



## Analysing Industrial and Consumer buying Behaviour

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**Aim :** To Analyzing Industrial and Consumer Buying Behavior

**Objectives :**

1. Developing an understanding of the internal and external influence which shape the behaviour of both consumer and organisational buyers
2. Identifying the discrete stages of the buying process undertaken by consumer and organisational buyers.
3. Appreciating how an understanding of the buyer behaviour can be used in market segmentation and target marketing.
4. To analyse industrial Buying Behavior and study various factors affecting Buying Behavior

### Introduction



**Definition:**

Pharmaceutical marketing can also be defined as a management process that serves to identify and meet patients need in profitable way. Marketing is the most commonly used tool to increase market share.

**Market research<sup>2,3</sup>**

Pharmaceutical marketing, sometimes called medico- marketing or pharmaceutical marketing in some countries.” Pharmaceutical marketing or drug advertisements are governed by the Drugs and Magic Remedies Act”.<sup>1</sup>

Market research is a critical tool in helping companies understand what consumers want, develop products that those consumers will use, and maintain a [competitive advantage](#) over other companies in their industry.

Market research generally involves two different types of research Primary information (i.e. what has been gathered by the company) and Secondary information.

Primary Information:

Primary information is the data that the company has collected directly or that has been collected by a person or business hired to conduct the research. This type of information generally falls into two categories: exploratory and specific research.

- **Exploratory research** is a less structured option and functions via more open-ended questions, and it results in questions or issues being presented that the company may need to address.<sup>3</sup>
- **Specific research** finds answers to previously identified issues that are often brought to attention through exploratory research.<sup>3</sup>

Primary research usually costs more and often takes longer to conduct than secondary research, but it gives conclusive results.

Examples of primary research are Interviews, Surveys, Questionnaires, Focus group, Visits to competitors' locations.

**Secondary Research** is a type of research that Secondary Information, is data that an outside entity has already gathered. This can include population information from [government census data](#), trade association [research reports](#), or presented research from another business operating within market sector.

One excellent source of secondary research data is government agencies; this data is usually available free of charge. On the other hand, data published by private companies may require permission, and sometimes a fee, for you to access it.

## BUYING BEHAVIOR<sup>4,5</sup>

### Basic types of buying behavior

- Consumer buying behavior
- Industrial buying behavior

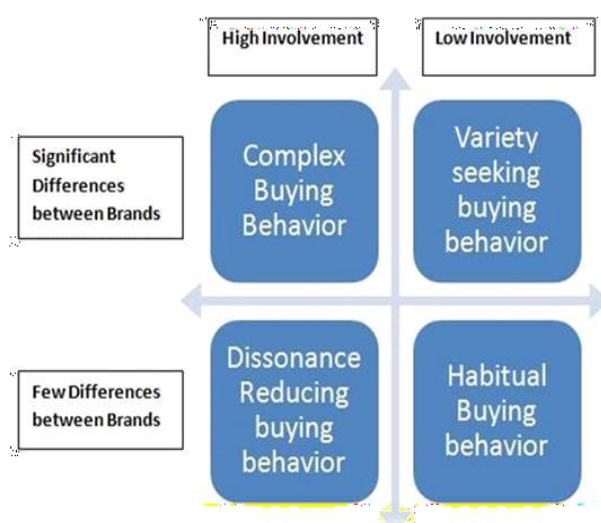
### Consumer buying behavior

**Definition:** Consumer Behaviour is the study of why people buy things and how they choose what to buy.

### Types of consumer buying behaviour:

A consumer's buying decision depends on the type of products that they need to buy. The behaviour of a consumer while buying a coffee is a lot different while buying a car. Based on observations, it is clear that purchases that are more complex and expensive involve higher deliberation and many more participants.

The amount of risk involved in a purchase also determines the buying behaviour. Higher priced goods tend to have higher risk, thereby seeking higher involvement in buying decisions.<sup>5</sup>



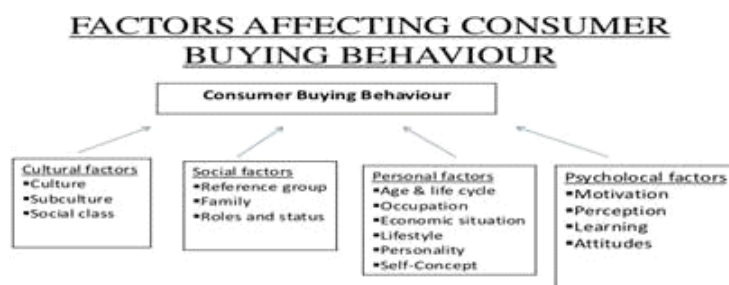
### THERE ARE FOUR TYPE OF CONSUMER BUYING BEHAVIOUR<sup>5</sup>

- Complex buying behaviour
- Dissonance-reducing buying behaviour
- Habitual buying behaviour
- Variety seeking behaviour
- **Complex buying behaviour**
  - Complex buying behaviour is encountered particularly when consumers are buying an expensive product. In this infrequent transaction, consumers are highly involved in the purchase decision. Consumers will research thoroughly before committing to invest.
  - Consumer behaves very different when buying an expensive product or a product that is unfamiliar to him. When the risk of buying a product is very high, a consumer consults friends, family and experts before making the decision.
  - For example, when a consumer is buying a car for the first time, it's a big decision as it involves high economic risk. There is a lot of thought on how it looks, how his friends and family will react, how his social status will change after buying the car, and so on.
  - In complex buying behaviour, the buyer will pass through a learning process. He will first develop beliefs about the product, then attitudes, and then making a thoughtful purchase choice.
  - For complex buying behaviour customers, marketers should have a deep understanding of the products. It is expected that they help the consumer to understand about their product. It is important to create advertising message in a way that influences the buyer's beliefs and attitudes.
- **Dissonance-reducing buying behaviour:-**
  - In dissonance-reducing buying behaviour consumer involvement is very high. This might be due to high price and infrequent purchase. In addition, there is a low availability of choices with less significant differences among brands. In this type, a consumer buys a product that is easily available.
  - Consumers will be forced to buy goods that do not have too many choices and therefore consumers will be left with limited decision making. Based on the products available, time limitation or the budget limitation, consumers buy certain products without a lot of research.
  - For example, a consumer who is looking for a new collapsible table that can be taken for a camping quickly decides on the product based on few brands available. The main criteria here will be the use and the feature of the collapsible table and the budget available with him/her.
  - Marketers should run after-sale service camps that deliver focused messaging. These
  - Campaigns should aim to support consumers and convince them to continue with their choice of their brand. These marketing campaigns should focus on building repeat purchases and referrals by offering discounts and incentives.
- **Habitual buying behaviour:-**
  - Habitual Buying Behaviour is depicted when a consumer has low involvement in a purchase decision. In this case the consumer perceives only a few significant differences between brands.
  - When consumers are buying products that they use for their daily routine, they do not put a lot of thought. They either buy their favourite brand or the one that they use regularly – or the one available in the store or the one that costs the least.
  - For example, while a consumer buys a product, he/she tends to buy the brand that he is familiar with without actually putting a lot of

research and time. Many products fit into this category. Everyday use products, such as Vics, Vaseline, Ponds powder etc all fit into this product category.

- Consumer just goes for it and buys it – there is no brand loyalty. Consumers do not research or need information regarding purchase of such products.
- Habitual buying behaviour is influenced by radio, television and print media. Moreover, consumers are buying based on brand familiarity. Hence marketers must use repetitive advertisements to build brand familiarity. Further to initiate product trial, marketers should use tactics like price drop promotions and sales promotions.
- Marketers should attract consumers using visual symbols and imagery in their advertising. Consumers can easily remember visual advertisements and can associate with a brand.
- **Variety seeking buying behaviour:-**
  - In variety seeking consumer behaviour, consumer involvement is low. There are significant differences between brands. Here consumers often do a lot of brand switching. The cost of switching products is low, and hence consumers might want to try out new products just out of curiosity. Consumers here, generally buy different products not because of dissatisfaction but mainly with an urge to seek variety.
  - For example, a consumer likes to buy a Perfume and choose a brand without putting much thought to it. Next time, the same consumer might may choose a different brand out of a wish for a different fragrance. Brand switching occurs often and without intention.
  - Brands have to adopt different strategies for such type of consumer behaviour. The market leader will persuade habitual buying behaviour by influencing the shelf space. The shelf will display a large number of related but different product versions.
  - Marketers avoid out-of-stock conditions, sponsor frequent advertising, offer lower prices, discounts, deals, coupons and free samples to attract consumer.

#### FACTORS OF CONSUMER BUYING BEHAVIOR<sup>6-9</sup>



#### CULTURAL FACTORS

Cultural factors comprise of set of values and ideologies of a particular community or group of individuals. It is the culture of an individual which decides the way he/she behaves. In simpler

words, culture is nothing but values of an individual. What an individual learns from his parents and relatives as a child becomes his culture. **Example**

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Cultural factors have a significant effect on an individual's buying decision. Every individual has different sets of habits, beliefs and principles which he/she develops from his family status and background. What they see from their childhood becomes their culture.

**Market Example**-Woodwards gripe water, Kailas Jeevan, Saffi, Sapat Malam, Vics action 500.

### **SOCIAL FACTOR**

Social factors play an essential role in influencing the buying decisions of consumers.

Human beings are social animals. We need people around to talk to and discuss various issues to reach to better solutions and ideas. We all live in a society and it is really important for individuals to adhere to the laws and regulations of society.

**Social Factors influencing consumer buying decision can be classified as under:**

- Reference Groups
- Immediate Family Members
- Relatives
- Role in the Society
- Status in the society

### **PERSONAL FACTOR**

Personal Factors play an important role in affecting consumer buying behaviour.

- **Occupation;-**

The occupation of an individual plays a significant role in influencing his/her buying decision. An individual's nature of job has a direct influence on the products and brands he picks for himself/herself.

An individual's designation and his nature of work influence his/her buying decisions.

- **Age**

Age and human lifecycle also influence the buying behaviour of consumers. Teenagers would be more interested in buying bright and loud Perfumes as compared to a middle aged or elderly individual who would prefer decent and subtle Perfumes/body sprays. A bachelor would prefer spending lavishly on items like beer, bikes, music, clothes, parties, and clubs and so on. A young single would hardly be interested in buying a house, property, insurance policies, gold etc. An individual who has a family, on the other hand would be more interested in buying something which would benefit his family and make their future secure.

- **Economic Condition**

- The buying tendency of an individual is directly proportional to his income/earnings per month. How much an individual brings home decides how much he spends and on which products?
- Individuals with high income would buy expensive and premium products as compared to individuals from middle and lower income group who would spend mostly on necessary items.

- **Lifestyle**

- It is really important for some people to wear branded products whereas some individuals are really not brand conscious.

- **Personality**

- An individual's personality also affects his buying behaviour.
- Every individual has his/her own characteristic personality traits which reflect in his/her buying behaviour.
- A fitness freak would always look for fitness equipments whereas a music lover would happily spend on musical instruments, CDs, concerts, musical shows etc.<sup>9</sup>

### **PSYCHOLOGICAL FACTOR**

- The main psychological variables considered were: attitude, subjective norm, perceived behavioural control, and past behaviour propensity to risk measured by Stimulating Risk Taking. Safety Perception, that is, how safe for the healthiest perceived the purchase of pharmaceuticals online.

## Characteristics of consumer buying behaviour <sup>10</sup>

### Bargaining

A trend of bargaining is often found in the behaviour of buyers. They prefer buying goods by reducing the price as told by the seller. Indian buyers too do not frame uniform price policy. The trend of bargaining is still in vogue in the Indian markets.

### Quality vs. Price

Buyers focus on price instead of the variety of the goods. They therefore, prefer high price goods. A little bit change has come now because the consumers have now begun purchase of quality goods on higher price.

### Brand or Trademark Consciousness

It is the characteristic of the behaviour of buyer that he appears now aware of the brand of items and considers these goods authentic and of higher quality.

### Changing Consumption Patterns

Owing to widespread education, increase in income and standard of living as also desire of more comforts, the pattern of consumption is now being changed. The low income group and high income group are increasingly buying fridge, tape recorder, cooler, sewing machines etc. **Role of**

### Women

The role of women is increasing day to day in the manner of decisions for purchase. The women do purchase of all kinds particularly in families where the husbands earn the bread.

### Credit and Guarantee

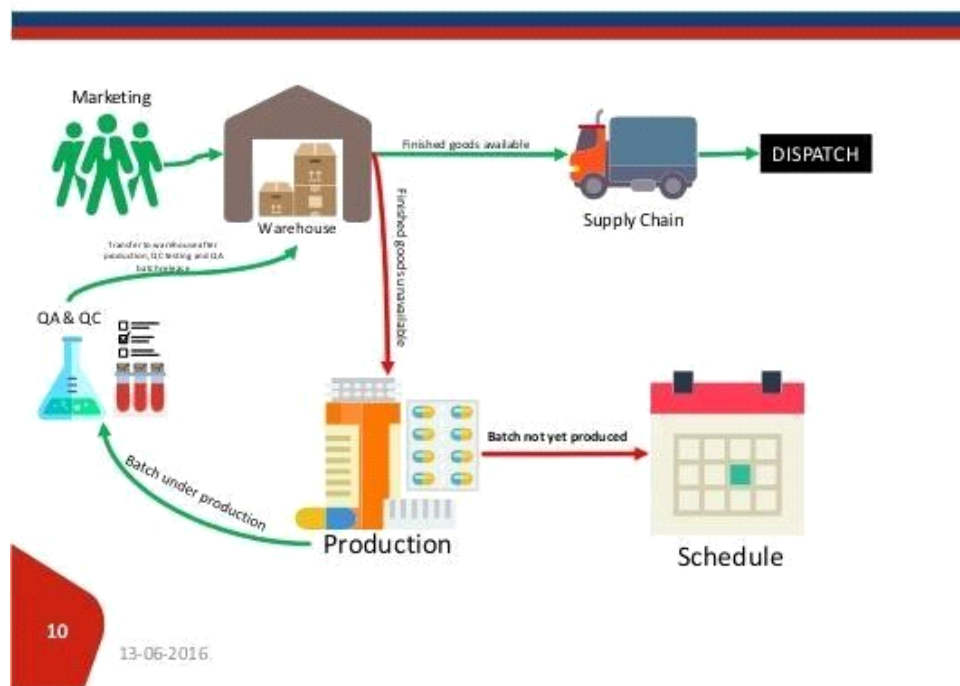
New motives for purchase are getting their way rapidly because of having credit and guarantee facility available in the market. Such facilities are developing the trade and commerce. **Complaining**

Buyers are gradually being aware of their rights. They have started exhibiting their complaints through media and the representations before the concerned authorities and the forums. They can lodge their complaint before consumer forum and thus, can receive the compensation against the damage/loss so sustained. **Importance of understanding buyer behaviour:-**

- Understanding consumers' buying behaviour is one of the elements that help in achieving marketing goals, without this understanding it makes gaining more customers difficult. Especially in today's competitive world. It also helps when customers will buy more from business their buying behaviour is one of the elements which must be understood for a better view about the customer profile. Customers base their buying decisions on both rational and emotional reasons.
- They will look at a category on a rational basis, e.g. wanting an accountants' tax service, they then decide, especially for repeat customers on the brand. Getting customers to have an emotional attachment to a particular brand is one of the keys to keeping them loyal. As well it is one of the key factors in gaining referrals and recommendations.
- When businessman is looking for making a marketing strategy it makes it easier to select the best strategy when these all important aspects about the buying behaviour are changed.<sup>11</sup>

# Flow Chart – Material Module

## *Process Flow of Pharma Manufacturing Companies*



### INDUSTRIAL BUYING BEHAVIOUR<sup>12-13</sup>

- The pharmaceutical industry has recognized the value of implementing a systematic approach to drug product development where quality is built into the product and process.
- The FDA initiative on quality by design (QbD) promotes the design of the product and manufacturing process using principles of chemistry, engineering, material science, and quality assurance to ensure acceptable and reproducible product quality and performance throughout a product's lifecycle. Product quality is achieved through design of robust processes that are controlled and optimized using product and process knowledge. In the QbD paradigm, mathematical models can potentially be used at every stage of drug product development and manufacturing.
- Modeling can help establish a predictive framework using experimental data and scientific principles to create mathematical representations of the system. Predictive

models aid process design by evaluating the impact that operations, equipment, and inputs have on product attributes in silico. Predictive models also provide a framework for risk assessment, process control, and optimization, where accurate predictions of the system are required .



Industrial buying is a complex process of Decision making and communication. It involves several members and considerations. Need recognition is the first step while making a purchase decision. Increase in economy results into creation of demand for Industrial goods & services Industrial buying different from consumer buying involves like machinery, Packaging material & services such as Insurance consultation & transportation, few buyer of industrial.

#### Industrial Products Involves:-

- Raw Materials
- Fabrication parts & Material
- Installation of Machinery
- Operating Suppliers
- Equipment's

Many of these companies are required to make regular purchase as a means of supplying their businesses. Although each company and each industry will have buying behavior affected by its onset of factors, there are several main variables that can affect industrial buying as a whole. Industrial buying behavior is the pattern of actions by a company involved in manufacturing, processing and other heavy industry.

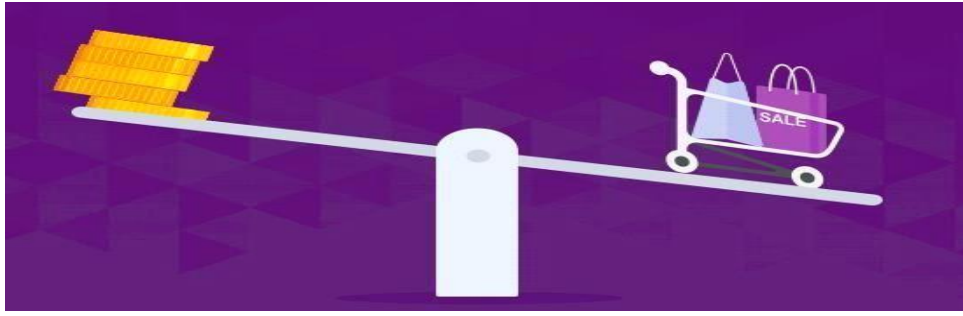
#### FACTORS AFFECTING INDUSTRIAL BUYING BEHAVIOUR<sup>14</sup>

##### Demand



- Main driver of industrial buying is demand.
- The amount of buying that an industrial concern will do is directly dependent on the amount of business that the company can expect in the near future.
- Generally, if a company expects higher demand, then it will stock up on raw materials as a means of ensuring that it will be able to meet consumer demand and maximize revenue
- **Price:**
  - Buying patterns are also affected by the price of the materials the companies are purchasing.
  - When prices are higher or the company expects a decrease in the near future, the company may choose to hold off making purchases, so as to save money.
  - This can involve some difficult decision making. For example, a company that uses fuel in the production of its products may attempt to guess the direction of oil prices.





- **Economy**

- In addition to current demand and the current prices for a product, industrial companies may look to the economy as an indication of the future availability of materials relative to the consumer demand for them.
- If the economy is trending upward, the company may purchase more based on the expectation of a future rise in sales, while a downward trending economy may push it to the opposite course of action.



- **Technological Changes**

- In addition, industrial companies are heavily influenced by changes in technology that affect both the provision of goods and their own requirements.
- For example, if purchasing a piece of technology means that a raw material becomes cheaper to use, then the company may choose to invest in the new technology.



- Similarly, the acquisition of new technology will often change the company's buying habits, as the technology will have different raw material requirements to run.
- **Availability**
  - Another potential risk to retailers that may cause them to build up speculative inventory is a lack of available labour and materials.
  - If union workers in a manufacturing industry are contemplating a strike, for instance, buyers may stock up on inventory while it is available to protect against a future loss of availability.
  - Similarly, manufacturers may have concern about loss of materials affecting production, for example, if weather conditions wipe out raw materials or they are in short supply..



- **Manufacturing**
  - Manufacturers also have to adapt when buyers purchase speculative inventory.
  - While buyers are concerned with materials and goods, manufacturers are concerned with keeping production at optimum and efficient levels.
  - If manufacturers anticipate higher demand from buyers, they can maintain enough staff and equipment to keep up. When buyers spring larger than expected orders on manufacturers, these companies may have to hire extra workers, pay overtime and purchase additional resources in a hurry.



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## CONCLUSION

Consumer buying behaviors is the key aspect because consumers will make many buying decisions every day. Marketers can study actual consumer purchases to find out what they buy, where, and how much? This work provides a summary of the links between consumer behaviour and marketing planning and action. An understanding of consumer behaviour is a prerequisite for managing the marketing function, as well as the business as a whole. A marketer's responsibility is to understand consumer behaviour so that he or she can influence that behaviour through the design of

products, services, and marketing programs that match the goals and preferences of consumers. Industrial buying behavior is the pattern of actions by a company involved in manufacturing, processing and other heavy industry. In this way, marketers add value to the organizations for which they work, increase customer satisfaction, and improve the quality of life in a society. Individual consumers.

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