

THE CLASSIFICATION OF BUYERS INTO "BEHAVIOURAL SETS" IN ORDER TO REFINE INDUSTRIAL MARKETING EFFORTS



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Die werk van Cardozo en Faris op die gebied van bedryfsbemarking word in hierdie artikel as vertrekpunt gekies. Prof. MacMillan kom tot die gevolgtrekking dat, hoewel genoemde skrywers se taksonomie van kopersgedrag onnodig lomp is, dit nietemin meer aandag verdien. Deur die werk van Cardozo en Faris te integreer voorsien Prof. MacMillan 'n eenvoudiger taksonomie, asook enkele riglyne hoe om dit in die praktyk toe te pas, veral ten opsigte van beter marknavorsing en 'n bemarkingsstrategie.

1. INTRODUCTION

This article purposes to build on the significant work of Cardozo (1) and Faris (2). It is felt that these two writers have made a substantial contribution to industrial marketing theory. It is surprising that the response to their contribution has not been as large as it could have been.

Cardozo and Faris have indicated that it should be possible to segment industrial markets in terms of buyer behaviour, and they have proposed alternative schemes for doing this. Unfortunately the number of buyer behaviour sets which result from their taxonomy is very large, which makes the task of developing such a taxonomy for a company interested in using it very discouraging.

In this article an attempt will be made to develop a taxonomy which is as small as possible, so that buyer "behaviour sets" are reduced to a minimum of broad but distinct classes around which industrial marketing strategy and tactics may be structured.

2. INDUSTRIAL BUYER BEHAVIOUR

For the purpose of this article, the "buyer" will be defined as the person in the buying organisation who makes the *decision* to buy. The argument below can be elaborated to cater for the whole spectrum of the buying group, though at this stage it is not deemed necessary.

In executing his job, the buyer will attempt to satisfy his own personal needs as well as his organisation's needs. This attempt to satisfy his needs will be reflected in his behaviour, which is, in the broadest terms possible, a function of:

- a) his personality
- b) his environment
- c) his experience (Erasmus (3)).

Since the object of the article is to develop as simple a taxonomy of buyer behaviour as possible, an attempt will be made to categorise facets of personality, environment and experience along as few dimensions as possible.

The abovementioned determinants of behaviour are listed in increasing order of manipulability. It is hardest to manipulate personality and easiest to manipulate experience.

In effect, the personality and environment of the buyer must usually be regarded as two independent variables which "set the scene" for the industrial marketer's efforts.

The object of these marketing efforts on the part of the industrial marketer must be clearly stated, for ethical reasons. *It is assumed throughout this article that the industrial marketer has a competitive product*, and that the marketing effort is therefore directed towards ensuring that his product is "given a satisfactory hearing" when alternatives are being weighed. It is assumed that the marketer is confident that the *intrinsic* qualities of his product make it *equal or superior* to competing products for the *specific* application.

Unfortunately products are not always bought on intrinsic qualities alone, for as has been pointed out above the buyer must satisfy his own needs in the execution of his job.

This is why it is necessary to analyse the determinants of buyer behaviour. The marketing effort should be primarily concerned with getting the buyer to *decide* on the marketer's product. All attempts at influence should be orientated to decision making processes of the person being influenced (MacMillan (4) p. 66-80)), and hence our analysis of the determinants of buyer behaviour will primarily be concerned with identifying different types of decision making behaviour.

3. THE FIRST DETERMINANT OF BUYER BEHAVIOUR – PERSONALITY

In this section an attempt is made to identify the two most generally important characteristics of personality insofar as buyer behaviour is concerned. Tentatively it is proposed that from the point of view of an industrial marketer these are risk tolerance (Cardozo, (2, p. 436)), and competence. As far as personality is concerned these two variables will have a significant influence on the type of decision making behaviour one can expect a buyer to display in a buying situation.

3.1 Risk Tolerance

Risk tolerance is the degree to which a buyer is prepared to take risks. Note that this variable is not independent of other variables discussed below, the behaviour of human beings is too complex for us to be able to simplify so easily. However risk tolerance is considered sufficiently separable and sufficiently easily identifiable to serve as one dimension of the taxonomy proposed.

Risk tolerance will arbitrarily be dichotomised, into *high* and *low* risk tolerance.

If the buyer has a high risk tolerance we can expect innovative decision-making behaviour. He will be amenable to new ideas, try out new products and be open to suggestions.

If the buyer has a low risk tolerance, we can expect conservative decision making behaviour.

Buyers with different risk tolerances therefore require distinctly different approaches by the industrial marketer and imply different marketing strategies.

3.2 Competence

Competence is the degree to which the buyer is able to "cope with his job" – a general property of the buyer which is determined by a large number of more specific characteristics like training, intelligence and so on.

Given the time to do so, a man with *high* competence will tend to make rational, sound decisions. From the point of view of the selling company, the outcome of his decision making processes will be more predictable and consistent with the decision situation.

A man with *low* competence will tend to make dubious decisions, so from the point of view of the selling company his decisions will be unpredictable and inconsistent.

3.3 Integration of the two broad personality factors

TABLE 1: DECISION MAKING BY BUYERS
CATEGORISED ACCORDING TO
PERSONALITY CHARACTERISTICS

		RISK TOLERANCE	
		HIGH	LOW
COMPETENCE	HIGH	INNOVATIVE, CONSISTENT DECISION MAKING	CONSERVATIVE, CONSISTENT DECISION MAKING
	LOW	INNOVATIVE, INCONSISTENT DECISION MAKING	CONSERVATIVE, INCONSISTENT DECISION MAKING

We may now turn to the next determinant of behaviour-environment.

4. THE SECOND DETERMINANT OF BEHAVIOUR – ENVIRONMENT

We refer to the environment in which the buyer works, that is, his job environment. Once again only what are considered to be the two most important characteristics of environment have been proposed – work load and political capability, where political capability is defined as the sum of the buyer's power, influence and authority in his environment (Mac-Millan, (4, page 78-80)).

4.1 Work load (Cardozo (1, page 439)).

A buyer with a high work load cannot afford to spend a great deal of time carrying out a search for *all* the alternatives available. Due to other pressures and demands he will only be able to carry out a limited investigation and his search will therefore be *bounded* (Cyert and March, (5)).

If the buyer's work load is *low* he will carry out an *extensive* search for the most possible alternatives. (Note that work load is highly time-dependent.)

4.2 Political Capabilities (Cardozo 1, page 439).

The degree to which the buyer is *allowed* to make decisions depends on his *political capability* in his work environment.

A man with high political capability will tend to make independent decisions.

A man with low political capability will tend to consult others in the organisation and make cautious, dependent decisions.

4.3 Integration of the broad environmental factors.

5. THE THIRD DETERMINANT OF BEHAVIOUR – EXPERIENCE

5.1 Experience with Type of Product

The buyer's experience with the type of product he has to buy is another important determinant of buying behaviour. Faris (2, pages 108.) identifies three conditions: new purchase, modified rebuy or straight rebuy.

For the sake of simplicity only two categories are considered: *high* and *low* experience with the type of product.

If the buyer has low experience with the product he has limited scope for really evaluating which is the best product, since his frame of reference is very uncertain. He will have to resort to *satisficing* decisions (Cyert and March, (5 page 68)) – that is attempting to ensure that the product is satisfactory since, lacking experience, he is incapable of determining what an optimal buy is for his specific buying situation.

If the buyer has high experience with the type of product he is more likely to make *maximising* decisions.

5.2 Experience with Selling Company

As a result of past experience with the supply company the buyer will have certain attitudes towards the company. His experience with the company can for simplicity's sake be classified into three classes: high experience with positive results for him, little experience and high experience with negative results for him.

Different behaviour can be expected for each category of experience with the selling company.

TABLE 2: DECISION-MAKING BY BUYERS
CATEGORISED ACCORDING TO
ENVIRONMENTAL CHARACTERISTICS

		POLITICAL CAPABILITY	
		HIGH	LOW
WORK LOAD	HIGH	Independent Decisions after bounded search	Dependent decisions after bounded search
	LOW	Independent decisions after extensive search	Dependent decisions after extensive search

5.3 Integration of the Experience Factors

**TABLE 3: DECISION-MAKING BY BUYERS
CATEGORISED ACCORDING TO
EXPERIENCE CHARACTERISTICS**

EXPERIENCE WITH TYPE OF PRODUCT		High, positive	Low	High, negative
	HIGH	Positive Attitude and Satisficing Decisions	Neutral Attitude and Satisficing Decisions	Negative Attitude and Satisficing Decisions
	LOW	Positive Attitude and Maximising Decisions	Neutral Attitude and Maximising Decisions	Negative Attitude and Maximising Decisions

Having identified the above general determinants of buyer behaviour it is not possible to propose a composite taxonomy which takes into account all

determinants simultaneously. This is done in the next section.

6. Composite Decision Making Behaviour of Industrial Buyers

**TABLE 4: COMPOSITE BEHAVIOUR
OF INDUSTRIAL BUYERS**

EXPERIENCE FACTORS									
HIGH EXPERIENCE WITH PRODUCT			LOW EXPERIENCE WITH PRODUCT						
EXPERIENCE WITH COMPANY			EXPERIENCE WITH COMPANY			PERSONALITY FACTORS		ENVIRONMENTAL FACTORS	
High + ve	Low	High - ve	High + ve	Low	High - ve	Risk tolerance	Compe- tence	Political Capability	Work Load
X ₁						High	HIGH	HIGH	HIGH
						Low			
						High	LOW		
						Low			
						High	HIGH	LOW	
						Low			
						High	LOW		
						Low			
X ₂						High	HIGH	HIGH	LOW
						Low			
						High	LOW		
						Low			
						High	HIGH	HIGH	
						Low			
						High	LOW		
						Low			
X ₃						High	HIGH	HIGH	LOW
						Low			
						High	LOW		
						Low			
						High	HIGH	LOW	
						Low			
						High	LOW		
						Low			

By referring back to tables 1-3 the composite behaviour of a buyer in the taxonomy can be identified.

For instance, buyer type X_1 has a positive attitude to the selling company, is innovative, makes consistent and independent decisions, will be compelled by pressure of work to make a bounded search for alternatives but has sufficient experience with the product to be capable of evaluating the best purchase amongst the alternatives that he does identify.

Buyer type X_2 also has a positive attitude to the sales company, but is conservative, he will make consistent and independent decisions and due to a low work load will carry out a detailed search and be able to evaluate the best purchase. It will be appreciated that similar but somewhat different approaches are required for these two men:

a) *Similarities in Approach*

Neither buyer type X_1 nor X_2 need be convinced of value of the company's products — they are already satisfied. The company can be fairly sure that their product will be selected *if* it is the best and *if* the buyers are aware of its existence.

b) *Differences in Approach*

The company which gets to the X_1 type buyer quickly, with enough technical back up to demonstrate, without too much detailed calculations that their product has the best qualities for its cost, is most likely to be selected. New features which enhance its performance will capture X_1 's attention and stimulate his interest.

The X_2 type buyer has plenty of time to evaluate alternatives. The company which provides sufficient back up material for him to analyse all the pros and cons of this particular purchase in detail has a high chance of being selected, particularly if the material is structured around demonstrable evidence as to its reliability in the past. New features and modifications must have been proven to be reliable and effective.

The question one might ask is, *if* there are a substantial proportion of both of these buyers in the company's "portfolio", why should they be given the same promotional material, sales pitch, even salesmen? Surely with a bit of effort some more specific marketing tools can be developed for each type of buyer?

Moreover, these two types of buyer are essentially very similar.

What if we compare an X_1 -type buyer with say an X_3 -type? The X_3 -type of buyer has little experience with the company, is conservative, makes inconsistent decisions, is dependent in his decision making and does a detailed search, but even after a detailed search does not have the ability to evaluate the best purchase and so will satisfice. To use the same marketing tools on this type of buyer as on an X_1 type seems ludicrous, and yet some companies do precisely this.

Depending on the type of product being sold, and on the proportions of type of buyer in the firm's buyer population, distinctive strategies should be evolved.

For each significant group of buyer types in the firm's "portfolio" of buyers a specific strategy should be formulated.

In concluding this section the following should be noted:

a) In the taxonomy it is not implied that the dimensions are independent. For instance, competence (personality factor) and experience with product (experience factor) are to some extent correlated.

b) In the taxonomy it is not implied that the behaviour of a *specific* buyer is time-stable. The taxonomy is concerned with buyer *types*, not specific buyers.

c) The taxonomy in Table 4 above ends up with 96 different categories of buyer behaviour, which may be interpreted as being impractical, because it is much too large a number for the development of specific marketing strategies for each. However, this is not the purpose of a taxonomy. The purpose of a taxonomy is to provide a *framework for categorising* a firm's existing buyers. Once they have been categorised, analysis will usually show that there are only a few categories with significant proportions of buyers in them. It is for *significant* groups that specific marketing strategies should be evolved. This will be discussed in the next two sections.

7. APPLICATION OF THE TAXONOMY IN INDUSTRIAL MARKET RESEARCH

For industrial market research, the above discussion indicates that it should pay the firm to invest some research effort into their buyer population's behavioural characteristics as well as the more usual product orientated research. It is important for the firm to know what distribution of buyer types in its market actually is. Traditionally, each salesman learns the buyers in his territory and tries to adapt his presentation to cater for the buyer type he is facing.

* However, if the salesman is trained to categorise the buyer and report back his findings to the selling organisation, a file of every important information can be built up about the buyer behaviour sets of the firm's buyers. It can then be used to analyse the distributions of buyer types in the firm's buyer population. Given this information it now becomes possible to identify what are the major concentrations of buyer types, and to then structure:

* In a 5-minute interview a salesman with limited training can informally obtain a good indication of the following: Attitude of buyer to selling company, risk tolerance, experience with product, political capability and work load. Competence (which is one of the least important variables) can only be determined by analysing past buyer decisions and for discussions with other members of the buyer's organisation (Nasser (6)).

promotional literature
 sales presentations
 sales call frequencies
 salesmen allocations by type and area
 service and spares policies
 product modifications

to cater for the major concentrations of buyer type. Obviously such a file would have to be continuously updated as specific buyers change jobs, as new organisations and buyers appear, and as the time dependent variables such as work load, competence and experience change. With a continuous, directed feedback from the field and a simple computer system the file generation and file maintenance task will not be difficult.

The market research results gleaned from this file can then be used to formulate specific marketing strategy, as will be discussed next.

8. APPLICATIONS FOR INDUSTRIAL MARKETING

8.1 Analysis of the Current Situation

An analysis of the distributions of current buyer types in the market population will lead to a more refined marketing strategy, since for each large group of buyer type a specific marketing strategy can be evolved.

For instance, if a significant proportion of the buyers fall in the category:

Negative attitude to sales company, low experience with product, conservative and dependent decisions, high work load and high competence, this is an indication that a specific strategy is required for

- a) Investigating reasons *why* competent buyers have a negative attitude and compensating either in the product or sales force.
- b) Changing the attitudes of the negatively-inclined buyers *after* the compensation has been made.
- c) Catering for the individual with a high work load and conservative attitude in the promotional literature, sales call frequencies, sales presentations and salesmen allocations.
- d) Specifically training salesmen to handle this type of buyer.
- e) Evolving promotions to improve awareness of the product and the characteristics of the product once compensation has been made.
- f) Training the salesmen to identify the people in the organisation on whom the buyer is dependent for his decisions.

For other high concentrations of buyer type in a particular category, specific marketing strategies may be evolved as well. This results in a much refined set of marketing strategies.

8.2 Analysis of competitors' situation

A similar analysis of the types of buyers supporting major competitors will throw some interesting lights on the reasons for the competitors' success, and help to bring to light the more subtle competitive advantages in the market place. Often competitive advantages have a number of behavioural characteristics which have little to do with the product, particularly for products which are undifferentiated.

8.3 Trend Analysis

One of the most difficult tasks in industrial marketing is to evaluate effectiveness of strategy. An analysis of the trends in the distribution of buyer types over time may be useful in tackling this problem, in that a trend analysis could provide indicators of the effectiveness of past strategies.

A trend analysis can also provide indicators of the effectiveness of specific marketing efforts, (if coupled with an analysis of the trends in sales per buyer type,) and provide information on which to base forecasts of future buyer behaviour.

9. Conclusion

The article has suggested that the work of Cardozo and Faris is worthy of a great deal more attention. It attempted to simultaneously integrate the authors' work but also provide a simpler taxonomy than the previous authors and to provide some guidelines for making such a taxonomy more practical to handle.

It then proposed some guidelines for

- a) Improved market research, and
- b) Improved marketing strategy using this taxonomy.

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