

# STRATEGIC IMPLICATIONS OF CUSTOMER BEHAVIOUR

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## SYNOPSIS

Very few companies in the Indian Cement Industry have been able to comprehensively map customer behaviour to marketing strategy. Piecemeal attempts have not only lead to the frittering away of costly resources, but have also resulted in inconsistent perceptions in the market place. This paper starts with a structural basis for understanding the behaviour of a cement customer. With the aid of a case study, it goes on to show how customer behaviour, as perceived through market research, can be interpreted for its strategic implications and subsequently addressed through cogent strategic initiatives.

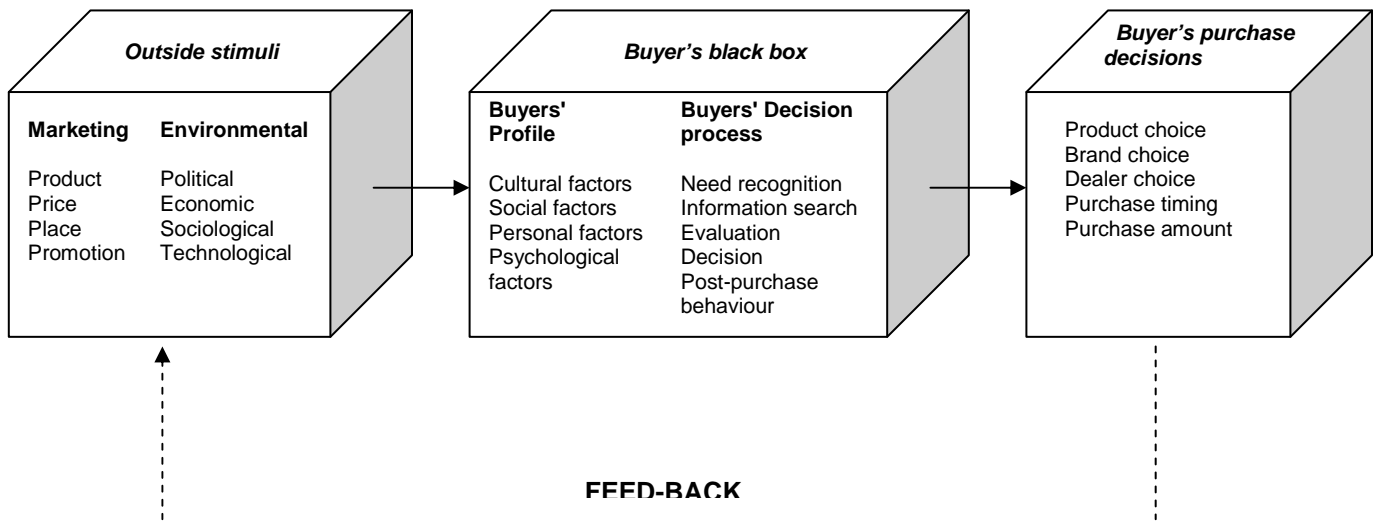
## UNDERSTANDING CUSTOMER BEHAVIOUR

With the advent of free competition in the cement industry, a thorough understanding of the customer has become critical for successful marketing. The major objective of analysing customer behaviour is to gain an insight into the likely response to various marketer-controlled stimuli? Such an understanding of how customers will respond to different product features,

prices, advertising appeals, et al, is essential for determining the various components of a company's marketing strategy.

A model of buyer behaviour is depicted below. Marketing and Environmental stimuli are inputs to the buyer's "black box". Marketing stimuli consist of the much touted Four Ps: Product, Price, Place, And Promotion. Environmental stimuli consist of major forces and events in the buyer's macro-environment: Political, Economic, Social and Technological. These stimuli are processed by the buyer's black box and produce purchase decisions with respect to Product Choice, Brand Choice, Dealer Choice, Purchase Timing and of course, the Purchase Quantity.

Analysis of customer behaviour has to do with understanding what happens inside the buyer's black box. In the following paragraphs we will address the issues of Buyers' Characteristics and the Buyers' Decision-making Process *as applicable to cement*, and attempt to derive what implications these could have in determining marketing strategy.



## BUYERS' PROFILE

A buyer's profile is highly influenced by the cultural, social, personal and psychological factors, intrinsic to the buyer and the environment in which he exists.

### Cultural Factors:

Cultural factors which impact cement purchase include, among others, educational levels which enable a buyer to distinguish between cement types and appreciate technical qualities such as corrosion resistance, heat of hydration, etc.

### Social Issues:

These include construction practices. In certain regions, where the pace of life is faster, faster setting cements may be in greater demand, whereas in other places with a more laid-back lifestyle, setting time may not be a determinant.

### Personal Issues:

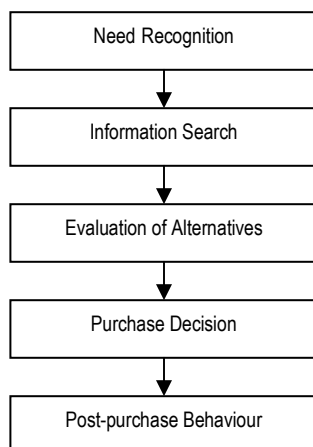
Customers may not be price conscious and may believe that higher priced cement is of a better quality (which for them is a more important attribute). This could be because of a previous experience with other products where expensive ones were found to be of a generally higher quality. Personal issues could also include demographics such as age. It is seen that the average cement buyer in India, is a male, between 35-55 years of age with an annual income of approximately Rs 92,000.

### Psychological Issues:

Customers may be price conscious but may yet choose to buy the expensive (read best or maybe strongest) brand because of an emotional reason. They view their house as an infinite asset and thus want it to be built of the best materials. Very few customers are willing to recognise the fact, that with changed life styles, successive generations usually are bequeathed with obsolete structures. The stronger these are, the costlier it is to demolish them.

## BUYING DECISION PROCESS

The buying decision process is depicted in the diagram below:



## Need recognition

The buying process starts with the buyer recognizing the need for a product. In cement, the need arises when a decision to construct a structure is taken. The cement marketer may therefore be required to address and influence this precedent decision.

As has been recently reported in a marketing journal, some cement companies have started gathering data on individuals who have applied to municipalities for sanction of building plans. These companies have pro-actively identified potential customers who are likely to require the product they sell.

### Information Search

A buyer, once stimulated into the need recognition stage, usually searches for more information. Of key interest to the marketer are the major information sources that the customer will turn to and the relative influence each will have on the subsequent purchase decision. These may be

- **Personal sources** e.g. friends, neighbours and acquaintances.
- **Commercial sources** e.g. dealers, sales persons, etc.
- **Public sources** e.g. mass media.
- **Experiential sources** e.g. previous usage, looking at the product, etc.

A Company must attempt to penetrate the right source and seek to positively re-inforce the buyer's awareness of its product.

### Evaluation of Alternatives

A customer views each product (brand) as a bundle of attributes e.g. price, quality, brand image, colour, etc. The brand is evaluated by an unconscious weighting of the brand, based on an ascribed importance of each attribute.

The cement marketer has the option of either adapting his product to match the optimum set of attributes coveted by the customer or conversely seek to influence the perception of the customers about the ranking of attributes, depending on which is more feasible and viable.

### Purchase Decision

The evaluation of alternatives results in the customer having a brand preference leading to a purchase intention. The translation of the purchase intention to a purchase decision consists of the following components:

- Which brand to buy?
- Which dealer to buy from?
- How much to buy?
- When to buy?

A Company should try to facilitate and influence these sub-decisions in a manner, which is favourable to it.

### Post-purchase Behaviour

After purchasing the product, a buyer may experience satisfaction or dissatisfaction depending on the match between the product's perceived performance and his expectation.

A satisfied customer will most likely, not only buy again but will also serve as a word-of mouth influencer to other potential buyers. Conversely, a dissatisfied customer may initiate redressal action against a Company or seek to dissuade others from purchasing the Company's product(s).

It is important for a Company to monitor the post-purchase perceptions of a customer through a feedback system. Residual customer dissatisfaction can also be moderated through an effective complaint handling system.

### CASE STUDY

It may be interesting to take up a small case study. Let us assume that a cement producer wishes to market blended cement in a given market and conducts a market survey for the purpose.

The findings given below, summarise the results of customer research conducted in the market centre. The customers were segmented into Individuals (I), Private Institutions (P) and Government (G).

### IMPORTANT RESEARCH FINDINGS:

**Table 1 - Product Awareness**

Types	I	P	G
OPC 53	100%	100%	97%
OPC 43	92%	99%	100%
OPC 33	60%	85%	80%
PPC	23%	42%	53%
PSC	1%	23%	17%
SRC	3%	12%	11%

**Table 2 - Decision Influencers**

Influencer	I	P	G
Brand Advertisement	23%	8%	4%
Recommended by Dealer	29%	28%	10%
Recommended by Company Salesman	6%	19%	35%
Recommended by Architect/ Consultant	11%	25%	28%
Recommended by Contractor	26%	4%	5%
Previous Usage			
Technical Literature & Seminars	5%	16%	18%

**Table 3 - Ranking of Attributes**

Attributes	I	P	G
Company / Brand Image	2	2	2
Quality	1	1	1
Ease of availability	3	6	5
Price	4	3	3
Weight of the bag	6	9	7
Delivery	7	5	6
Packaging	5	8	8
Year of manufacture	8	10	10
Credit	9	7	9
Company's quality test labs, etc.	10	4	4

**Table 4 - First and second preference of different type(s) for various applications**

Application	I		P		G	
Foundation	OPC 43	OPC 53	OPC 43	OPC 53	OPC 43	OPC 53
RCC Structures	OPC 53	OPC 43	OPC 53	OPC 43	OPC 43	OPC 53
Brick Work	OPC 43	OPC 53	OPC 43	OPC 53	OPC 43	OPC 53
Plastering	OPC 43	OPC 53	OPC 43	OPC 53	OPC 43	OPC 53
Pilling	OPC 53	OPC 43	OPC 53	OPC 43	OPC 43	OPC 53
Machine Grouting	OPC 53	OPC 43	OPC 53	OPC 43	OPC 43	OPC 53
RMC	OPC 53	OPC 43	OPC 53	OPC 43	OPC 43	OPC 53
Tiles	OPC 53	OPC 43	OPC 43	OPC 53	OPC 43	OPC 53
Pipes	OPC 53	OPC 43	OPC 43	OPC 53	OPC 43	OPC 53
PCC Blocks	OPC 53	OPC 43	OPC 43	OPC 53	OPC 43	OPC 53
Column & Beams	OPC 53	OPC 43	OPC 53	OPC 43	OPC 43	OPC 53
Water Tanks	OPC 53	OPC 43	OPC 43	OPC 53	OPC 43	OPC 53
General Repairs	OPC 43	OPC 53	OPC 43	OPC 53	OPC 43	OPC 53

**Table 5 - Consultants recommend the following types & grades**

Application	1 <sup>st</sup> preference	2 <sup>nd</sup> preference
Foundation	OPC 43	OPC 53
RCC Structures	OPC 43	OPC 53
Brick Work	OPC 43	OPC 53
Plastering	OPC 43	OPC 53/33
Pilling	OPC 53	OPC 43
Machine Grouting	OPC 53	OPC 43
RMC	OPC 53	OPC 43
Tiles	OPC 43	OPC 53
Pipes	OPC 43	OPC 53
PCC Blocks	OPC 43	OPC 53
Column & Beams	OPC 43	OPC 53
Water Tanks	OPC 43	OPC 53

**Table 6 - Importance of attributes in various applications**

Application	1 <sup>st</sup> preference	2 <sup>nd</sup> preference	3 <sup>rd</sup> preference
Foundation	Early Strength	Stability	Setting Time
RCC Structures	Early Strength	Late Strength	Setting Time
Brick Work	Early Strength	Setting Time	Late Strength
Plastering	Early Strength	Setting Time	Late Strength
Pilling	Early Strength	Setting Time	Stability
Machine Grouting	Early Strength	Setting Time	Late Strength
RMC	Early Strength	Late Strength	Setting Time
Tiles	Early Strength	Late Strength	Setting Time
Pipes	Early Strength	Late Strength	Setting Time
PCC Blocks	Late Strength	Early Strength	Stability
Column & Beams	Early Strength	Stability	Setting Time
Water Tanks	Early Strength	Late Strength	Setting Time

**Table 7 - Source of purchase**

I	P	G
Authorized dealer (62%)	Authorized dealer (74%)	Factory (58%)
Nearby dealer (34%)	Factory (14%)	Authorized dealer (36%)

**Table 8 - Categorising the end users into four types namely**

Customers ask for:	Proportion
Only cement	16%
Brand	47%
Type/Grade	14%
Brand & Type/Grade	23%

**Table 9 - Commonly held beliefs by the customers**

Hypotheses	I	P	G
OPC 53 has shorter setting time	Accept	Accept	Reject
PPC & PSC have longer setting time than OPC	Accept	Reject	Reject
OPC 43 has better strength than OPC 53	Reject	Reject	Reject
Fly ash PPC is better than clay based PPC	Reject	Reject	Reject
PPC concrete has higher life	Accept	Reject	Reject
Finer cements have better strength	Reject	Accept	Accept
High price cement has better quality	Accept	Reject	Reject
PPC with black particles has low quality	Accept	Reject	Reject
PPC is better suited for mass concrete	Reject	Accept	Reject
PSC is suited for foundations and underground work	Reject	Reject	Reject
PPC has better workability	Reject	Reject	Reject
Darker cement is better than lighter	Accept	Reject	Reject
High strength cement is required less	Reject	Reject	Reject
Good quality cement reduces construction time	Accept	Accept	Accept

**Table 10 - Recall of advertising media**

Media	I	P	G
TV	11%	8%	7%
Print media	28%	21%	19%
Outdoor advertising	60%	46%	44%
Mail	0%	10%	10%
Others	1%	15%	20%

## **STRATEGIC IMPLICATIONS :**

### **Product**

This is clearly an OPC market. Not only does awareness of other cement types seem to be low (Table 1), the first two preferences for various kinds of applications are for OPC (Table 4).

The producer needs to target mainly the Institutional and Government segments where the awareness is higher (Table 1) and where there is no adverse perception about blended cements having a higher setting time (Table 9).

The attack obviously needs to be made at the Need Recognition / Information Search stage to increase awareness.

### **Positioning**

Early strength and setting time seem to be important attributes for customers (Table 6). These are attributes in which blended cements are at a disadvantage. Since customers rate quality and company image as the most important criteria while buying cement (Table 3), there is a need to leverage these to induce the customers to try the cement.

Since the buyers in the Institutional and Governmental segments are better educated, the special qualities of blended cements e.g. corrosion resistance, low heat of hydration, etc can be highlighted and the product can be projected as being more suitable for specific applications than OPC.

### **Price**

In the hierarchy of importance of different attributes, company image, quality and availability have been ranked to be higher than price. Therefore a company can leverage a good corporate image to command a higher price in the market.

However, it may not be appropriate to price the product higher than OPC which obviously has a strong hold in this market.

### **Place**

As both the institutional and individual segment prefer to buy cement from the authorized dealers (Table 7), it is obviously extremely important to have good dealer network. The Government segment buys directly from the plant.

## **Promotion**

It follows from the above, that dealer promotion schemes are important. The exact nature of the scheme would depend on the type of market, promotion objectives, competitive conditions and the cost effectiveness of each tool.

Advertising, though it has limited appeal in the targeted customer segment, will have to be done in a limited manner. Advertising can focus on product quality and corporate image, which are ranked as the most important attributes (Table 3). Outdoor media is rated as the most effective media for creating pull (Table 10). Technical specifications, product characteristics can be provided by means of brochures.

An important issue would be technical support to take care of complaints and post-purchase problems. This is critical especially because blended cement is a new product for this region.

## **Conclusions**

From the above case it is evident that an understanding of customer needs and the buying process is essential in building effective marketing strategies. An insight into buyer behaviour can be gained through well-designed customer research in which the focus is on specificity in terms of the use to which the information would be put. It is only after the implications of this information have been fully understood can well-knit components of an effective market strategy be wrought.

## **ABOUT THE AUTHORS**

The authors, employed with Holtec Consulting Private Limited, have led close to a hundred national and international consulting assignments in the area of Cement Marketing. Mr. Karkun, Executive Director, besides being the overall in-charge of Management Consulting, also looks after Company Strategy, Human Resources and Management Information Systems at Holtec. Mr. Savor, Senior General Manager, heads Management Consulting.