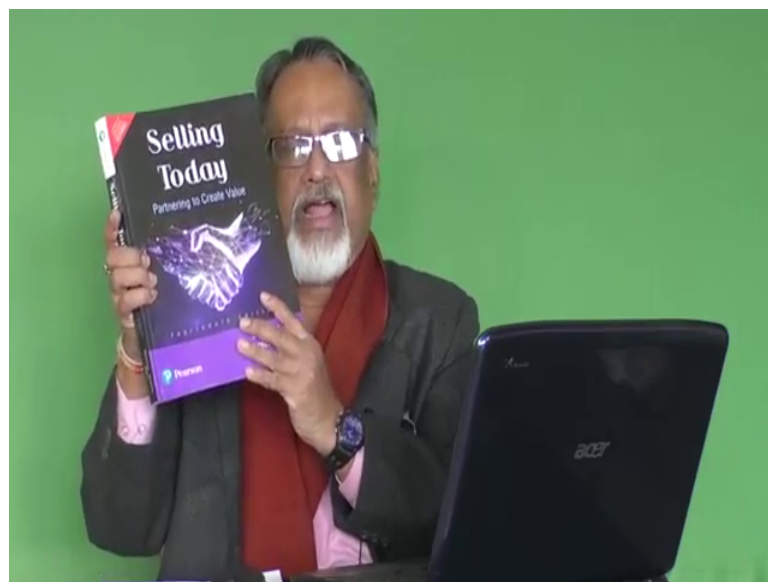


Management of Field Sales
Prof. Jayanta Chatterjee
Department of Industrial & Management Engineering
Indian Institute of Technology, Kanpur

Lecture – 10
The Buying Process

Hello, I am Jayanta Chatterjee from IIT, Kanpur. We are discussing Management of Field Sales and in our second week, today is the last session. In the earlier part of this week, I have been discussing about the sales process, the eight steps sales process and how to execute those eight steps for that discussion. For that set of discussions, I have been actually referring to this book.

(Refer Slide Time: 00:51)



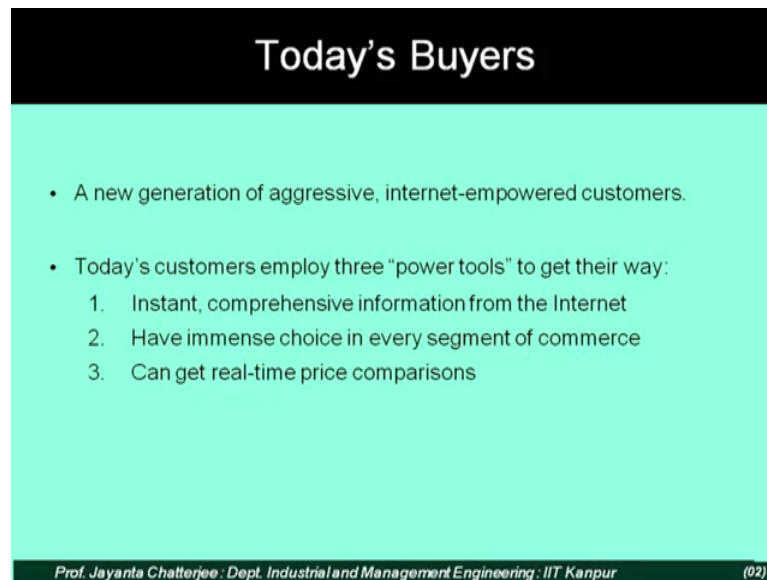
This is one of the textbooks that already recommended for you, this is selling today by Manning published by Pearson in India available in the low cost version and I have mainly been actually using chapter 7, 8 and part of chapter 9.

Now, this as I was mentioning towards the end of the last session that, to really structure a good sales presentation, you have to focus on advantages and benefits derived out of the customers problems and needs to present the features and the positive aspects of your product or service. The discussion on the sales process in this session by discussing the buying process because the two things when they are they have some harmony the

selling process and the buying process, they respond to each other then only that final thing happens then the customers desire gets converted into conviction and purchase.

So, today's session is on the buying process and the nature and psychology of the buyer.

(Refer Slide Time: 02:31)



Today's Buyers

- A new generation of aggressive, internet-empowered customers.
- Today's customers employ three "power tools" to get their way:
 1. Instant, comprehensive information from the Internet
 2. Have immense choice in every segment of commerce
 3. Can get real-time price comparisons

Prof. Jayanta Chatterjee - Dept. Industrial and Management Engineering - IIT Kanpur (02)

So, today's buyers are in many ways quite different from the buyers 15, 20, 30 years back. Today's buyers are much more informed, they have at their fingertips through a few clicks an enormous amount of information about your products, your organization, your competitors and performances of your products worldwide if it is a global product. And they use all these tools provided to them by the worldwide web to get instant comprehensive information and they are very able able to create a complete profile, all the choices then able to generate the alternatives much more efficiently and much more effectively compared to their buyer 30 years back.

So, the information asymmetry which earlier helped the salesperson and sometimes allowed them to be manipulative is no longer valid in today's world because you will be caught. So, this new generation of selling therefore, has to be much more transparent, much more consultative, much more trust oriented relationship building. And therefore, the buying process has vastly changed and the sales process must respond to this new generation of buyers and new generation of buying process.

(Refer Slide Time: 04:37)

Consumer versus Business Buyers	
Consumer Buyers	Organizational Buyers
<ul style="list-style-type: none">• Purchases for individual or household consumption• Decisions usually made by individuals• Purchases often made based on brand reputation or personal recommendations with little or no product expertise• Purchases based primarily on emotional responses to product or promotions• Individual purchasers may make quick decisions• Products: consumer goods and services for individual use	<ul style="list-style-type: none">• Purchases made for some purpose other than personal consumption• Decisions frequently made by several people• Purchases made according to precise technical specification based on product expertise• Purchases based on primarily rational criteria• Purchasers may engage in lengthy decision process• Products: often complex; classified based on how organizational customers use them

Source: Solomon, Michael R., Marshal, Greg W., Stuart, Elnora W., *Marketing: Real People, Real Choices*, 6th ed., © 2009, p. 139. Reprinted and electronically reproduced by permission of Pearson Education, Inc. Upper Saddle River, New Jersey.

Prof. Jayanta Chatterjee: Dept. Industrial and Management Engineering: IIT Kanpur (03)

It is good at this stage to look at the nature of the buyers, consumer buyers versus business buyers. This is a slide taken from Solomon's famous book called *Marketing to Real People and Real Choices*. This is also a Pearson publication now available in India. This is a good text which we use in a marketing. And, here this nicely structured slide as you see on the left hand side, we have consumer buyers who buy for individual or household consumption and decisions are usually made by one individual or maybe other members of the family and here decision is often made on the basis of brand reputation also, decisions are often made by recommendation based on recommendation from trusted people, relatives, friends, family members and the buyer may not have detail product expertise.

So, for example, if you are buying a say a high value music system right, you may not have all the knowledge technical knowledge needed which tells you how a good music system compared to the other. Even without knowing those features and technical nuances, you may be able to you may be taking a decision based on somebody who else you somebody you know and the purchase that they have made and the performance of the music system in their household or the recommendation from a trusted friend or an employee or a colleague.

And often, these decisions are sort of quick decisions depending on the value of the purchase of course, and the relative economic strength of the buyer; sometimes it may be

a sort of longer discussion. I mean there will be perhaps more time taken by an intending buyer buying an OLED, a new generation television costing a big sized television which can be hung on the wall with a high features, the time taken may be more.

But as opposed to the earlier years, where the customer would have gone to the number of shops and looked at number of other alternatives, a lot of information prior search analysis of alternatives will be done by the customer on the net and inputs will be taken from friends, relatives, colleagues and therefore, a decision might be already formed a vague decision may be already formed and short listing might have already occurred before the salesperson meets the buyer.

So, the buyer is far more prepared. If you look under right hand side, in case of organization buyers, it is even more accentuated. In these cases the purchases are made for some specific need and it is not for personal consumption, but something that is going to help in the production process of the customer. So, number of people will be involved and have different expertise will be called in financial expertise and technical expertise referrals will be sought.

And there will be a technical specification, there will be evaluation based on rational criteria, there will be role of emotion, there will be role of brand, but there will be a strong role of a rational criteria. And where the decision is taken quickly? Decision is often taken based on some emotional, evaluation based on brand image etcetera versus when decision is taken with lot of rational inputs; lot of analytics analysis at the pre purchase stage depends also on the nature of the product.

(Refer Slide Time: 09:41)

Types of Business Buying Situations

There are three major types of business-to-business (B2B) buying situations:

1. New-Task Buy
2. Straight Rebuy
3. Modified Rebuy

Prof. Jayanta Chatterjee, Dept. Industrial and Management Engineering, IIT Kanpur (04)

So, say for example, in case of B2B, business-to-business and industrial purchase situation, we can classify the three buying situation; the new task, the straight rebuy and the modified rebuy. The new task is usually like a project, it may be a new factory, it may be expansion of an existing factory, it may be the refurbishing or remodeling of a particular machine or it may be upgradation of a system; all these are classified as a kind of a new buy situation which means it is a; it has not occurred before.

So, there will be a new specification, there will be more analysis at this stage. The contrast to this is the straight rebuy. This is something like you know for example, consumables in a factory, the coolant in a factory for machining the oil or grease or some proprietary part some proprietary spares will be a straight rebuy situation. Here, the customer will be operating on the basis of some previous record. I can easily see the time and effort spent by the buyer in case of a new task will be far more than in case of a straight rebuy.

So, if you take a scale, then the straight rebuy will be minimal time taken, minimal effort almost routine. So, the key decisions will be taken by the purchase department in this case. Whereas, in a new task, more time will be taken, more effort will be exerted by the buyer, more number of people on the buyer side will be involved because it is a new buy.

So, technical evaluation, financial evaluation, commercial evaluation will all will be involving the entire decision making unit and somewhere in between will be modified

rebuy which is say for example, often used when you are buying furniture for a factory or even say for example, electric motors when you are buying, then the horsepower is the same because it is fitting into the same machine because it is a modified rebuy that in some motors which might have worn out, you are replacing horsepower remains the same; maybe the fixing dimensions will remain the same.

But you will be looking for more efficiency; you will be looking for less power consumption, energy consumption, a more efficient motor. This is modified rebuy. Modified rebuy means there will be a new specification, but yet often preference will be given to the existing supplier or the known supplier. So, the new task means the competitive field is wider. The straight rebuy means the competitive field is much narrower and the modified rebuy is somewhere in between.

So, as you can see here, the three types of buying situations create different kinds of involvement levels from the buying organization and different types of complexity of human dynamics; buyer-seller interactions will be more complex in case of new task will be least in case of a straight rebuy. Straight rebuy often happens totally electronically these days, no human beings are involved because if it is straight rebuy of a regular component that is used, then the buyers computer may automatically indent it from the chosen suppliers computer.

So, no human being may be involved because rate contracts are already established. So, one ERP system will inform the other ERP system and these number of units or these number of kg's are required for this particular product or component or consumable and it will be supplied. So, mainly based on time complexity, effort needed from the buyer side, we have these different types of buying situation.

(Refer Slide Time: 15:25)

Types of Consumer Buying Situations

There are three major types of consumer buying situations:

1. Low involvement Buying Decisions-Staple products
2. Variety-Seeking Decisions – Shopping products
3. Complex Buying Decisions- Specialty Products

Prof. Jayanta Chatterjee, Dept. Industrial and Management Engineering, IIT Kanpur (05)

Similar classification can be done for B2C or consumer buying situation. There will be a low involvement, low effort, low loyalty buying decision which is for staple products you know for what we eat, food grains, oil, condiments, spices. Now, here the customer is not willing to spend a lot of time here. So, decisions will often be based on convenience, availability, brand image will definitely play a part. Switching can happen here from one toothpaste to the other toothpaste due to a brand promotion and then we have variety seeking decision. This is actually a little higher in the involvement level. These are shopping products like say shirt or a shoe, it will still be guided or influenced by brand, but there will be some personal preference, some more what we call emotional factors coming into play here and there may be more consultation.

So, if you are buying a shirt, you may take some input from a friend or a family member or if you are buying a shoe, you will actually look at your comfort as well as style and not only go by the rational factors of you know durability and that sort of thing. You may buy you know it because it is a very famous sports shoe, you may buy it because you feel good when you wear it in terms of style and comfort. So, there will be some greater level of involvement and in the first which is staple product. There may be mostly a rational decision whereas, in the two the shopping product, there will be more emotional or affective factors coming into picture and lastly the complex buying decision almost equivalent to an industrial buying decision will be speciality products.

So, as I have mentioning that big television or a more complex refrigerator or the latest car, these are consumer buying situation of a speciality product or a very high value watch. So, there a lot of time and effort will go in. And as you can see here also this 1, 2, 3 the ticket value or; that means, the money involved in the purchase also keeps on increasing from 1 to 3 and therefore, the engagement of the customer will be more intense over this scale.

(Refer Slide Time: 18:51)

Steps in the Buying Process

There are five steps in the typical buying process:

1. Needs awareness
2. Evaluation of solutions
3. Resolution of problems
4. Purchase
5. Implementation

Prof. Jayanta Chatterjee: Dept. Industrial and Management Engineering: IIT Kanpur (06)

So, this is the three types of situations for industrial products and for consumer products.

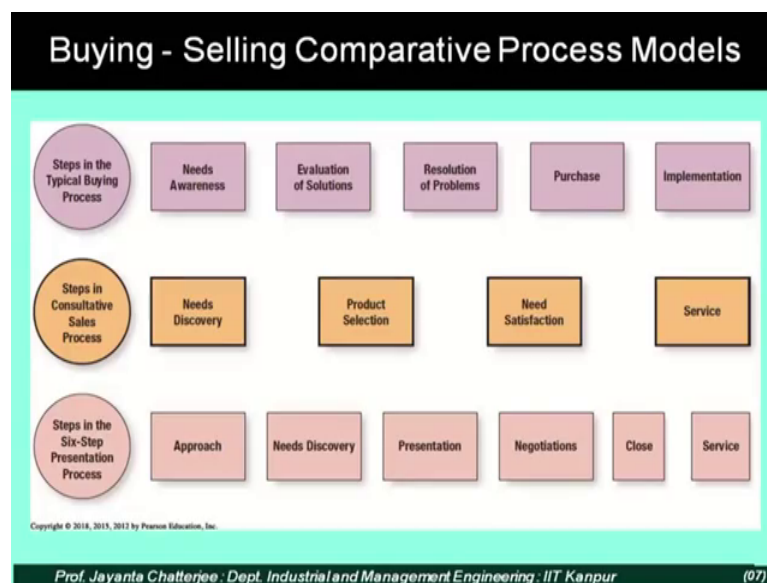
Now, the steps in the buying process; remember those eight steps in the selling process. Now, we are looking at the five steps in the buying process here. It kind of remains the same for both B2B and B2C; basically there is some kind of need awareness. The need awareness in case of B2B is often driven by some rational situation, some the factory has to be expanded or a machine performance needs to be improved or some higher level of heating needs to be brought down.

So, there is some kind of a need which is largely a rational need. So, therefore, in a B2B, it is not always possible, mostly not possible to create a need unless you are able to show that there is this new type of motor which consumes a lot less energy and gives a much better performance and therefore, one can be driven towards replacement. But mostly the need is created by the buyers own situation and cannot be influenced by the seller. In

case of consumer products; need can be generated. Some people criticize this that actually here the selling process is manipulative.

But the point is here the need the whole game of brand building and brand interest creation, brand salience creation will be directed towards need creation so that a person may buy three new shades of lipsticks even though the person may have already six other shades of lipsticks. So, here it is a kind of a need, awareness, I would say slash needs stimulated. Then comes of course, the other steps more or less remains same evaluation of solutions, then the evaluation with respect to the features, comparison of the problem, advantage, benefit offered by a set of features of a particular solution and that purchase and implementation. This we discussed in the earlier session in the sales process. So, this is these are the complimentary steps of the buying process.

(Refer Slide Time: 22:13)



In this slide, I have tried to put together this is taken again from Manning's book the book that I showed you, it is actually we are combining on one side the typical steps in the buying process on the top need awareness, evaluation of solution, resolution of problem, purchase implementation and steps in the consultative sales process just below that is need discovery, need awareness by the customer, need discovery by the seller, evaluation of solution and resolution of problem, product selection against that product selection by the seller, need satisfaction and after the sale service.

So, this is the comparison of typical buying process and the typical steps in the consultative a new generation of sales process. At the lower end, the lowest end you have steps in the sixth step presentation process. So, just as you see the consultative sales process need discovery, product selection, need satisfaction service and you have against that the sixth step presentation process which is approach need, discovery presentation, negotiation close and then service this service and this service is after implementation here.

So, really speaking the sale is happening here. This matching please look at it a little bit a with greater intent and that will give you the lead to this how your sales presentation or how your interaction should be structured.

(Refer Slide Time: 24:15)

The Buying Process and Buyer Types

- In understanding the customer's buying process, three value creation-selling approaches appeal to certain types of buyers.
- Three types of buyers and areas to create value
 1. Transactional Process Buyer—focus on purchase stage
 2. Consultative Process Buyer—focus on needs awareness and helping evaluate solutions
 3. Strategic Alliance Process Buyer—focus on careful study of proposed partner

Prof. Jayanta Chatterjee - Dept. Industrial and Management Engineering - IIT Kanpur (08)

Now, you can immediately see that depending on this the involvement of the buying situation, new task versus straight rebuy versus modified rebuy or this staple shopping speciality, low involvement variety seeking and high involvement or complex buying, depending on that we will have this three situation; one is transactional process buyer.

So, if it is a staple product or if it is a straight rebuy product, then we can call that buying process as transactional; that means, here the focus is mostly on the purchase. There are not very many interaction stages between the buyer and the seller.

And the next stage is the consultative process buyer. Now, consultative process buyer will need uncovering the needs and problems of by the seller and presentation of advantages and benefits in response to those identified needs and problems. So, that is the difference between transactional which is almost like a through automatic process and here a lot of interaction. So, in type 1 transactional, there will not be many interactions whereas, type 2 consultative there will be many interactions.

So, the time taken in type 2 situation will be more than the type one situation; efforts needed, strategy needed all these will be more in type 2 and lastly what we call strategic alliance process buyer here like many automotive companies do this say a company like Maruti or Hyundai, they will be carefully evaluating for each one of their key components or subsystems say if it is a for steering wheels or for brakes or for wheel systems, they will be carefully evaluating the possible suppliers. As you possibly know that in a car the final assembly takes place in Maruti or Hyundai, but 80, 90 percent of the components and subsystems come from outside.

So, the window shield, the window operating system or window regulator the steering wheel or the transmission system, a few will be manufactured inside the company. Maybe the engine will be made by the car manufacturer. Now, now it is sometimes even the engine is sourced from another manufacturer, but all these mixing and matching finally, will be assembled at the final brand maker. So, Hyundai will be doing the final assembly. Of course, now lately even that work has been outsourced in some cases. When this kind of buying happens; that means, you have carefully evaluated set of component or subsystem supplier based on which you will then take a decision that, I am Maruti and I am going to buy my steering columns and steering systems and these are the two or maximum three manufacturers who will be my chosen suppliers.

At this stage, what will happen is, what we call almost an alliance will be developed between your chosen supplier and you as the buyer. And therefore, this sales process is quite different. It is longer, it is much more intense, it will have lot of technological interfaces like for example, the ERP system of Maruti most likely will be talking to the ERP system of Sona Cuyo steering a major steering system supplier.

And once having decided that this model will take this steering, this car model will take this steering and depending on the production schedule of Maruti, the requirement will

automatically be fed into the steering manufacturers ERP system and this will be almost automated supply which means that this end process would have been arrived at after lot of negotiation, after lot of trust building, after lot of determination of technical and commercial features.

So, this is like a more like a marriage like a strategic alliance as opposed to the first type which is the one of sales transactional process buyer ok.

(Refer Slide Time: 30:05)

Buyer Resolution Theory: The 5 W's

Basis for developing shared value-vision

Why Should I Buy?
Good question to test your pre-sales work. Salespeople fail to help customers become aware of a need. Thus not sufficiently persuaded to purchase products that provide them with genuine buyer benefits.

What Should I Buy?
The second buying decision. You'll earn respect if your advise is consultative on choice from several competing products.

Prof. Jayanta Chatterjee, Dept. Industrial and Management Engineering, IIT Kanpur (09)

So, which means that to develop this strategic alliance or the shared value as we say and to become a regular supplier chosen supplier a, a supplier which is complementing your just in time process, you as a the buyer will be using this what we call the five w's; that why should I buy from you, and what should I buy from you. I am adding this from you to understand to explain the buyer seller interaction format.

(Refer Slide Time: 30:53)

Buyer Resolution Theory: The 5 W's

Where Should I Buy?
As products become more complex, consumers are paying more attention to "source" decisions. After Sales Assurance issues.

What Is a Fair Price?
Today's better educated and better informed consumers are searching for the right balance between price and value (benefits). Many sources for evaluation.

When Should I Buy?
A sale cannot be closed until a customer has decided when to buy. In some selling situations, the customer may want to postpone the purchase because of reluctance to part with the money.

Prof. Jayanta Chatterjee : Dept. Industrial and Management Engineering : IIT Kanpur (10)

So, this why should I buy? What should I buy? Where should I buy? What is a fair price and when should we buy this is the five W's. And therefore, when you develop a strategic alliance when you develop a long term supply relationship with a buyer the buyer will go through this kind of five W analysis and you as a seller therefore, will have to respond efficiently and effectively to this why should I buy from you, what are the products that I should buy from you, where should I buy, when should I buy, what is the fair price. All these W questions will have to be answered.

(Refer Slide Time: 31:37)

Maslow's Hierarchy of Needs



The diagram shows a pyramid divided into five horizontal layers, each representing a level of Maslow's Hierarchy of Needs. From top to bottom, the layers are: Self-actualization (purple), Esteem (orange), Social (blue), Security (red), and Physiological (green).

Source: Maslow, Abraham H., Frager, Robert D., Fadiman, James, *Motivation and Personality*, 3rd ed., © 1987. Adapted and electronically reproduced by permission of Pearson Education, Inc., Upper Saddle River, New Jersey.

Prof. Jayanta Chatterjee : Dept. Industrial and Management Engineering : IIT Kanpur (11)

I will now shift to few other psychological issues. This is the famous Maslow's hierarchy of needs. This is a very important model concept for B2C purchases to highlight that in the buying process the rational buying happens at the lowest level where you are looking at physiological and security needs. So, a staple product in a B2C situation will be actually guided by this physiological or security related concern. Whereas, for a speciality product or for a shopping product, these higher levels which is social and esteem will play a big part.

So, which means that the lower side decisions of the buyer are guided by rational factors, logical factors, weights and prices and features and so on. But on the other side, as you go more from staple to shopping to speciality, there will be higher role played by social factors esteem factors, which means the emotional factors will play a much bigger role in the buyers mind while making the purchase decision. So, you as a seller, you have to be careful when you build your brand or when you offer your feature advantage benefit, the fab cluster, you have to understand that the how the product is positioned with respect to Maslow's hierarchy of needs.

So, that is kind of the conclusion of our discussion on the buying process which complements the selling process discussion of the earlier week, of the earlier days in this week and with this we now have a fairly good understanding of the last mile in, the tactical end of sales and the tactical end of buying. And as we discuss the two together create the dynamics that you need to handle during the sales encounter. And for your reference look at Manning's book chapter 8, 9 and possibly chapter 10.

We will take up the next session in the in the next week, some more advanced topics with respect to negotiation and also we will spend some more time next week on this field sales management issues, the internal organizational issues, the recruitment of salespeople, performance evaluation of salespeople, structuring of the sales organization. And such issues, we will be taking up over the second part of this course during the third week and the fourth week.

Thank you.