

**VPM's**  
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**Programme: MMS (2014-16)**  
**Third Semester (Marketing) Examination October 2015**

<b>Subject</b>	<b>Consumer and Industrial Buying Behaviour</b>		
<b>Roll No.</b>		<b>Marks</b>	<b>60 Marks</b>
<b>Total No. of Questions</b>	<b>7</b>	<b>Duration</b>	<b>3 Hours</b>
<b>Total No. of printed pages</b>	<b>3</b>	<b>Date</b>	<b>28-10-2015</b>

**Note: Q1 is compulsory and solve any FOUR from the remaining SIX questions.**

**Q1) 20 Marks (Compulsory)**

Some of our best known and most sophisticated manufacturing companies are stuck with the fact that many of the products they must market are sold by seven other equally well-known companies under exactly the same specifications, at exactly the same price, and in exactly the same containers. These commodities, like polyethylene resin, synthetic rubber, coated steel coil, metal cans, or paper-board are products that require huge plant investment and are tricky to manufacture. Usually they must be manufactured at high speed in continuous process plants that must run 24 hours per day, 365 days per year, to show a decent return on investment. In addition, the buyer expects to receive excellent technical service to back up the products.

Vinyl acetate latex is used as a paint base for millions of gallons of latex paint sold under hundreds of private labels by local paint stores. Typically, in a can of latex paint, 90% of what is in the can is a vinyl acetate latex manufactured by over ten major chemical companies. Most vinyl acetate latexes are priced the same and have the same specifications (see Exhibit on facing page). They can be used pretty much interchangeably by the paint manufacturer. For these reasons, regional paint companies will have two or possibly three approved sources of supply.

<b>Exhibit Specifications for Two Brands of Synthetic Rubber Latex</b>		
<b>Brand A</b>	<b>Typical properties</b>	<b>Brand B</b>
52%-54%	Total solids	53%
7.5-8.5	pH	7.5-8.5
Less than 0.1%	Residual styrene	Less than 0.1%
40-50	Surface tension (dynes)	40-50
1.02	Specific gravity	1.00
Excellent	Mechanical stability	Excellent
8.5	Weight per gallon (pounds)	8.5
0.20	Particle size (microns)	0.20-0.25
40-90	Viscosity	40-90
Anionic	Emulsion system	Anionic
Nonstaining	Antioxidant	Nonstaining
40¢	Price per pound (tank cars—FOB plant)	40¢

Having two sources is standard procurement procedure. The third supplier, Company C, is always in the wings if Supplier A or Supplier B falters on price or delivery. Manufacturers A and B have been suppliers to the Acme Paint Company for ten years and are excellent, loyal suppliers who have bought their share of lunches. Supplier C, who has been approved by the research department, is thrown a bone once in a while, and Acme allows him to ship a few drums of latex to keep everybody honest.

You are the new vice president of Company C. You are new to the paint business, having previously done an excellent marketing job with a large food company. You are not a good chemist and fail to be turned on by the fact that your research department can prove again and again that his latex has one-tenth of a percentage point fewer impurities than Brand A or Brand B. You cannot get this point to work for you in your literature or with the

purchasing agents.

In a quick paint dealer survey, the dealers say that the real problem in selling latex paint is that it is “new”. They are used to the oil base paints that their fathers sold. Thus, when it comes to latex paint, they are not sure how it stacks up against the oil base paints, particularly in durability. Retail paint dealers are not technically proficient sales people and would often end up agreeing with their retail customers that what their grandfather used must be the best. The new latex, or water base paints, as they are popularly called, probably has poor wearability. Obviously, if one can wash off a paint brush or paint roller with tap water, the paint must not stick to the walls as well as good old oil base paints. And, of course, that is what the manufacturers of oil base paints imply in their advertising.

You can be a good price cutter, but your president has asked: “If we have to cut the prices to sell our vinyl acetate latex, why do we need a high-priced sales force?”

- Traditionally faced with look-alike, smell-alike products, you have these options to increase your share of the market and/or profitability:
  1. You can put together a beautiful, costly brochure emphasizing the differences in his purity level of 98.5% versus your competitor’s level of 98.4%. Or you might dwell on the fact that your plant is 50 km closer to Patalganga or MIDC Saswad than someone else’s plant.
  2. You can instruct your sales force to buy a lot of lunches. This is a good approach but hard on the purchasing agent and hard on your men.
  3. You can instruct the research department to improve the product and give your sales force a real product advantage. But, alas, they have been trying to do this for ten years.
  4. If you really want to be creative, you can shave the price. Now the purchasing agent becomes very interested and all parties pay close attention. Unfortunately, as you take business away from your competitor by shaving the price by few paise to a rupee per liter, your competitor always returns the favor with your big customer down the street. Purchasing agents are not good at keeping secrets.
  5. Another time-honored approach is to talk your management into scrapping the current plant that is showing a return on investment of 7% and building a bigger, more efficient plant that will produce double the quantity of synthetic rubber at a slightly lower cost. This will give you that needed price advantage. Projected ROI in the new plant at capacity is 15%. In the 1960s, management tended to pick up this option because it felt: “We’ll make up the price cut by selling more.” Few boards of directors are interested in huge capital outlays for this sort of approach.
  6. The last approach takes place after 5 o’clock, when the top marketing people discuss the possibilities of a TV advertising program to establish your commodity’s brand identity, like RedBull or Kirloskar or “Intel inside” approach, in the polyester fiber field. But this is wishful thinking since all parties know that most commodities cannot afford such costly advertising promotion at the purchasing agent level. The consumer buying latex paint could care less where an Asian or Nerolac paints company buys its raw latex

How would you move forward to increase sales and profitability?

**Attempt Any FOUR from the Remaining SIX Questions**

**Q2) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks**

- a) Consumer behavior helps marketers create an effective marketing strategy. Justify this statement.
- b) What are the different types of buying situations? Give one example of each situation
- c) Describe the pricing strategies linked to Product Life Cycle

**Q3) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks**

- a) People often buy products not for what they do but what they mean. Explain the meaning of this statement and provide an example.
- b) What is buying decision grid? As an “outside” supplier what would be your sales strategies in the 3 buying situations.
- c) What is a decision making unit or a buying centre? Describe the various roles in a buying centre

**Q4) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks**

- a) Share types of reactions which customer would like to share if they are frustrated with the product or services. How many emotions are generally experienced by people? Give one example of products or services that can use each of these emotions?
- b) Use an example of your choice to illustrate eight steps in a ‘new buy’ purchase decision making situation
- c) Write a few lines on Bonoma and Shapiro’s nested approach to segmentation.

**Q5) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks**

- a) How does the sense of touch influence consumer’s reactions to products. What is motivation and how is this idea relevant to consumer behavior
- b) “It is critical for an industrial sales person to understand the likely composition and varying influences of the organizational buying centre”. Use Mattson’s model to show how this can be achieved.
- c) Briefly describe the factors influencing industrial decision making

**Q6) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks**

- a) Describe the differences in the 4Ps of industrial and consumer marketing
- b) A young and insecure buyer is acting as an information gate keeper. The order cannot be won unless important information reaches the decision makers. Unfortunately the buyer will not pass that information and he cannot be bypassed without making him angry. How can a creative sales person overcome this situation?
- c) List and briefly describe the macro variable bases used in segmentation.

**Q7) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks**

- a) List the steps in personal selling in B2B markets. Apply them to an example of your choice/ illustrate the steps using a product or service in B2B marketing.
- b) List and briefly describe the micro variable bases used in segmentation.
- c) The buying committee is made up of a chief engineer who wants technical innovation regardless of price, a purchasing agent committed to driving down the component cost and a manufacturing manager who insist on status quo so that manufacturing costs can be stabilized. How can a seller develop a strategy to handle these conflicting objectives?