Unit 4

CONSUMER BEHAVIOUR MODELS

Models of Consumer Behavior

- **Traditional Models**
  - Economic Model
  - Learning Model
  - Psychological Model
  - The sociological model
- **Contemporary Models**
  - The Howard Sheth Model of buying behaviour
  - The Nicosia Model
  - The Engle-KollatBlackwell Model
  - Engle, Blackwell and Minia

Industrial and Individual Consumer Behavior Models

Understanding buyer behaviors plays an important part in marketing. Considerable research on buyer behavior both at conceptual level and empirical level has been accumulated. There are two types of buyers –

- Industrial (organizational) buyer
- Individual consumer

Organizational buying behavior has many distinctive features –

- First, it occurs in a formal organization which is caused by budget and cost.

- Second, in some conditions, joint decision-making process may occur, and this is not possible in individual buying behavior.
- Finally, conflict occurs and they are hard to avoid in the joint decision making process.

In order to understand the organizational buying behavior, we first consider who will be involved in the buying process and what are their expectations. At least, purchasing agents, engineers, and final consumers will participate in the buying process.

The potential of different decision maker are different in different situations. In this model, there are five different sets of variables determining the expectations of the individual −

The individuals' background, information sources, vigorous search, the selective bend of the information based on their previous information and expectations, satisfaction with previous purchase.

Except the perceptual distortion, the other four variables that are easy to gather information.

The second part of the model is regarding the industrial buying processes − Independent decision which means that the decision is delegated to one department, joint decision processes.

The product-specific factors (the perceived risk, the type of purchase, and time pressure) and the company-specific factors (company orientation, company size, and degree of centralization) will determine the type of factor.

The greater the apparent risk, the more preferred to joint decisions. If it is a life-time capital buy, the more likely the joint decision will take place.

If the decision has to be made at an emergency, it is likely to entrust to one party. A small and privately-owned company with product or technology orientation will lean towards independent decisions.

While a large public company with decentralization will tend to have joint decision process.

Economic Man Model

In this model, consumers follow the principle of maximum utility based on the law of diminishing marginal utility. Economic man model is based on the following effects −

- **Price Effect** − Lower the price of the product more will be the quantity purchase.
- **Substitution Effect** − Lower the price of the substitute product, lower will be the utility of the original product purchase.
- **Income Effect** − When more income is earned, or more money is available, quantity purchased will be more. The economic theory of buyer's decision-making was based on the following assumptions −

As consumer resources are limited, he would allocate the available money which will maximize the satisfaction of his needs & wants.

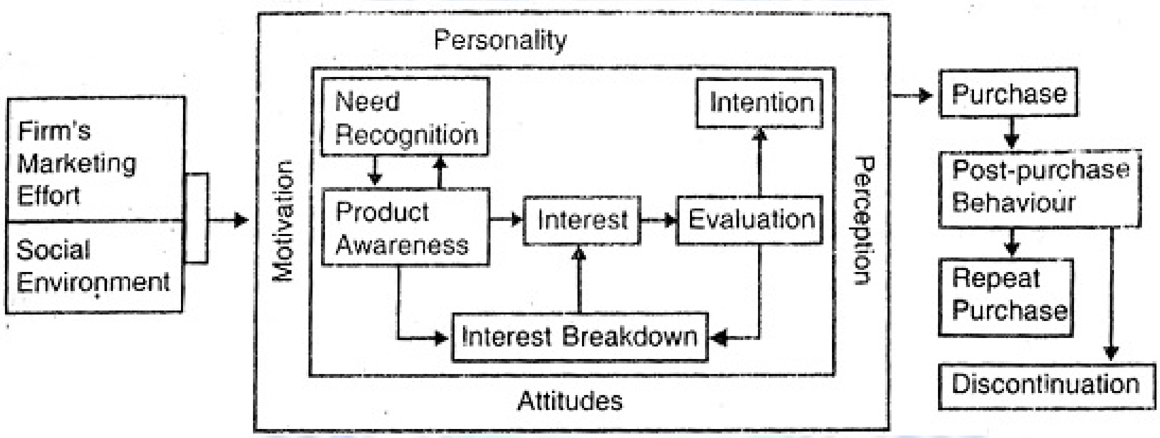
Consumers have complete knowledge about the utility of each product and service, i.e., they are capable of completing the accurate satisfaction that each item is likely to produce.

As more units of the same item are purchase the marginal utility or satisfaction provided by the next unit of the item will keep on decreasing, according to the law of diminishing marginal utility.

Price is used as a measure of sacrifice in obtaining the goods or services. The overall objective of the buyer is to maximize his satisfaction out of the act of purchase.

Learning Model

This model suggests that human behavior is based on some core concepts − the drives, stimuli, cues, responses and reinforcements which determine the human needs and wants and needs satisfying behavior.



- **Drive** − A strong internal stimulus which compels action.
- **Stimuli** − These are inputs which are capable of arousing drives or motives.
- **Cues** − It is a sign or signal which acts as a stimulus to a particular drive.
- **Response** − The way or mode in which an individual reacts to the stimuli.

If the response to a given stimulus is "rewarding", it reinforces the possibility of similar response when faced with the same stimulus or cues. Applied to marketing if an informational cue like advertising, the buyer purchases a product (response); the favourable experience with the product increases the probability that the response would be repeated the next time the need stimulus arises (reinforcement).

The Psychoanalytic Model − The model suggests that human needs operate at various levels of consciousness. His motivation which is in these different levels, are not clear to the casual observer. They can only be analyzed by vital and specialized searching.

Sociological Model − This is concerned with the society. A consumer is an element of the society and he may be a member of many groups and institutions in a society. His buying behavior is influenced by these groups. Primary groups of family friend's relatives and close associates extract a lot of influence on his buying. A consumer may be a member of a political party where his dress norms are different from different member. As a member of an elite organization, his dress needs may be different, thus he has to buy things that confirm to his lifestyle