaviour models and is also popularly known as the learning model of consumer behaviour. It encompasses the components of decision making and describes the relationship between them, demonstrating consumer behaviour.



The authors identified six critical components in the consumer behaviour model. These are as follows.

- Information input- stimuli (mass/ personal).
- Information processing- exposure, attention and perception.
- Decision making- problem recognition, search, alternative evaluation and choice.
- Product brand evaluations- beliefs, attitudes and intentions.
- Internal influences- personality and lifestyle.
- External influences- societal norms and culture.

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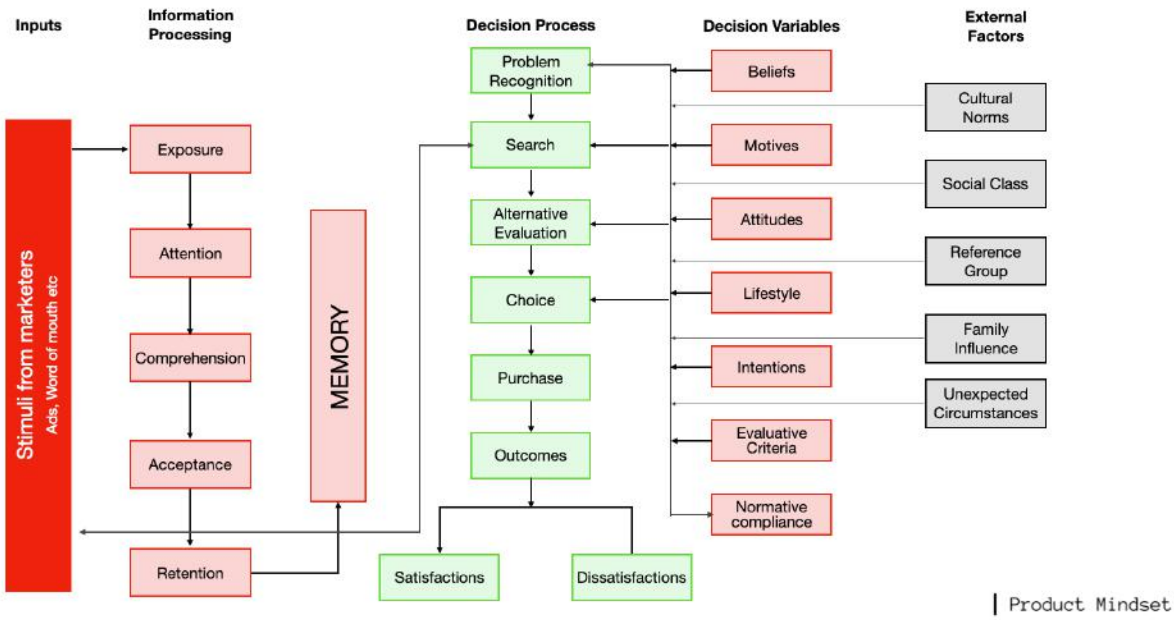
Out of the above six components, the third component, i.e. the decision-making process is most crucial. It helps to identify the stages of a consumer's decision-making process (Jisana, 2014). This component consists of four stages. The first stage is the problem recognition stage, involving recognising the problem, foraging alternatives, evaluating, purchasing and outcomes. The second stage is the information search, where the consumer gathers the information from both market and non-market sources before making a purchase decision. If a consumer fails in making a decision, then a search of external information is required in order to arrive at a choice. The third stage is the alternative evaluation stage where the consumer evaluates and compares different alternatives available to fulfil their need in the market (Blackwell & Miniard, 2006). Next is the choice stage, where the consumer decides which product to purchase. This is based on their intentions and attitude. The last stage is the outcome, which can either be positive or negative.

2. Engel-Kollat-Blackwell (EKB) Model of Consumer Behavior



The Engel-Kollat-Blackwell model of consumer behavior outlines a five-stage decision process that consumers go through before purchasing a product or service.

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Awareness: During this stage, consumers view advertisements from a business and become aware of their need, desire, or interest, to purchase what they've just discovered.

Information Processing: After discovering a product or service, a consumer begins to think about how the product or service relates to their past experiences or needs and whether it will fulfill any current needs.

Evaluation: At this point, consumers will research the product they've discovered and research options from competitors to see if there is a better option or if the original product is the best fit.

Purchasing Decision: A consumer will follow through with a purchase for the product that has beat out competitors to provide value. A consumer may also stop the process if they change their mind.

Outcome Analysis: After making a purchase, a customer will use what they've bought and assess whether their experience is positive or negative. After a trial period, they'll keep a product and maybe decide to become repeat customers or express dissatisfaction and return to stage three.

Overall, EKB says that consumers make decisions based on influencing factors that they assess through rational insight.

This model applies to businesses that have many competitors with similar products or services. If your product market is highly saturated and competitive, the goal is to outshine your competitors by meeting customers at every stage of their journey.

Increase visibility for your business during the awareness stage through Search Engine Optimization. Show them how your product or service will benefit them and give them the resources they need to weigh you against your competitors, like customer reviews and testimonials, free trials, discounts for bulk purchases. Lastly, and provide excellent after-sales support to show them that you care about their business even if they make a return.

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3.Webster and Wind Model of Organizational Buying Behavior

The Webster and Wind Model is a B2B buying behavior model that argues there are four major variables that affect whether an organization makes a purchase decision. Those are:

Environmental Variables: Environmental variables refer to any external factors that could sway a purchase decision. Customer demands, supplier relationships, and competitive pressure are a few examples. Broader variables apply, too, such as technology, politics, and culture.

Organizational Variables: Organizational variables refer to internal factors that could sway a purchase decision, such as the organization’s goals and evaluation criteria.

Buying Center Variables: Who makes the final purchase decision? Who has the authority to sign the contract, and who influences the buying process? Buying center variables take all of this into account.

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Individual Variables: These variables refer to the demographic and psychographic information of the individual prospect at the business. What's their education and level of experience? What are their goals and desires?

After taking all of those variables into account, B2B organizations are then able to chart a predictable buyer's journey for their target customers.

4.Sheth Industrial Buyer Behaviour Model

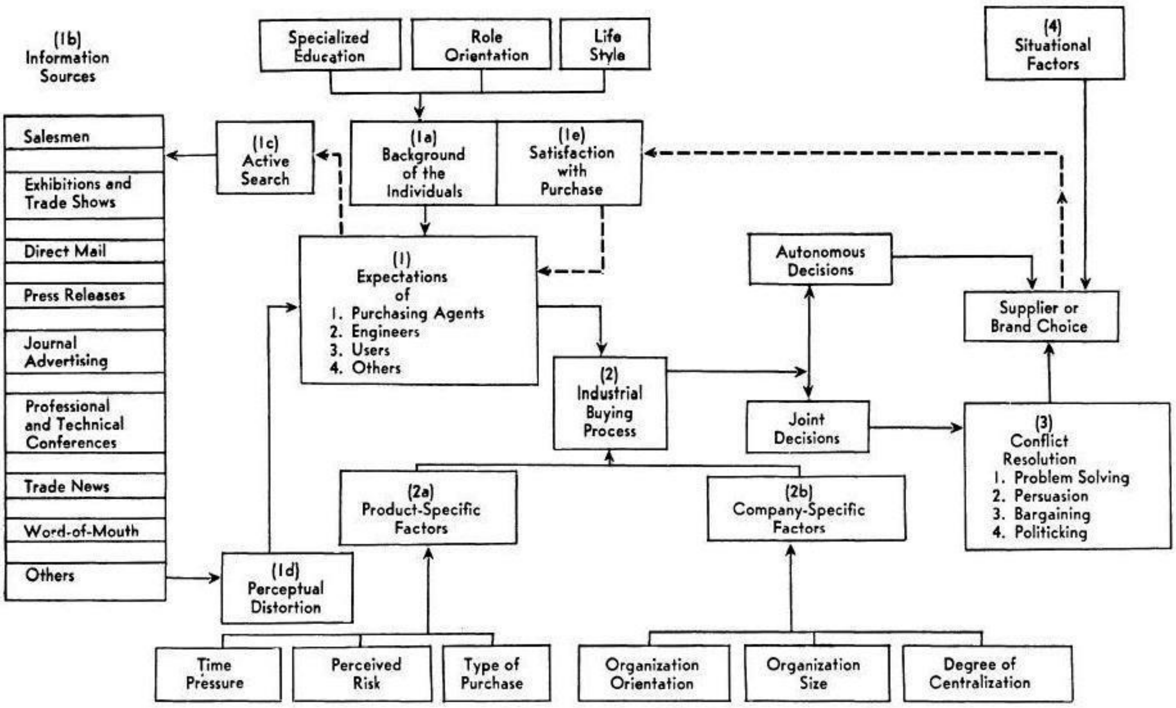

FIGURE 1. An integrative model of industrial buyer behavior.

The model of industrial buyer behavior is summarized in Figure 1. Although this illustrative presentation looks complex due to the large number of variables and complicated relationships among them, this is because it is a generic model which attempts to describe and explain all types of industrial buying decisions. One can, however, simplify the actual application of the model in a specific study in at least two ways. First, several variables are included as conditions to hold constant differences among types of products to be purchased (product-specific factors) and differences among types of purchasing organizations. These exogenous factors will not be necessary if the objective of a study is to describe the process of buying behavior for a specific product or service. Second, some of the decision-process variables can also be ignored if the interest is strictly to conduct a survey of static measurement of the psychology of the organizational buyers. For example, perceptual bias and active search variables may be eliminated if the interest is not in the process of communication to the organizational buyers.

This model is similar to the Howard-Sheth model of buyer behavior in format and classification of variables. 5 However, there are several significant differences. First, while the Howard-Sheth model is more general and probably more useful in consumer behavior, the model described in this article is limited to organizational buying alone. Second, the Howard-Sheth model is limited to the individual decision-making process, whereas this model explicitly describes the joint decision-making process. Finally, there are fewer variables in this model than in the Howard-Sheth model of buyer behavior.

Organizational buyer behavior consists of three distinct aspects. The first aspect is the psychological world of the individuals involved in organizational buying decisions. The second aspect relates to the conditions which precipitate joint decisions among these individuals. The final aspect is the process of joint decision making with the inevitable conflict among the decision makers and its resolution by resorting to a variety of tactics.

Psychological World of the Decision Makers

Contrary to popular belief, many industrial buying decisions are not solely in the hands of purchasing agents. 6 Typically in an industrial setting, one finds that there are at least three departments whose members are continuously involved in different phases of the buying process. The most common are the personnel from the purchasing, quality control, and manufacturing departments. These individuals are identified in the model as purchasing agents, engineers, and users, respectively. Several other individuals in the organization may be, but are typically not, involved in the buying process (for example, the president of the firm or the comptroller). There is considerable interaction among the individuals in the three departments continuously involved in the buying process and often they are asked to decide jointly. It is, therefore, critical to examine the similarities and differences in the psychological worlds of these individuals.

Based on research in consumer and social psychology, several different aspects of the psychology of the decision makers are included in the model. Primary among these are the expectations of the decision makers about suppliers and brands [(1) in Figure 1]. The present model specifies five different processes which create differential expectations among the individuals involved in the purchasing process: (1a) the background of the individuals, (1b) information sources, (1c) active search, (1d) perceptual distortion, and (1e) satisfaction with past purchases. These variables must be explained and operationally defined if they are to fully represent the psychological world of the organizational buyers.

Expectations

Expectations refer to the perceived potential of alternative suppliers and brands to satisfy a number of explicit and implicit objectives in any particular buying decision. The most common explicit objectives include, in order of relative importance, product quality, delivery time, quantity of supply, after-sale service where appropriate, and price. 7 However, a number of studies have pointed out the critical role of several imp licit criteria such as reputation, size, location and reciprocity relationship with the supplier; and personality, technical expertise, salesmanship, and even life style of the sales representative. 8 In fact, with the standardized marketing mix among the suppliers in oligopolistic markets, the implicit criteria are becoming marginally more and more significant in the industrial buyer's decisions.

Expectations can be measured by obtaining a profile of each supplier or brand as to how satisfactory it is perceived to be in enabling the decision maker to achieve his explicit and implicit objectives. Almost all studies from past research indicate that expectations will substantially differ among the purchasing agents, engineers, and product users because each considers different criteria to be salient in judging the supplier or the brand. In general, it is found that product users look for prompt delivery, proper installation, and efficient serviceability; purchasing agents look for maximum price advantage and economy in shipping and forwarding; and engineers look for excellence in quality, standardization of the product, and engineering pretesting of the product. These differences in objectives and, consequently, expectations are often the root causes for constant conflict among these three types of individuals. 9

Why are there substantial differences in expectations? While there is considerable speculation among researchers and observers of industrial buyer behavior on the number and nature of explanations, there is relatively little consensus. The five most salient processes which determine differential expectations, as specified in the model, are discussed below.

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Background of Individuals

The first, and probably most significant, factor is the background and task orientation of each of the individuals involved in the buying process. The different educational backgrounds of the purchasing agents, engineers, and plant managers often generate substantially different professional goals and values. In addition, the task expectations also generate conflicting perceptions of one another's role in the organization. Finally, the personal life styles of individual decision makers play an important role in developing differential expectations. 10

It is relatively easy to gather information on this background factor. The educational and task differences are comparable to demographics in consumer behavior, and life style differences can be assessed by psychographic scales on the individual's interests, activities, and values as a professional.

Information Sources and Active Search

The second and third factors in creating differential expectations are the source and type of information each of the decision makers is exposed to and his participation in the active search. Purchasing agents receive disproportionately greater exposure to commercial sources, and the information is often partial and biased toward the supplier or the brand. In some companies, it is even a common practice to discourage sales representatives from talking directly to the engineering or production personnel. The engineering and production personnel, therefore, typically have less information and what they have is obtained primarily from professional meetings, trade reports, and even word-of- mouth. In addition, the active search for information is often relegated to the purchasing agents because it is presumed to be their job responsibility.

It is not too difficult to assess differences among the three types of individuals in their exposure to various sources and types of information by standard survey research methods.

Perceptual Distortion

A fourth factor is the selective distortion and retention of available information. Each individual strives to make the objective information consistent with his own prior knowledge and expectations by systematically distorting it. For example, since there are substantial differences in the goals and values of purchasing agents, engineers, and production personnel, one should expect different interpretations of the same information among them. Although no specific research has been done on this tendency to perceptually distort information in the

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area of industrial buyer behavior, a large body of research does exist on cognitive consistency to explain its presence as a natural human tendency. 11

Perceptual distortion is probably the most difficult variable to quantify by standard survey research methods. One possible approach is experimentation, but this is costly. A more realistic alternative is to utilize perceptual mapping techniques such as multidimensional scaling or fact or analysis and compare differences in the judgments of the purchasing agents, engineers, and production personnel to a common list of suppliers or brands.

Satisfaction with Past Purchases

The fifth factor which creates differential expectations among the various individuals involved in the purchasing process is the satisfaction with past buying experiences with a supplier or brand, Often it is not possible for a supplier or brand to provide equal satisfaction to the three parties because each one has different goals or criteria. For example, a supplier may be lower in price but his delivery schedule may not be satisfactory. Similarly, a product’s quality may be excellent but its price may be higher than others. The organization typically rewards each individual for excellent performance in his specialized skills, so the purchasing agent is rewarded for economy, the engineer for quality control, and the product ion personnel for efficient scheduling. This often results in a different level of satisfaction for each of the parties involved even though the chosen supplier or brand may be the best feasible alternative in terms of overall corporate goals.

Past experiences with a supplier or brand, summarized in the satisfaction variable, directly influence the person’s expectations toward that supplier or brand. It is relatively easy to measure the satisfaction variable by obtaining information on how the supplier or brand is perceived by each of the three parties.

Determinants of Joint vs. Autonomous Decisions

Not all industrial buying decisions are made jointly by the various individuals involved in the purchasing process. Sometimes the buying decisions are delegated to one party, which is not necessarily the purchasing agent. It is, therefore, important for the supplier to know whether a buying decision is joint or autonomous and, if it is the latter, to which party it is delegated. There are six primary factors which determine whether a specific buying decision will be joint or autonomous. Three of these factors are related to the characteristics of the product or service (2a) and the other three are related to the characteristics of the buyer company (2b).

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Product-Specific Factors

The first product-specific variable is what Bauer calls perceived risk in buying decisions. 12 Perceived risk refers to the magnitude of adverse consequences felt by the decision maker if he makes a wrong choice, and the uncertainty under which he must decide. The greater the uncertainty in a buying situation, the greater the perceived risk. Although there is very little direct evidence, it is logical to hypothesize that the greater the perceived risk in a specific buying decision, the more likely it is that the purchase will be decided jointly by all parties concerned. The second product-specific factor is type of purchase. If it is the first purchase or a once-in- a-lifetime capital expenditure, one would expect greater joint decision making. On the other hand, if the purchase decision is repetitive and routine or is limited to maintenance products or services, the buying decision is likely to be delegated to one party. The third factor is time pressure. If the buying decision has to be made under a great deal of time pressure or on an emergency basis, it is likely to be delegated to one party rather than decided jointly.

Company-Specific Factors

The three organization-specific factors are company orientation, company size, and degree of centralization. If the company is technology oriented, it is likely to be dominated by the engineering people and the buying decisions will, in essence, be made by them. Similarly, if the company is production oriented, the buying decisions will be made by the production personnel. 13 Second, if the company is a large corporation, decision making will tend to be joint. Finally, the greater the degree of centralization, the less likely it is that the decisions will be joint. Thus, a privately-owned small company with technology or production orientation will tend toward autonomous decision making and a large-scale public corporation with considerable decentralization will tend to have greater joint decision making.

Even though there is considerable research evidence in organization behavior in general to supp ort these six factors, empirical evidence in industrial buying decisions in particular is sketchy on them. Perhaps with more research it will be possible to verify the generalizations and deductive logic utilized in this aspect of the model.