

## 1.5: Why and How People Buy

### Why and How People Buy: The Power of Understanding the Customer

#### Learning Objectives

- Describe the different types of customers and why this information is important in determining customers' needs.
- Discuss the implications of Maslow's hierarchy of needs for selling.
- Learn the types of buyers and buying situations in the business-to-business (B2B) environment.

You walk into an Abercrombie & Fitch store at the mall, and without thinking about it, you turn to the right and make your way through the denim, past the belts, and to the sweaters. You are so engaged in the experience that you didn't even realize that the huge mural at the entrance to the store serves a purpose other than to make you look twice at the hot model in the larger-than-life photo. Before you know it, one of the oh-so-gorgeous salespeople dressed in Abercrombie from head to toe approaches you with a smile. "These hoodies are awesome," she says as you pick up the pale blue one.

Shopping. It's the national pastime for some but a detested necessity for others. Whether you love shopping ("Oh, that is soooooo cute!") or do everything to avoid it ("I'm not going to the mall, no matter what"), it is a major source of spending in the United States. By the end of 2023, total retail sales reached approximately **7.24 trillion U.S. dollars**, around one and half a billion U.S. dollar increase from the year before. Retail sales include everything from products and services in retail stores and e-commerce to food service and automotive. Statista, *"Total retail sales in the United States from 1992 to 2023"*, <https://www.statista.com/statistics/...us-since-1992/>, (accessed May 20, 2024). That's a lot of selling—and a lot of buying. But what makes you stop and pick up one sweater but not another? What makes you buy a pair of jeans you weren't even looking for? What makes you walk out of the store spending more than you had planned?

#### Inside Consumer Behavior

The science of consumer behavior describes and even defines how you shop and, more importantly, why you buy. Smart retailers study consumer behavior patterns and lay out their stores and merchandise accordingly. For example, did you know that 86 percent of women look at price tags when they shop, while only 72 percent of men do? (Proctor, 2017). And did you know that the average shopper doesn't actually notice anything that's in the entrance of a store? According to Paco Underhill, CEO and founder of EnviroSell, and author of the book *Why We Buy: The Science of Shopping*, consumers do not actually begin shopping until a certain point after they enter the store. That is why smart retailers include a "transition zone" at the entry to their store; it allows customers to get their bearings and choose their shopping paths. In other words, products, signs, and displays that are in the very front of the store might not be seen if there is not a transition for the customers when they enter. In the case of Abercrombie & Fitch, the transition is the space just inside the entrance that includes the humongous photo of the Abercrombie model du jour. When you go into Hollister, it is the outside porch that serves the same purpose; it is a transition that allows you to get your focus and plot your course in the store, even if you do not consciously realize it. Think about the last time you went into a grocery store or drug store; you might not have noticed anything until you were well inside the store, which means that the merchandise and signs that were displayed in the area before you got your bearings were virtually invisible to you (Underhill, 1999). Subconsciously, you adjust your eyes to the light, process any smells and sounds, notice the temperature, if it is busy and the general layout of the store when you first enter before you think about the actual shopping (Stephenson, 2019). *"Rather than waste the space with a cluttered front entrance that has little chance of being noticed, it's better to create an effective transition zone"* (Stephenson, 2019, para 9).

Understanding how and why customers buy can make a significant difference in how you sell. Is the product a considered purchase, like a computer or car or an impulse buy, like a sweater or music download? Is the product bought frequently, like an energy drink, or only once every few years or even once in a lifetime, like a car or a college education? For each of these products, the customer goes through a buying process. Understanding the customer and the buying process can make your selling efforts successful.

#### Do You Need It or Want It?

Think of something you need, like an annual medical checkup, a new apartment because your lease is up, or even food to survive. There are some products and services you purchase solely because you can't exist without them. Now think about something you

want: a new pair of jeans, an iPhone, tickets to a concert. There is a significant difference in what motivates you to buy products and services you need, compared to those you want.

## Needs versus Wants

Needs are essentials, those products and services you literally cannot live without. Food, shelter, clothing, transportation, and health care are all examples of needs. Wants, on the other hand, are products, services, and activities that can improve your quality of life; you don't need them to exist, but rather you desire to have them because you think they will make you happy. Cell phones, vacations, sporting events, restaurants, amusement parks, cable television, and fashion are all examples of wants. People are motivated differently depending on if they are making a purchase for a need or a want. Could you see how cellphones could be argued as a need and a want?

Needs and wants have different motivations. Think about buying a computer; you could focus on the functional attributes of the car such as miles per gallon, maintenance costs, and safety ratings. Functional attributes fit within utilitarian needs—those needs that are necessary (Das, Mukherjee, & Smith, 2018). So, if those were your only needs, you might choose a Ford Focus or Toyota Prius. But you might want to have something a bit sportier, maybe even flashy, to get around campus, you might choose a Mini Cooper, Jeep, or even a BMW. These cars would do more than simply provide transportation; they would meet your hedonic needs—those needs that are associated with pleasure, feeling, emotion and senses (Gopal, Amaradri, & Ronn, 2018). You might choose to buy a Mini Cooper because you can customize the design online. That would certainly meet a need other than providing basic transportation. Some people buy a BMW because they want the status that goes with owning that make of car, or perhaps they think that having a Mercedes-Benz means they have arrived. When you understand the difference between needs and wants and between utility needs and hedonic needs, you are better able to tailor your selling communications.

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## Maslow's Hierarchy of Needs

When Hurricane Katrina hit the United States on August 28, 2005, the Gulf Coast was devastated. Thousands of people were stranded for days, some without food, water, or shelter due to overwhelming flooding. Almost two thousand people lost their lives in the natural disaster. During those horrible days and in the aftermath, those who were affected by the catastrophe did not care what kind of car they drove, what anyone did for a living, or if they forgot to sign up for French or scuba lessons. They were focused on the basics: food, shelter, and clothing.

This tragedy is a demonstration of exactly how **Maslow's hierarchy of needs** works. Abraham Maslow is among the most renowned psychologists of the twentieth century. His theory explains human behavior in simple terms: A hierarchy of needs that begins with the most basic of **physiological needs** (e.g., food, water, shelter, and clothing) motivates people, and when the lowest-level needs are satisfied, they are no longer motivators.

During the days after Hurricane Katrina hit, people were rescued and provided with water, food, and shelter. Many were relocated to temporary housing or even to housing outside the affected areas. It was not until after the physiological needs were met that people became concerned about the next level of needs on Maslow's hierarchy: **safety needs**. Looting of shops in some of the cities began to occur, and there was even concern that the police force in some cities was not taking an active role in arresting those who were breaking the law. Associated Press, "Looters Take Advantage of New Orleans Mess," <https://www.nbcnews.com/id/wbna9131493> (accessed May 20, 2024.). The people of the Gulf Coast were no longer motivated by simply getting water, food, or shelter; they had moved up Maslow's hierarchy and were concerned about their personal security and well-being.



Figure 1.5.3: Maslow's hierarchy of needs demonstrates that humans fill higher needs only after lower needs are met.

As the days and weeks passed after Hurricane Katrina hit, its victims wanted to get back to their normal lives. They searched for options to put their children back in school, ways to get jobs, and options to rebuild their lives. By Christmas 2005, people stopped to celebrate the holiday together. By this time, they were motivated by **social needs**, or the need to belong and have an attachment or bond to others.

Slowly but surely, people began to rebuild their lives and their cities. People took on leadership roles and began to take recovery to the next level. Even people who were hundreds of miles away from the hurricane-ravaged area wanted to help. Volunteers from all over the country began to make the pilgrimage to the Gulf Coast to help in any way they could. In fact, volunteer vacations to help rebuild cities such as New Orleans became commonplace and are still going on today. This is an example of **esteem needs**, or the need to feel respected and appreciated by one's peers. Although volunteers were motivated by social needs and the need to help their fellow human beings, they found that they were also greatly appreciated for their efforts.

Although recovery took years, many of the people affected by the destruction of Hurricane Katrina were striving for **self-actualization**, which focuses on learning

## Business-to-Consumer (B2C) Buying

Think back to your visit to the Abercrombie & Fitch store. It's pretty obvious that you are the customer, or in marketing parlance, you are the **consumer**, the end user of the product or service. You might be shopping for yourself or buying a gift for a family member or a friend. Either way, you (or the person to whom you are giving the product) are the ultimate consumer, which is what defines B2C buying. So, whether you are buying a cell phone and service at a Verizon store, a music download from iTunes, or a burger and fries at Burger King, you are buying in the B2C arena. Even though you may behave differently than your brother or roommate in terms of your purchasing decisions, you are all described as B2C customers because you are the ultimate consumer of the products or services you buy.

## Producers

Companies that buy products to make or build a product or service to sell for a profit are called **producers**. For example, in the case of Reebok, the company purchases components for its athletic shoes from a variety of vendors around the world. Reebok uses the components to manufacture the shoes and sell them to retailers such as Foot Locker, which in turn, sell the shoes to consumers like you. In this example, Reebok is engaged in B2B buying as a producer because the company purchases parts or materials to make shoes and then sells them to other companies. Barton A. Weitz, Stephen B. Castleberry, and John F. Tanner, Jr., *Selling: Building Partnerships*, 7th ed. (New York: McGraw-Hill Irwin, 2009), 86. Reebok is a B2B purchaser but not a B2C seller; the company markets its brand directly to B2C consumers to gain recognition and drive consumers to participate in B2C buying at retailers that carry its brand.

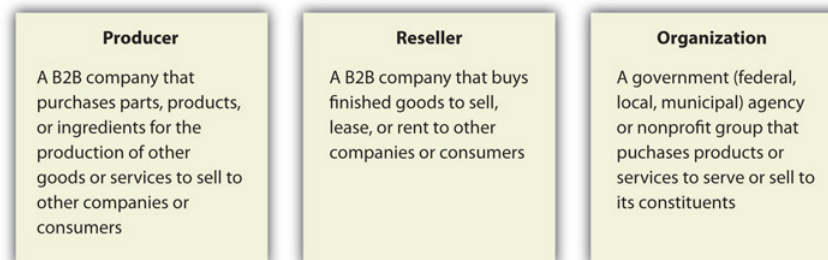


Figure 1.5.4: Types of B2B Buyers

## Resellers

**Resellers** purchase finished goods to sell, lease, or rent to B2B or B2C purchasers. In the example above, Foot Locker is a reseller because the company buys finished products from manufacturers such as Reebok, Nike, New Balance, Ryka, and others. In other words, Foot Locker doesn't manufacture products but rather buys them from other companies to sell them. It's important to note that although Foot Locker buys in the B2B arena as a reseller, the company sells in the B2C arena because it sells its products to the ultimate consumer.

## Big Differences

B2C and B2B purchasers are different for several reasons. The most important differentiator is that consumers purchase for their own consumption (or the consumption of their household or friends), whereas B2B customers purchase to produce or resell the product to a company or the ultimate consumer. There are also several other key differences between B2C and B2B buyers. Generally, B2C buying is based—for the most part—on impulse, low-risk decisions for products and services that are readily accessible. Whether you shop online, in a store, or at a direct selling party, your buying decisions impact only yourself and your family and do not put you at risk. Although you may make some significant buying decisions such as a house or a car, your options are easily accessible (go online, go to the mall or store), and your decisions don't put you in danger of losing anything—except, of course, if you spend money you don't have.

## Business-to-Business Means Person-to-Person

Although B2C buying behavior is very complicated, B2B buying behavior is even more complex. The fact is, although it's called business-to-business buying, the term actually describes *people* doing business with *people*. A *business* never makes a buying decision; the decision is made by *people* who work for the company. So B2B buying decisions are subject to the same behaviors as B2C buying decisions, but on a more challenging level because B2B buying decisions usually include multiple decision makers, an extensive evaluation process, extended analysis, and they represent a high risk on the part of the decision makers.

While many B2B buying decisions are made by an individual decision maker, many are made by a group of people working together, usually from different departments. When this is the case, the group is called a **buying center**, all the people in a group who are involved in the buying decision. For example, hospitals use buying centers to make decisions on new equipment, a retail company might use a buying center to determine which point-of-sale register system to purchase. The buying center usually includes people from the organization who have expertise in different areas, and each may play a different role in the buying decision. Following are some roles that may be included in the buying center.

## Users

The people in the B2B buying process may include some or all of the following roles. **Users** are the people who are actually using the product or service. In the case of a company purchasing a telecommunications system, the users are all employees of the company because each uses the telephone, Internet, and other communications technologies. But in the case of a company purchasing a security system, only the employees in the security department would be users of the product; other employees would simply enjoy the benefits of the product without actually using it. Because the users' satisfaction is so important, many companies involve users at various points throughout the buying process, including gathering input, participating in product demonstrations, or even using the product as a test.

## Initiators and Influencers

**Initiators** are those people in the company who start the purchasing process for a particular product or service. Barton A. Weitz, Stephen B. Castleberry, and John F. Tanner, Jr., *Selling: Building Partnerships*, 7th ed. (New York: McGraw-Hill Irwin, 2009), 97. For example, the e-commerce manager in the marketing department may begin the process of seeking a new technology provider for e-mail and social networking services on the company's Web site. However, he may not be the final decision maker. There may be several departments involved in the purchasing decision including marketing, IT, and customer service, just to name a few. The e-commerce manager will most likely be a user and will take part in the buying process. In fact, he may even be an **influencer** in the final buying decision because he can lend his expertise to the team of people who will be making the final decision. He may compare the offerings from competitive companies, do a competitive cost analysis, and even conduct a cost-benefit analysis to determine which product will provide the most benefit for the least amount of cost. He might have a preference of which vendor to choose as a result of this information and his knowledge of the different companies in the industry. His influence may be quite significant as to what choice the company makes for the purchase. There may be other people in the organization who are also influencers, such as the IT manager, customer service manager, and others.

## Decision Makers

At the end of the day, it is the **decision maker** or decision makers who will make the final purchasing decision. Decision makers could be anyone who holds the responsibility or accountability for making buying decisions for the company. In the case of the e-

mail and social networking technology purchase, depending on the company, the decision maker might be the CEO, the head of the marketing department, or even a committee of people from marketing, IT, and customer service. A smart decision maker involves the users and influencers in her decision-making process to make the best choice. An investment in technology will not only be expensive, but will last for years; once a company makes a commitment to integrate their systems with a technology company, it is not practical to make frequent changes. The decision making process in B2B can take days, weeks, months, or even years to make, depending on the company and the product or service being purchased.

### Finding the “Power Level”

When you are selling in a B2B environment, you may not always have access to the ultimate decision maker. But building a relationship with the initiator, influencers, and users can be just as important and effective as meeting with the decision maker. However, you should always be aware of the “**power level**,” or exactly the level in the organization that is making the buying decision. Sometimes, salespeople don’t get to the power level, but instead stop at one or two levels below that critical level where the purchasing decision is being made. If the vice president of human resources is making the decision as to which vendor to choose for the company’s training programs, it’s important to build a relationship with her. Having a relationship with the director of training is critical, but a successful salesperson wouldn’t stop there; he would work to secure a relationship at the power level, which is the vice president. This video discusses the power level and its importance to success in selling.

### Types of B2B Buying Situations

There’s still more you can learn about the B2B buying environment. Although companies are so different from each other (some are large multinational corporations while others are one-person operations) and the types of products and services being purchased are so different (everything from business cards to office buildings), it might seem difficult to know how to apply the concepts covered to every buying situation. One way is to understand the different types of buying situations that face a B2B buyer.

#### New-Task Buy

If a company is moving its headquarters to a new building that does not come equipped with office furniture, the company will need to acquire furniture for all of its employees. This is a new purchase for the company, which would classify it as a **new-task buy**. Gerald L. Manning, Barry L. Reece, and Michael Ahearne, *Selling Today: Creating Customer Value*, 11th ed. (Upper Saddle River, NJ: Pearson Prentice Hall, 2010), 163. When a customer is contemplating a new-task buy, it is an excellent opportunity to use your consultative selling skills to bring information to your customer to help her make the best possible decision.

#### Straight Rebuy

What if your customer is already purchasing the product or service regularly? Although he may currently be purchasing the product from you, he already knows about the product or service, how to use it, and how much he is currently paying for it. This is called a **straight rebuy**. Gerald L. Manning, Barry L. Reece, and Michael Ahearne, *Selling Today: Creating Customer Value*, 11th ed. (Upper Saddle River, NJ: Pearson Prentice Hall, 2010), 163. a routine repurchase of a product or service. Usually, straight rebuys are consumable products or supplies such as office supplies, maintenance supplies, or parts. This is an opportunity for you to shine, whether the customer is currently purchasing from you or not. When purchases are on “auto pilot,” sometimes the salesperson gets lazy, takes the business for granted, and doesn’t go the extra mile to suggest something new or better. If a prospective customer is already buying from someone else, you have the opportunity to win her over by suggesting a better or more efficient product, a different pack size or method of replenishment, or other ideas that will help the customer save time or money or increase quality. For straight rebuys, it is often price that gets the customer’s attention, but it is service (or lack of it) that makes the customer switch providers.

#### Modified Rebuy

Sometimes, your customer may already be purchasing the product but wants to change the specifications; this is called a **modified rebuy**. Gerald L. Manning, Barry L. Reece, and Michael Ahearne, *Selling Today: Creating Customer Value*, 11th ed. (Upper Saddle River, NJ: Pearson Prentice Hall, 2010), 163. For example, when the magazine *Vanity Fair* did a split run of their magazine cover for their September 2009 issue, they printed half of the copies with Michael Jackson on the cover and half with Farrah Fawcett. Lorena Bias, “Fawcett, Jackson Get ‘Fair’ Magazine Play,” *USA Today*, August 3, 2009, life 1. Although they print the magazine monthly, they modified the printing specifications for that issue. Therefore, the sales rep from the printer sold the September 2009 print run as a modified rebuy. Selling to a customer who is purchasing a modified rebuy is an excellent opportunity to demonstrate your flexibility and creativity. Many times, customers have an idea in mind for a modification, but if

you can bring them ideas and insights that will help them increase their business profitably, you will have the upper hand in securing the buy.

## Strategic Alliance

Although most B2B selling depends on relationships, some selling situations go above and beyond the traditional relationship between a salesperson and the customer. Some relationships go to the next level and actually create a partnership that puts both parties at risk and provides opportunities for all parties to gain; this is called a **strategic alliance**. The deal between Starbucks and Barnes & Noble is a classic example of a strategic alliance. Starbucks brews the coffee. Barnes & Noble stocks the books. Both companies do what they do best while sharing the costs of space to the benefit of both companies.

## Who Makes the Buying Decision?

In many companies, there is a function called buyer, purchasing manager, materials manager, or procurement manager. These are the people who are responsible for making buying products, services, and supplies for the company or for the company's customers. In most cases, they are the decision makers for purchasing decisions.

Because most purchasing decisions in a company have a significant impact on the users and on the profitability of the company, some companies create cross-functional teams called a buying center. These people work together to make important buying decisions for the company or organization. For example, many colleges and universities have a buying center that makes decisions that impact all users in the school such as a new e-mail system, classroom, or dormitory supplies. Michael R. Solomon, *Consumer Behavior: Buying, Having, and Being*, 8th ed. (Upper Saddle River, NJ: Pearson Prentice Hall, 2009), 184.

## Key Takeaways

- Customer behavior is a science, not an art, driven by specific needs that drive motivation.
- A **consumer** who purchases in a B2C environment is the end user of the product or service.
- A B2B purchaser, also called an **organizational** or **institutional** purchaser, buys a product or service to sell to another company or to the ultimate consumer.
- B2B purchasers may be **producers**, **resellers**, or **organizations**.
- B2B buys are characterized by being methodical, complex, budgeted, high risk, analytical, and coordinated across different parts of the company.
- B2B purchases are larger than B2C purchases, include multiple buyers, involve a smaller number of customers, and are geographically concentrated.
- **Maslow's hierarchy of needs** describes how people are motivated based on the level of needs that are being satisfied. Understanding a customer's motivation based on the hierarchy can provide valuable insights for selling.
- There can be several types of people involved in a B2B purchasing decision, including **users**, **initiators**, **influencers**, and **decision makers**.
- An individual such as a buyer, purchasing manager, or materials manager might make buying decisions. Some companies use a **buying center**, a cross-functional team that makes buying decisions on behalf of the company.

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