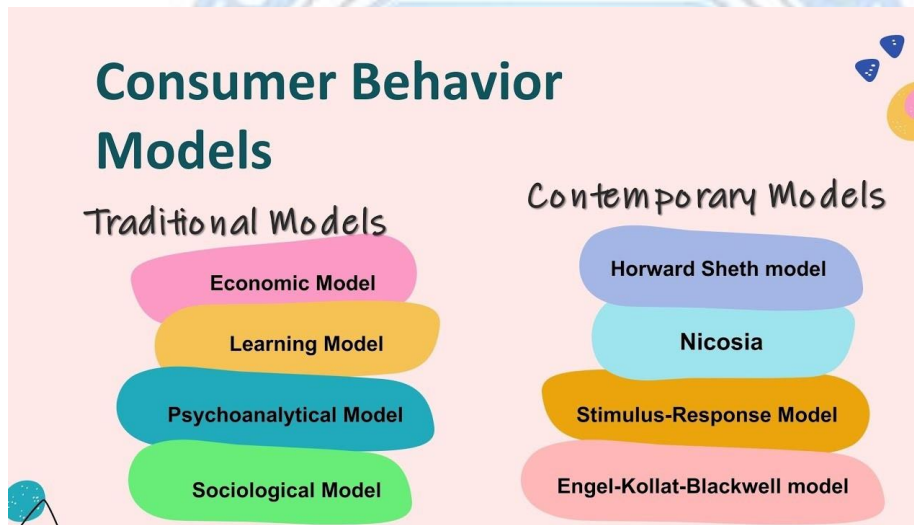


UNIT IV

- ▶ **Models – Online buyer behaviour**
- ▶ **Customer Relationships management**
- ▶ **Customer acquisition, Retaining, Defection**

Buyer Behaviour Models

- ▶ Buyer behavior models have addressed the question of how a buyer goes about gathering information for making a decision, how he makes a decision, and finally how the decision affects his attitudes and hence future decisions.



Traditional Model

- ▶ Economic model
- ▶ Learning model
- ▶ Psychoanalytic model
- ▶ Sociological model

ECONOMIC MODEL

Economic Model of Consumer Behavior

Consumers try to meet their needs while spending as few resources (e.g. money) as possible.

According to the economic model of buying behavior, the buyer is a rational animal and his buying decisions are totally depended on the concept of utility. In other words, it explains an economic perspective of the customer. Here, consumer analyzes the pros & cons of purchasing a product. He considers the price, utility, quality, durability, reliability, service etc., of the product and then takes a decision. He purchases only those goods and services which are useful to him and available at reasonable prices. Thus, this type of model is also known as rational product buying motive

The economic model of consumer behavior is the most straightforward of the traditional models. This model argues that consumers try to meet their needs while spending as few resources (e.g. money) as possible.

That means that businesses and manufacturers can predict sales based on their customers' income and their products' price. If companies offer the lowest-priced product, they may feel that they're guaranteed a consistent level of profit.

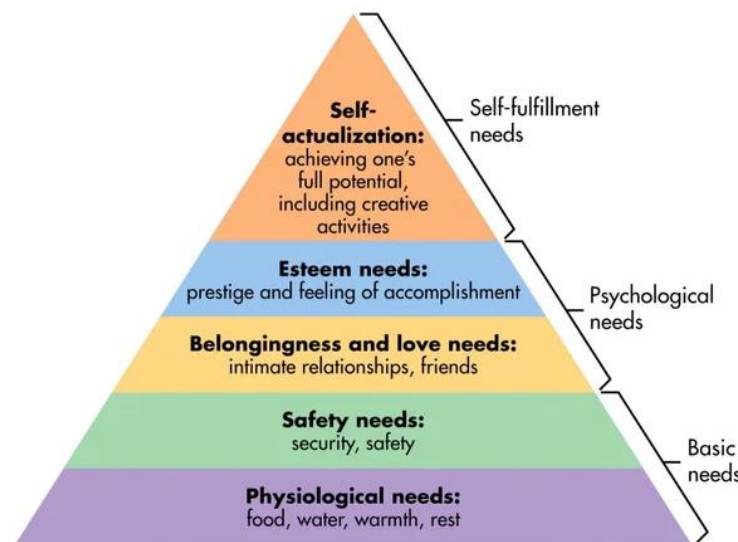
While the economic model is the easiest to understand, it's also the most limited. A buyer may have other reasons for purchasing a product aside from price and personal resources. One such example would be prescription medicine in the U.S. healthcare industry. While the price of a prescription drug may exceed the buyer's resources, the buyer would still have to find a way to purchase it and meet their needs. They might open a credit card or take out a personal loan to pay for the medicine. Thus personal income and price don't affect the purchasing decision here; instead, need does.

LEARNING MODEL

Learning Model of Consumer Behavior

Buyers are driven to satisfy basic needs required for survival, like food, and needs learned from lived experiences, like fear or guilt.

The Learning Model of customer behavior theorizes that buyer behavior responds to the desire to satisfy basic needs required for survival, like food, and learned needs that arise from lived experiences, like fear or guilt. This model takes influence from psychologist Abraham Maslow's Hierarchy of Needs



The bottom level of this hierarchy represents basic needs, and ascending sections describe learned needs, or secondary desires, that allow consumers to feel as though they've reached self-fulfillment.

The Learning Model says that consumers first make purchases to satisfy their basic needs and then move on to meet learned needs. For example, a hungry customer would fulfill their need for food before a learned need to wear trendy clothing.

If you're a multipurpose business that sells products that meet all levels of customer needs, this model applies to you. For example, Target is a United States-based department store that sells hundreds of products. Super Targets are larger versions of the chain that also sell groceries.

When a customer visits a Super Target, they first see products that satisfy their basic needs — the grocery section. They're probably also seeing produce first, as these items are seen as the most nutritious and necessary for survival. After produce, customers move on to other aisles that satisfy learned needs, like purchasing their favorite cookies, clothing items, or beauty accessories.

You can think of it like this: If you're a business with a significant amount of in-store options, improve the customer experience and speak to their buyer behavior by first leading them to the products that will satisfy their innate needs. Without doing this, they may navigate through your store anxious about meeting those needs and spend less time browsing other products and making additional purchases. Once they feel comfortable, they'll move on to satisfy the desires that bring them joy rather than help them survive.

Psychoanalytic model

Psychoanalytical Model of Consumer Behavior

Individual consumers have deep-rooted motives, both conscious and unconscious, that drive them to make a purchase.

Sigmund Freud is the father of psychoanalysis. The psychoanalytical model draws from his theories and says that individual consumers have deep-rooted motives, both conscious and unconscious, that drive them to make a purchase. These motives can be hidden fears, suppressed desires, or personal longings.

Thus, customers make purchases depending on how stimuli from your business, like an advertisement on Instagram, appeal to their desires. It's important to note that, since these desires can be unconscious, customers don't always know why it appeals to them; they just know it feels right to have it.

This model is unique in terms of application, but it's relevant to businesses that sell an image that accompanies their products or services. For example, say you sell glasses. We all long to fit in and feel like we're valued and seen as capable, smart people. Glasses are sometimes a symbol of intelligence, so you'd want to appeal to this desire when crafting a customer experience.

You may instruct marketing to create ad campaigns that display pictures of people wearing your glasses in educational settings or doing things that society labels as 'smart.'

Sociological model

Sociological Model of Consumer Behavior

Purchases are influenced by an individual's place within different societal groups: family, friends, and workgroups.

The Sociological Model of consumer behavior says that purchases are influenced by an individual's place within different societal groups: family, friends, and workgroups, as well as less-defined groups like Millennials or people who like yoga. An individual will essentially purchase items based on what is appropriate or typical of the groups they're in.

For instance, C-Suite executives are expected to be professional and formal. People who hold these jobs will make purchases that speak to and uphold this group's rules, like formal business wear.

This model can apply to most businesses, especially those that create products and services relevant to specific groups. To use the Sociological Model, you'd want to create experiences that speak to how these groups usually act. One example is brands that sell exercise equipment.

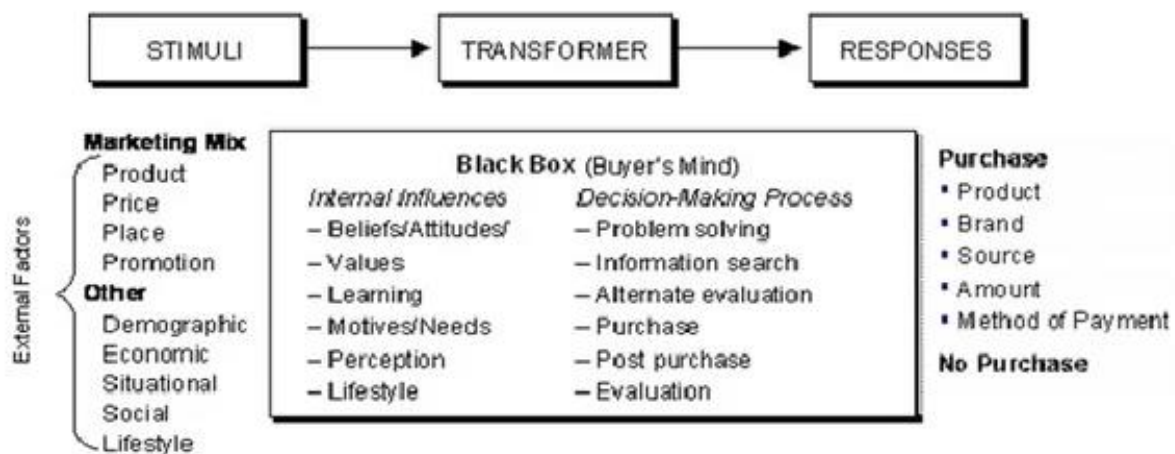
You sell to and appeal to consumers that are part of a societal group that likes to work out. To delight these customers, you'd want to sell to their desires, like equipment that improves performance or an insulated water bottle that stays cold and leaves them satisfied during their breaks. By doing this, you're speaking to the consumer in that specific group and showing them that your product will help them retain their position in that group.

Check out this ad from Nike. They're selling this shoe to the undefined group of people who like to run, claiming that it will improve their speed and help them fit in with the group.

CONTEMPORARY MODELS

- ▶ **Contemporary models of consumer behavior focus on rational and deliberate decision-making processes rather than emotions or unconscious desires. The contemporary models include:**
- ▶ **Engel-Kollat-Blackwell (EKB) Model**
- ▶ **Black Box Model**
- ▶ **Hawkins Stern Model**
- ▶ **Howard Sheth Model**
- ▶ **Nicosia Model**
- ▶ **Webster and Wind Model**

Black Box Model of Consumer Behavior



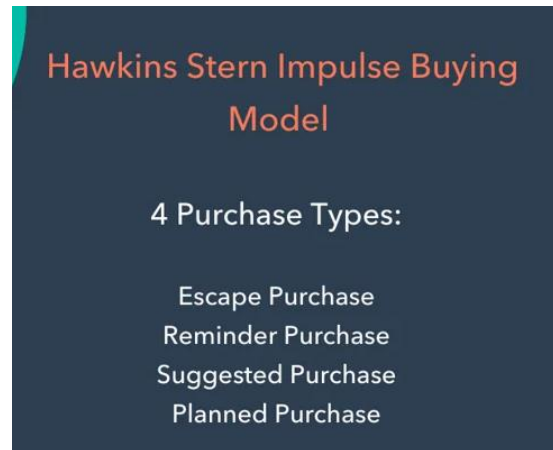
It may look complex, but it's a fairly straightforward path. A consumer comes into contact with external stimuli from your business' marketing mix and other external stimuli, and they process it in their mind (black box). They relate the external stimuli to their pre-existing knowledge, like personal beliefs and desires, to make a decision.

In short, this model says that consumers are problem solvers who make decisions after judging how your product will satisfy their existing beliefs and needs. Since consumers only follow through with a purchase after understanding how a product relates to their experiences, this model can benefit businesses selling products that go along with a lifestyle.

Case in point: cars. Different brands sell their cars to specific types of buyers. Jeeps and Subarus are for those that engage in outdoor activities and need a sturdy, reliable vehicle. At the same time,

Mercedes Benz and Lexus' are marketed to those who want luxurious driving experiences. Even though the machinery is relatively similar, these brands speak to the pre-existing life values that customers have, and they promise that purchasing their vehicle will uphold their values.

Hawkins Stern Impulse Buying Model



The Impulse Buying theory is an alternative to the Learning Model and EKB, as it claims that purchases aren't always a result of rational thought. When we think of impulse buying, we typically imagine picking up a candy bar or a pack of gum right before checking out. These are certainly impulse purchases, but Hawkins Stern categorizes them into four different types:

Escape Purchase: Sometimes called pure impulse, this involves purchasing an item that isn't a routine item or on a shopping list. Consumers are drawn to these items through appealing visuals.

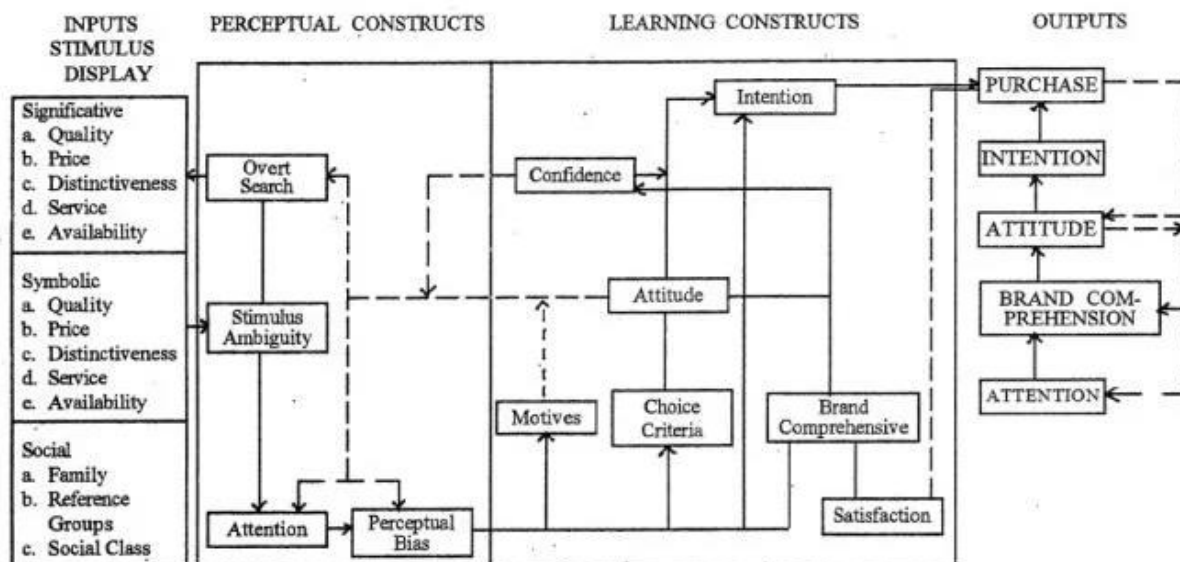
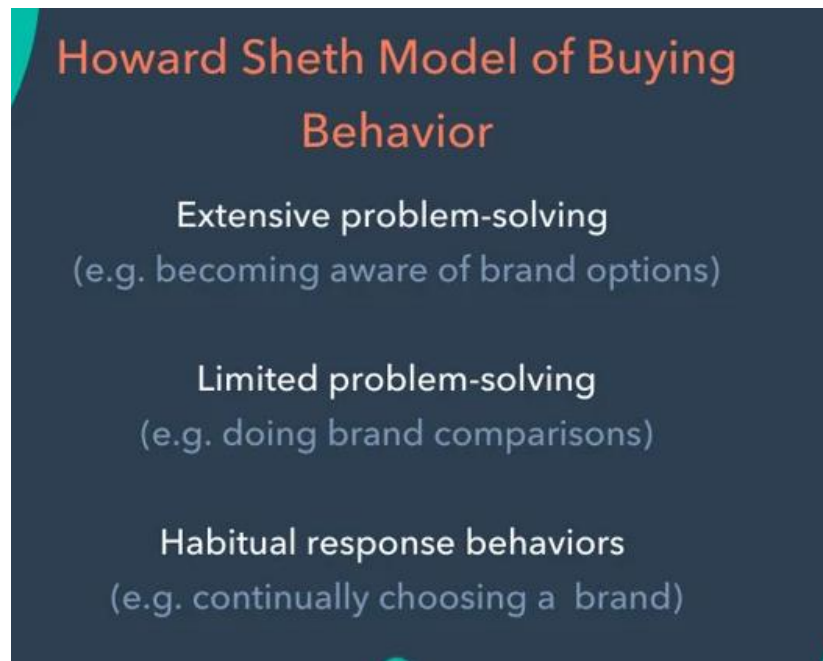
Reminder Purchase: A consumer makes a reminder impulse purchase when they come across a product through in-store setups, promotional offers, or a simple reminder that a product exists, like a strategically placed ice cream scoop in the freezer aisle of a grocery store.

Suggested Purchase: Suggested impulse purchases occur when a consumer is made aware of a product after a recommendation or suggestion from an in-store salesperson or online algorithms. For example, seeing an ad that says, "Other people who bought this shoe you're about to buy also purchase these socks." The consumer didn't know the socks existed, didn't plan to buy them, but now the suggestion has told them that they need them.

Planned Purchase: Although planned is the opposite of impulse, these purchases occur when a consumer knows they want a particular product but will only buy it if there is a deal involved. An unexpected price drop could lead a customer to make a planned impulse purchase. The Hawkins Stern Model applies to most businesses, as there are no limits to what a customer with this

purchasing behavior will buy. Create a tailored customer experience by putting care into product displays, creating AI algorithms for online shopping, or placing items on sale to appeal to your shoppers who are planned purchase impulse buyers.

Howard Sheth Model of Buying Behavior



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

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.

According to this model, there are three successive levels of decision-making:

Extensive Problem-Solving: In this stage, customers know nothing about the product they're seeking or the brands that are available to them. They're in active problem-solving mode to find a suitable product.

Limited Problem-Solving: Now that customers have more information, they slow down and begin comparing their choices.

Habitual Response Behavior: Customers are fully aware of all the choices they have and know which brands they prefer. Thus, every time they make a purchase, they know where to go.

We've all gone through some version of these stages. Let's look at an anecdotal example.

When I first started buying glasses online, I had no idea which retailers I should use or whether the glasses sold online would be the same quality as the opticians' offerings. I searched online to find a high-quality online glasses retailer (extensive problem-solving).

I found a few choices and started comparing them from both a pricing and quality standpoint (limited problem-solving). I eventually chose one, and that's the retailer I've used ever since (habitual response behavior).

But these stages aren't that simple. According to the Howard Sheth model, I was under the sway of several stimuli during this process:

Inputs: This refers to the marketing messages and imagery a consumer receives while they're going through the decision-making process. "Inputs" also refers to any perceptions and attitudes that come from the consumer's social environment, such as their friends, family, and culture.

Perceptual and Learning Constructs: This may sound complicated, but this stimulus is simply the customer's psychological makeup and psychographic information. Perceptual and learning constructs may include needs, preferences, and goals.

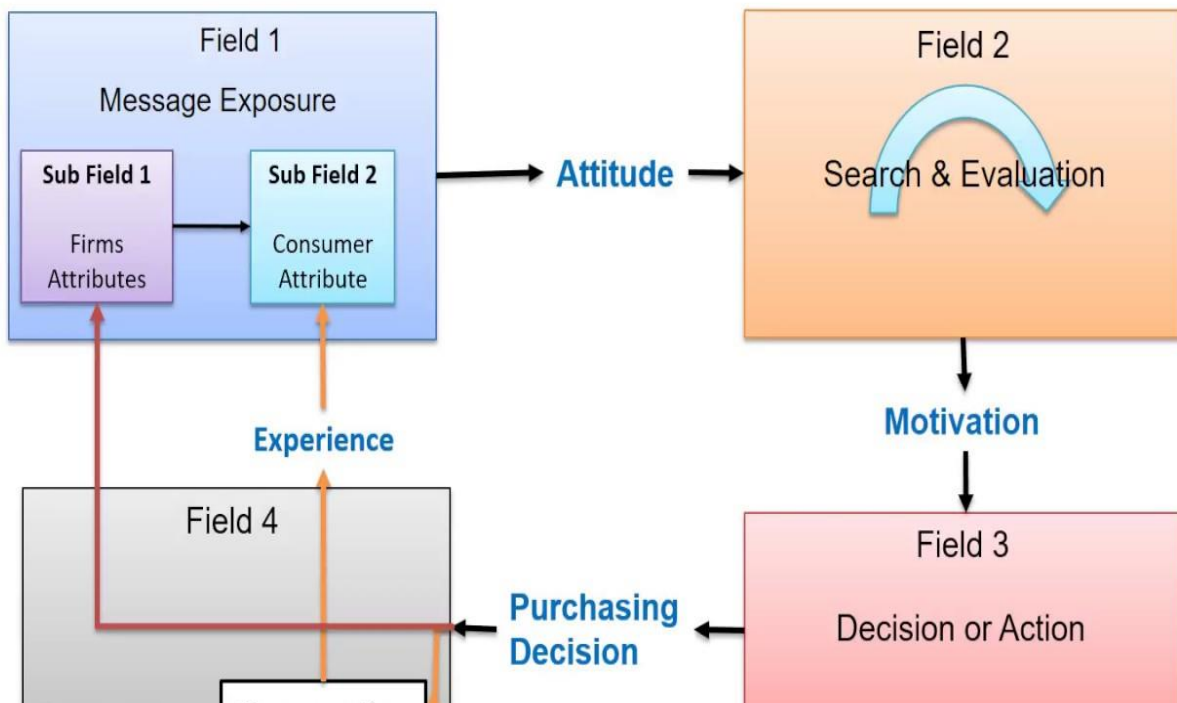
Outputs: After inputs and perceptual and learning constructs are mixed together, you get the output. The output is the customer's resulting action under the influence of marketing messages, social stimuli, and internal psychological attributes. It can result in the customer paying more attention to a certain brand over another.

External Variables: This is anything that's not directly related to the decision-making process, such as weather or religion, that still may sway the customer's decision.

Nicosia Model



NICOSIA MODEL



NICOSIA MODEL:

Francesco Nicosia presented his model in flow chart format. All variables are viewed as interacting , with none being inherently dependent or independent. Thus the model describes a circular flow of influences where each component provides input to the next.

The model contains four major components:

- 1.firm's attributes, communications and consumer's psychological attributes
- 2.consumer's search for evaluation of alternatives
- 3.consumer's motivated act of purchase
- 4.Consumer storage or use of the product

Nicosia model shows the relationship between attributes of customers, consumer decision-making process, and marketing communications of an organization, as well as, the feedback from the customer to the organization. It particularly deals with the formulation of customer needs, standards of the comfort zone, and potential willingness to pay. The attributes include personality, demographics (age, sex, etc.), social influences in which consumers live in different parts of a city or country, etc.

The model also shows how customers perceive value from a product or service, make their price comparison between different products or services, use various inputs to assess the value of a product, etc. Marketing communications are represented as advertisements in newspapers and television channels. The feedback is obtained from customer surveys, focus group meetings, etc which tell about whether there were differences among customers according to different communications elements.

Stage 1 – Transfer of Information

The first stage consists of two substages:

Firm's Attributes

In this substage, the information about the product originates from the organization. It takes into consideration of factors such as marketing strategy, product quality, etc. In this first subfield, the firm's attributes are analyzed thoroughly to make consumers dependent on the product.

Information about message frequency and information flow is taken into account as well. The firm tries to influence the consumer and the consumer is influencing the firm by his/her decision.

Consumer's Attributes

The message from the organization flows into substage 1, which comprises of psychological factors of the potential consumers, including the predisposition of the consumer. The predisposition of the consumer is affected by his exposure to various information and message, which are media-related or non-media-related. The interpretation of the message is also shaped and influenced by the [environment surrounding him](#) and the personality of the consumer.

Stage 2 – Evaluation Stage

The output of the above step will shape the consumer attitudes towards the brand, as well as, it's [market offering](#). This is an evaluation stage that determines the inclination to use a firm's product/service, or purchase it. Factors for evaluation of alternatives include lack of information about competitors' offers, brand commitment & consumer characteristics. The tendency towards purchasing the alternate brands may be influenced by factors like quality assurance and consumer satisfaction analysis during evaluation of the product attributes, after delivery of the product/ service, etc.

Stage 3 – Act of Purchase

Stage 2's positive response can give the necessary motivation for the consumer to make the purchase decision. However, it is entirely possible that a negative response during the decision process can completely derail the purchase decision of that particular brand or product.

Stage 4 – Feedback

The final stage of Nicosia's model is feedback, which is considered the most vital stage. The first type of feedback is about the organization where sales data will be obtained and the second is about the experience and how satisfied customers are with the use of the products, leaving them either happy or not so happy. The results of this success or failure can be used to modify its [marketing strategy](#) and make it more effective. The individual customer may use the product, but if he does not enjoy it, one must react and modify its offer to accommodate for his feedback. This is an innate and natural response that all people have towards brands and their marketing strategies. The firm must devise strategies to address the cognitive dissonance of the consumer, in case of a negative experience.

Limitations of Nicosia Model

Due to its simplicity, Nicosia's model may not be suitable for complex variables. There are three major criticisms against the Nicosia model.

1. The questionable assumption that the consumer has no prior knowledge or experience of the product
2. Limited understanding of the role of consumer psychology in the decision-making process
3. Engel, Blackwell & Kollat (1978) criticize the Nicosia model because they say that it has not received enough support and research to prove itself. Also, that the model had not been revised to reflect changes in task complexity or other factors.

Webster and Wind Model of Organizational Buying Behavior

Webster and Wind Model of Organizational Buying Behavior

4 Variables:

Environmental Variables
Organizational Variables
Buying center Variables
Individual Variables

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.

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.