

e-Learning on Digital Agriculture

Lecture 3. Understanding Buyers and Markets

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Rest Stop: Previewing the Concepts

1. Understand the consumer market and the major factors that influence consumer buyer behavior.
2. Identify and discuss the stages in the buyer decision process.
3. Describe the adoption and diffusion process for new products.
4. Define the business market and identify the major factors that influence business buyer behavior.
5. List and define the steps in the business buying decision process.

First Stop

Apple's Fanatically Loyal Consumers

Apple's Loyal Consumers

- ***Macheads:*** Extremely brand loyal consumers who live for the latest Apple products.
- ***Unique consumer behavior:*** Tattooing Apple logos on their bodies, buying multiple phones just so they can dissect one and use the other.
- ***How Satisfied Are They?*** Apple scored an 85% customer satisfaction rating—the highest ever for a PC firm (American Consumer Satisfaction Index). Additionally, 81% of current users plan to buy another Apple.

Apple Caters to Customers

- ***Why are they loyal?*** Strong satisfaction with current products, strong belief in superiority of the brand. Apple understands that their products are a means to self-expression: users are innovators, independent thinkers.
- ***Deepening the experience:*** Apple stores are designed to get patrons to stay and enjoy technology.
- ***Sales and Profits:*** Apple saw a 35% sales increase in 2008; iPod and iPhone sales continue to grow despite economic woes.

Consumer Buying Behavior

- Consumer buying behavior:
 - Refers to the buying behavior of individuals and households who buy goods and services for personal use.
 - These people make up the **consumer market**.
- The central question for marketers is:
 - “How do consumers respond to various marketing efforts the company might use?”

Model of Consumer Behavior

- Marketing mix factors and other external stimuli are inputs into the “buyer’s black box.”
 - Stimuli are evaluated in light of the buyer decision process and the buyer’s characteristics.
 - Buyer responses include formation of attitudes and preferences, purchase behavior, and the development of a relationship with the brand or firm.

Consumer Buying Behavior

- Factors influencing consumer behavior:
 - Cultural factors:
 - Culture, subculture, social class
 - Social factors:
 - Reference groups, family, roles, and status
 - Personal factors:
 - Age/life-cycle stage, occupation, economic situation, lifestyle, personality, and self-concept
 - Psychological factors:
 - Motivation, perception, learning, beliefs, and attitudes

Culture

- Culture is the *most basic cause* of a person's wants and behavior.
 - Culture is learned from family, church, school, peers, colleagues.
 - Culture reflects basic values, perceptions, wants, and behaviors.
 - Cultural shifts create opportunities for new products or may otherwise influence consumer behavior.

Subculture

- Subculture:
 - Groups of people with shared value systems based on common life experiences.
- Major subculture groups:
 - Hispanic consumers
 - African-American consumers
 - Asian-American consumers
 - Mature consumers

Social Class

- Social class:
 - Society's relatively permanent and ordered divisions whose members share similar values, interests, and behaviors.
 - Measured by a combination of occupation, income, education, wealth, and other variables.
 - Class categories include upper class, middle class, working class, and lower class.

Social Factors

- Groups and social networks:
 - Membership, reference, and aspirational groups.
 - Marketers attempt to reach opinion leaders within groups important to target market.
 - Opinion leaders are recruited as brand ambassadors or for buzz marketing.
 - Online social networks allow marketers to interact with consumers.

Social Factors

- Family:
 - Strongly influences buying behavior.
 - Gender stereotypes for certain types of purchases are relaxing in the U.S.
 - Children are very influential, and have substantial disposable income of their own.
- Roles and status:
 - Role = Expected activities.
 - Status = Esteem given to role by society.

Personal Factors

- Age and life-cycle stage:
 - People change the goods they buy over their lifetimes.
- Occupation:
 - Occupation influences the purchase of clothing and other goods.
- Economic situation:
 - Some goods and services are especially income-sensitive.
 - Economic situation often influences choice of store as well.

Personal Factors

- People within the same subculture, social class, and occupation may have different lifestyles.
- Lifestyle:
 - Pattern of living as expressed in his or her activities, interests, opinions.
- People buy the lifestyles represented by products or services.

Personal Factors

- Personality:
 - Refers to the unique psychological characteristics that distinguish a person or group.
 - Generally defined in terms of traits.
 - Self-concept theory suggests that people's possessions contribute to and reflect their identities.
 - Brands may also have personalities.

Personal Factors

- Motivation:
 - A motive (or drive) is a need that is sufficiently pressing to direct the person to seek satisfaction.
 - Maslow's hierarchy of needs explains why people are driven by needs at particular times.

Personal Factors

- Maslow's hierarchy of needs:
 - Physiological needs
 - Safety needs
 - Social needs
 - Esteem needs
 - Self-actualization
- Hierarchy implies that lower level needs (physiological) must be satisfied first.

Psychological Factors

- Perception:
 - Process by which people select, organize, and interpret information to form a meaningful picture of the world.
 - Perception can be influenced by:
 - Selective attention
 - Selective distortion
 - Selective retention

Psychological Factors

- Learning:
 - Defined as changes in an individual's behavior arising from experience.
 - Occurs due to an interplay of drives, stimuli, cues, responses, and reinforcement.
 - Strongly impacted by the consequences of an individual's behavior.
 - Behaviors with satisfying results tend to be repeated.

Beliefs and Attitudes

- Belief:
 - A descriptive thought that a person holds about something.
- Attitude:
 - A person's consistently favorable or unfavorable evaluations, feelings, and tendencies toward an object or idea.

Buying Decision Process

- Need recognition
- Information search
- Evaluation of alternatives
- Purchase decision
- Postpurchase behavior

Need Recognition and Information Search

- Need recognition can be triggered by internal or external stimuli.
- Several sources of information may be used during information search:
 - Personal sources
 - Commercial sources
 - Public sources
 - Experiential sources

Evaluation of Alternatives and Purchase Decision

- Evaluation process is dependent upon the specific buying situation and the individual consumers.
- Purchase decision—Two factors may interfere with realization of purchase intentions:
 - Attitudes of others
 - Unexpected situational factors

Post Purchase Behavior

- Consumer satisfaction is a function of consumer expectations and perceived product performance.
 - Performance < Expectations ----- Disappointment
 - Performance = Expectations ----- Satisfaction
 - Performance > Expectations ----- Delight
- Cognitive dissonance:
 - A buyer's doubts shortly after a purchase about whether it was the right decision.

Stages in the Adoption Process

1. *Awareness*: Consumer becomes aware of the new product, but lacks information about it.
2. *Interest*: Consumer seeks information about new product.
3. *Evaluation*: Consumer considers whether trying the new product makes sense.
4. *Trial*: Consumer tries new product on a small scale to improve his or her estimate of its value.
5. *Adoption*: Consumer decides to make full and regular use of the new product.

Adopter Categorization

- Individual differences influence the speed with which people will try new products, yielding five adopter categories:
 - Innovators
 - Early adopters
 - Early majority
 - Late majority
 - Laggards

Product Characteristics that Influence the Rate of Adoption

- **Relative advantage:**
 - Is the innovation superior to existing products?
- **Compatibility:**
 - Does the innovation fit the values and experience of the target market?
- **Complexity:**
 - Is the innovation difficult to understand or use?
- **Divisibility:**
 - Can the innovation be used on a limited basis?
- **Communicability:**
 - Can results be easily observed or described to others?

Business Markets and Business Buyer Behavior

- Business buyer behavior:
 - Refers to the buying behavior of the organizations that buy goods and services for use in the production of other products and services or to resell or rent them to others for a profit.
- Business market is huge and involves far more dollars and items than do consumer markets.

Business Markets

- Market structure and demand:
 - Contains far fewer but larger buyers.
 - Business demand is derived from consumer demand.
 - Business markets have more fluctuating demand.
- Nature of the buying unit:
 - Business purchases involve more decision participants.
 - Business buying involves a more professional purchasing effort.

Business Markets

- Key differences exist between business and consumer buying situations:
 - Business buyers usually face more complex buying decisions.
 - The business buying process tends to be more formalized.
 - Buyers and sellers are much more dependent on each other in business markets.

Types of Buying Situations

- Straight rebuy:
 - Buyer routinely reorders something without any modifications.
- Modified rebuy:
 - Buyer wants to modify product specifications, prices, terms, or suppliers.
- New task:
 - Buyer purchases a product or service for the first time.
- Systems (solution) selling is becoming more common.

Participants in the Business Buying Process

- A buying center is all the individuals and units that participate in the business buying-decision process.
 - The buying center is not a fixed or formally identified unit.
 - Membership will vary for different products and different tasks.

Major Influences on Business Buyers

- Environmental factors
 - Examples: Supply conditions, political and regulatory developments.
- Organizational factors
 - Examples: Objectives, procedures
- Interpersonal factors
 - Examples: Authority, empathy
- Individual factors
 - Examples: Age, personality, risk attitudes

The Business Buying Process

1. Problem recognition
2. General need description
3. Product specification
4. Supplier search
5. Proposal solicitation
6. Supplier selection
7. Order-routine specification
8. Performance review

E-procurement

- Online purchasing (e-procurement) can be implemented in many ways:
 - Reverse auctions
 - Trading exchanges
 - Company buying sites
 - Extranet links with key suppliers
- E-procurement presents several benefits and problems.

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