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Consumer Behaviour

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Consumer Behaviour

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David A. Statt. The authors are indebted to the late David Statt, formerly Academic Director of the Edinburgh Business School, the author of the original material developed for this course.

First Published in Great Britain in 2001.

Original edition © David A. Statt 2001, 2003

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Preface

Understanding consumer behaviour is crucial for effective marketing, helping managers identify appropriate people to target and design and communicate attractive offerings. Every element of the marketing plan benefits from an understanding of the customer, and with the rapid pace of change in consumer markets today this is only going to become more important.

This course starts by placing the consumer in context. What is a consumer and what does it mean to exist in a globalised consumer society? The course then adopts two complementary perspectives, individual and social, to study consumer behaviour. The first view is that of the individual consumer facing out into the world, exploring core psychological processes such as perception, personality, learning and motivation. The second is consumer behaviour from the viewpoint of society facing in towards the individual, exploring influences of family, groups, culture and the formation of attitudes.

This course moves on to consider how the consumer makes a decision and the forms of communication and persuasion that surround this. It concludes with discussions on how marketing practice is changing in response to trends in consumer behaviour.

A wide range of ideas and research findings from psychological and marketing literature were drawn upon to produce this course. With examples of marketing in practice, it captures the complementary experience of the individual consumer and the individual marketer.

PART I

The Consumer in Context

Module 1 People as Consumers

Module 2 Consumer Society

Module 3 Market Segmentation

Module 4 New Products and Innovations

In Part One of the text we place the consumer within his or her recognised social context, that is in relation to the producer and to the marketplace in which buying and selling takes place.

In doing so we follow Peter Drucker's view that a business has only two important functions: marketing and innovation. We deal with the way producers market their products to consumers in Module 3, and the way they develop and market new products and innovations in Module 4. But before that we set the scene for the psychological approach to understanding the consumer in Module 1, where we discuss the importance that **being** a consumer has to our lives. Module 2 expands on this by putting the study of consumer behaviour into a specifically global context, illustrating its far-reaching implications for both business and society.

People as Consumers

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Learning Objectives

What you should learn from this module:

- To place consumption in the context of human behaviour
- The positivist and interpretivist approaches to its study
- The concept of *real* cost
- The production orientation and the marketing concept

1.1 Introduction

Whatever else we may be in our lives – child, parent, student, worker, lover, jogger or stamp collector – we are all consumers, all of our days. We buy and use goods and services constantly: to eat, to wear, to read, to watch, to play, to travel in; to keep us healthy, to make us wealthy and, if not wise, at least better educated. The act of consumption is therefore an integral and intimate part of our daily existence and that is true whether we have a lot of money to spend on it or very little.

The prevalence of consumption is such that we are often unaware of its importance in shaping our lives; exploring the implications this has for us will be one of the important themes of this text. In every large country in the world billions of purchases of goods and services are made every year. In this module we will raise the basic questions about how and why people behave as consumers, as well as ways in which this behaviour might be studied. We also introduce how marketing as a discipline came about, and why understanding consumer behaviour is at the heart of effective marketing.

In brief, a central goal of marketing is to satisfy customer needs, so marketers must have a good understanding of what their customers' needs are if they are to satisfy them better than the competition. A thorough understanding of why and how people buy things helps marketers identify appropriate people to target and design and communicate attractive offerings. In other words, every element of the marketing plan benefits from an understanding of the customer and, with the rapid pace of change in consumer markets today, this is only going to become more important.

It is also worth making a distinction at this stage between *consumer buying behaviour* and *organisational buying behaviour*, as some important differences exist between the two. For instance, people within governments and businesses who are responsible for buying goods and services tend to work closely with colleagues to make collective decisions. Often formal procedures are in place, there is a heavier reliance on specifications, and purchases tend to be larger in nature. In addition, the demand for organisational goods essentially derives from the demand for consumer goods, and this can make forecasting quite difficult. While these sorts of differences are important to bear in mind, this text focuses on consumer behaviour, in other words the purchasing processes of *individual consumers*.

1.1.1 Studying People as Consumers

Research on people as consumers dates only from the mid-1980s. The main impetus for this research was practical: marketing managers wanted to know how the social and behavioural sciences could help them find the specific causes of consumer actions and, in particular, consumer buying decisions. Why did people choose Brand X as opposed to Brand Y or Z? Most importantly, how would the consumer react to a new and improved Brand X? This focus on predicting what the consumer would do under certain specified conditions was known as a *positivist* approach to research.¹

The positivist approach is the traditional form in which scientific research has been conducted. It makes several assumptions about what is being studied, the most important of which are:

- All behaviour has objectively identifiable causes and effects, which can be isolated, studied and measured.
- When faced with a problem or a decision, people process all the relevant information available to deal with it.
- After processing this information, people make a rational decision about the best choice to take or decision to make.

As all the other social and behavioural sciences have found, one of the limitations of this practical approach is that it leaves a large amount of human behaviour totally unaccounted for.

Precisely because consumption is such a universal and frequent activity, there is a temptation to see virtually *all* human activity in consumer terms and to view all consumer activity with a positivist lens. Thus the relationship between a doctor and a patient may be discussed in terms of the provision (by the doctor) and the consumption (by the patient) of health care, even where the health care may be free

at the point of delivery and there is no direct buying and selling, as in the British National Health Service. Similarly, the relationship between teacher and student may be characterised as the provision and consumption of education.

This is known as a *reductionist* view of the doctor–patient and teacher–student relationships, because it reduces the content of these relationships to the buying and selling of services, just like plumbing or piano tuning. What is missing from this view is the psychological content of the *relationships* that are involved. It does not explain, for example, why so many doctors and teachers do so much more than they are paid to do. It does not tell us how a doctor’s care and concern, and a patient’s appreciation of it, may do more healing than the impersonal use of expensive medical equipment.

To the extent that people have some *relationship* with each other, therefore, the act of consuming is an infinitely more complex one than that of simply buying and selling. Indeed, the people involved at either end of the process may not even see it as the provision and consumption of a service at all, but as an important social or professional role in their lives. The nature and quality of the relationships that occur are often regarded as essential parts of the job for the professionals involved and also as unquantifiable.

But the element of relationship in the act of consumption is much more widespread even than this. Think of the sitcom *Cheers*, for instance, where a complex web of human interaction revolved around the buying and selling of alcohol. These kinds of relationships are also found in every local pub in the UK and every local café in France or Italy. They are important to us in understanding the consumer because they affect the buying decisions and consumption patterns of everyone involved. Consumer activity, in other words, has to be understood within the context of human interaction, and that is the perspective of the more recent *interpretivist* school of research. In contrast to the positivists, the interpretivists base their approach on three key assumptions:²

- Cause and effect cannot be isolated because there is no single objective reality everyone can agree on.
- Reality is an individual’s subjective experience of it, so each consumer’s experience is unique.
- People are not simply, or always, rational information processors or decision makers, because this view takes no account of an individual’s emotional life (what has been called fantasies, feelings and fun).³

As a consequence of these assumptions, the interpretivist school would therefore regard the act of buying as only a small part (however important) of a consumer’s activities, this buying behaviour having to be interpreted in the light of a person’s entire consumer experience – and indeed their entire life experience. Many commentators in this field now regard the positivist and interpretivist approaches as complementary to each other. They see the need for prediction and control in *trying* to isolate cause and effect in buying behaviour, while emphasising the importance of *understanding* the life of the consumer in all its symbolic and messy complexity – the view we shall adopt here.

1.2 Buyers, Customers and Consumers

When considering the process of *buying*, we need to look beyond the person who is making the actual purchase. For a start, people do not always, or only, buy goods and services for their own use. An example of this is a mother shopping in the supermarket for her family. Clearly she will be influenced, at least to some extent, by what her partner and children like to eat, and she may well buy things for them that she herself will not consume. As we shall see in later modules, children can exert considerable influence on their parents when it comes to shopping.

Sometimes a good or service will have more than one user and the decision about what to buy involves many. We shall see later the different roles of family members in purchase decisions, for example. More generally, people's purchases are influenced by all the other people they interact with, formally and informally, and some of these *influencers* they may never meet in person, as in the case of online product reviews and ratings.

Even if the *buyer* is different from the *user*, they will still be exposed to the same influences at the point of sale as individuals buying solely for themselves, in terms of price, quality, packaging and so on, and these will affect his or her actual buying decision. Therefore, while it is very important for providers to know who will actually use their product, they also need to understand all the various actors in the buying process in order to market it effectively.

Another distinction worth making at this stage is that between *customers* and *consumers*. *Consumer* is the more general term. It refers to people buying groceries, rather than shopping specifically at Tesco; buying a family saloon car rather than a Ford. The term *customer* usually implies a relationship over time between the buyer and a *particular* brand or retail outlet.

As the encouragement of repeat purchases and brand loyalties are crucial to the marketer, this is obviously one more relationship that provides a key to our understanding of the consumer. As we shall see in this text, such a relationship may be deliberately invoked by providers of goods and services. It is probably not by chance that, after the British railway industry was privatised, rail companies began talking about *customers* rather than *passengers*.

1.3 Consumer Behaviour

The much-used term *consumer behaviour* includes all of the examples we have been looking at. That is, it would involve the buyers or customers of products, as well as the people who actually use them. It deals with the buying decision itself and far beyond. Consumer behaviour extends all the way from 'How do we know what we want?' – not as obvious a question as it may sound – to 'What do we do with something we no longer want?'

In between these two phases consumer behaviour deals with many other issues. For instance:

- How do we get information about products?
- How do we assess alternative products?
- Why do different people choose or use different products?
- How do we decide on value for money?
- How much risk do we take with what products?
- Who influences our buying decisions and our use of the product?
- How are brand loyalties formed, and changed?

To summarise, a typical definition of consumer behaviour might be the following:

The mental, emotional and physical activities that people engage in when selecting, purchasing, using and disposing of products and services so as to satisfy needs and desires.⁴

We will spend the rest of this text analysing that definition.

1.4 The Consumer Environment

We have already noted how prevalent the act of consumption is. This is not, of course, accidental. Indeed, the whole of our economy is based on it. Continued, and in fact *ever-increasing*, consumption is generally considered essential to our prosperity. Every year, for example, the figures for the sales of new cars are greeted with satisfaction and approval if the trend is upward and with widespread gloom if it is downward. A fall in sales is taken to be unequivocally bad because of falling profits – and decreasing share values – for the companies that make cars and car components and the threat of job losses for their workers that is always linked to such a trend.

Car sales are considered to be a barometer of economic performance and therefore especially important, but they mirror public attitudes about virtually every other product. That is why we are bombarded by many hundreds of advertisements every day of our lives, on radio and television,⁵ in newspapers and magazines, on buildings and billboards, in buses and trains; with bright colours, flashing lights, loud music and, everywhere, smiling faces. All encouraging us to buy more.

The most important feature of the consumer environment, therefore, is the universal and all-encompassing value that buying is not just a necessary activity but an attractive and highly approved way of behaving; a good in itself, as philosophers would put it. Until recent years this way of viewing consumer behaviour has been virtually an unquestioned assumption. If it produces an ever-higher standard of living for more and more people, what could possibly be wrong with it?

We will deal with this issue in some detail in Module 2 and Module 19 of this text. For the moment, however, we should simply mention some basic questions – now being asked about this scenario of ever-increasing consumption – that are themselves beginning to have an effect on the consumer environment. Perhaps the most immediate of these questions is the one dealing with the Earth's resources. For example, fossil

fuels like oil and coal are a finite resource, unlike, say, wave power or solar energy. When they are used up, there will not be any more manufactured. They will not be used up tomorrow, of course, but they will be one day in the foreseeable future. When that happens, what will we run our cars on? Or our electricity power stations?

Allied to this practical question are the economic, political and moral questions, lying behind the fact that the vast majority of the Earth's resources are consumed, either directly, like energy, or indirectly, like food and manufactured goods, by a handful of the world's richest countries. Is this the most morally just/politically stable/economically viable way to organise the world?

These kinds of questions have prompted a different kind of accounting that figures out the hidden costs, or the *real* costs, of goods and services, other than the purchase price to the consumer. What is the unit price of cigarettes, for instance, when the cost of the resulting ill health – to both smokers and passive smokers – in terms of medical care and lost workdays is added in? How much should a new car cost to take account of the environmental damage it will do?

1.5 The Consumer and the Marketplace

There has been trade between producers and consumers ever since people discovered that the folks in the next valley made some very interesting firewater but lacked their own suregrip axe handles. It has always been an integral part of the relations between different groups of people, from the Stone Age family to the modern nation state. This *trading nexus* is a necessary condition for the growth of small groups into complex societies with their systems of law, government, finance, education, administration and so on.

At the heart of the trading nexus is the act of *exchange* between producer and consumer for their mutual benefit. Originally this took the form of bartering goods, a form of exchange that still exists today, particularly at international level, where, for instance, a country might exchange oil for aeroplanes. As trading centres were established historically and grew into ports and cities, certain metals like gold and silver came into use as a medium of exchange by consumers that were acceptable to producers. This medium of exchange developed into coinage of various denominations – originally made out of the metals in question, like silver or bronze. As larger amounts were traded, paper money was introduced. Plastic cards came into use in the middle of the twentieth century as a safer and more convenient medium of exchange. By the end of the century they had taken the place of many cash transactions.

1.6 Markets and Marketing

All the activity of the trading nexus described above is usually referred to as the operation of the *marketplace*. However, the modern marketplace is often vastly more complex than the simple historical examples we have been considering. Individual producers and consumers do sometimes still trade directly with each other, as when we buy handmade goods from stallholders in open-air markets, or when florists buy their stock directly from a greenhouse.

But the most typical buying behaviour in our society is done through retail, or even wholesale outlets that do not themselves manufacture the products they sell. The products must therefore be *marketed* to potential consumers by the combined efforts of the producer, the retailer and the people they hire to do their advertising and market research.

In the eighteenth century, before the development of the factory system and the beginning of the Industrial Revolution, producers and consumers were in much closer contact than they are now. Consumers could make their needs and preferences known directly, and producers could, where possible, adjust their products accordingly. Indeed, in the case of goods like clothing or furniture, which were, of course, crafted by hand, many more customers could have items made to order than in today's luxury markets. There was little need for producers to carry large stocks, or worry too much about distribution.

It is interesting to note that many of today's business gurus urge producers to return to those kinds of conditions. Using just-in-time methods to minimise inventory, staying close to customers, seeking to build long-term relationships with them and even involving them in the production of offerings are now widely accepted aspects of conventional wisdom. We shall touch upon these ideas throughout this text and explore them in more detail in Module 19. But for much of the last couple of centuries the customer was not always king, unless of course the customer *was* a king, or someone equally wealthy.

The mass production methods that arose after the Industrial Revolution, culminating in Henry Ford's assembly line in 1913, were enormously successful in producing vast quantities of the *same* products. However, mass production required mass markets. So mass production led to mass consumption, which stimulated further mass production. The relation between producer and consumer at this time is captured in Henry Ford's famous saying, 'You can have any colour of Model T you like as long as it's black.'

This dominance of the producer over the consumer in the marketplace was first noted in 1779, at the beginning of the Industrial Revolution, by 'the father of political economy' and expounder of the market system, Adam Smith:

Consumption is the sole end and purpose of all production; and the interest of the producer ought to be attended to, only so far as it may be necessary for promoting that of the consumer ... But in the mercantile system the interest of the consumer is almost certainly sacrificed to that of the producer; and it seems to consider production, and not consumption, as the ultimate end and object of all industry and commerce.⁶

This view of the marketplace is a very far-sighted critique of what came to be known as the *production orientation*. Where demand for a product exceeds the supply, consumers are forced to buy what there is, rather than what they really want. Under these conditions producers know they can sell whatever they produce, without having to bother too much about consumer needs, desires or preferences. They can

therefore concentrate all their resources on simply turning out as many items as they can as quickly and cheaply as possible.

The production orientation is usually held to be the defining characteristic of planned, centralised economies, like that of the former Soviet Union. While the production orientation worked well for traditional heavy industry in the Soviet Union – when it collapsed it was producing about 1.75 times as much steel per annum as the US – it was catastrophic for consumer goods. Soviet products were certainly cheap (affording them was never the problem), but they were generally scarce, poorly made, unattractive, of low quality and largely unresponsive to consumer needs. The usual reason given for this situation is the lack of a consumer marketplace.

But this disregard for the consumer also occurred in capitalist countries, where there *was* a consumer marketplace, right up until the mid-1950s. Again it was a case of supply and demand. It was only in the 1950s that a global economy – emerging from the depression of the 1930s then war in the 1940s – was able to meet basic demand for consumer goods, and producers then found themselves in the novel position of having to compete for buyers. This was especially true of the US, where there was much more productive capacity for staple products than even its huge domestic market required.

In the 1950s the production orientation in capitalist countries was therefore challenged by a different perspective on the marketplace that came to be known as the *marketing concept*. This perspective required a producer to identify first what the needs, wants and preferences of consumers were, then to satisfy them better than the competition could. In other words, producers shifted their focus from selling whatever they could make to making whatever they could sell.

It was Peter Drucker, the granddaddy of all business gurus, who first gave voice to the new need to become consumer-driven, and he did so with stark simplicity.

There is only one valid definition of business purpose: to create a customer.⁷

Based on this philosophy Drucker identified the most important things that businesses could do. Again, these could not have been described more succinctly.

Because its purpose is to create a customer, the business enterprise has two – and only these two – basic functions: *marketing* and *innovation*. Marketing and innovation produce results; all the rest are costs.⁸

It is those two functions of marketing and innovation, now endorsed as crucial by virtually all business gurus and commentators, that will occupy us for the rest of Part One.

Today, organisations face fierce global competition. Consumers have more choice than ever before and are in a position to be increasingly discerning. As we shall see throughout this text, organisations have to cater to the needs of increasingly demanding and marketing-savvy customers. For example, one of the most

dramatic influences on consumer behaviour over the last two decades has been the rise of the World Wide Web in general, and social networking in particular. By allowing individuals to be heard by many globally and by gaining power in numbers, social networking is giving consumers more say on how products and services are shaped and the marketing mix (product, price, distribution and promotion) operationalised. As we shall see, the ‘customer is king’ is becoming a reality in many ways. Figure 1.1 illustrates this in a plan of the rest of this text.

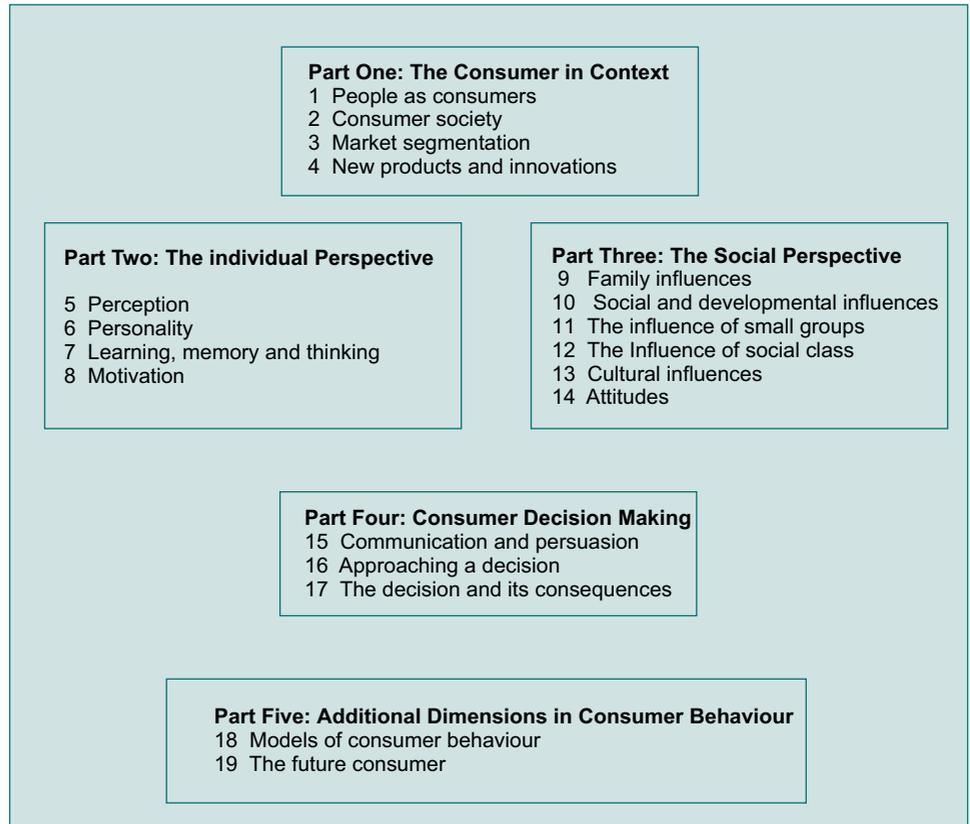


Figure 1.1 Plan for Consumer Behaviour text

After placing the consumer in a general context, we adopt two complementary perspectives, *individual* and *social*, on the study of a consumer’s behaviour. Part Two examines the core psychological processes shared by each individual, such as perception, the development of personality, learning, memory and thinking and, finally, motivation. This perspective is that of the individual consumer facing out into the world.

We then consider the same consumer’s behaviour from the viewpoint of society facing in towards the individual, as it were. Here we consider the influences on the individual of the family and society in general, as well as both the small and large groups, membership of which links the individual into his or her society. We then

consider the importance of the cultural and subcultural influences that cut across the other forms of social influence. Finally, in this part we analyse the formation and changing of attitudes about being a consumer in general, as well as about specific products.

The sum of both these individual and social perspectives provides us with a rounded view of the consumer and allows us to tackle the core issue of consumer behaviour: that of decision making. Part Four is therefore concerned with the forms of communication and persuasion that surround this decision: how the consumer goes about making the decision, and the psychological consequences that it may have.

In Part Five we draw on all four previous parts to discuss how marketing practice is changing in response to new trends in consumer behaviour and we explore the challenges and opportunities presented by the future consumer.

Learning Summary

Consumer behaviour is an integral part of our daily lives. The psychological and social processes involved in buying and consuming goods and services form the subject matter of this text. The objective positivist approach to studying cause and effect in consumer behaviour (as in any other kind of behaviour), will be combined with the interpretivist emphasis on trying to understand the emotional, non-rational aspects of the process.

The environment that the consumer operates in, including the nature of the marketplace for goods and services, also needs to be considered. Finally, the change from a production orientation to a marketing concept has been instrumental in fostering the study of consumer behaviour over recent decades.

Review Questions

- 1.1 To what extent do you think recent advertisements for cars and soft drinks make use of the 'interpretivist' approach to understanding the consumer? Use one example of each.
- 1.2 Why is the term 'customer' so popular with marketers and advertisers? Give two examples of its inappropriate use.
- 1.3 What effects on your own life would result from a generally decreasing consumption by people of goods and services?
- 1.4 Does the marketplace always function equally well for producers and consumers?
- 1.5 Why is the marketing concept considered so important? What would marketers do in the absence of the marketing concept?

Fill-in-the-Blank Questions

- 1.6 The ____ approach to consumer behaviour stresses its non-rational aspects: its rational aspects are stressed by the ____ approach.
- 1.7 To regard medical treatment as a product to be consumed is a ____ view because it takes no account of the human ____ between doctors and patients.
- 1.8 Putting 'fizzy drinks' on the shopping list rather than 'Coca-Cola' is the action of a ____ rather than a ____.
- 1.9 The basis of all trading is an ____ between producer and consumer.
- 1.10 The slogan 'The customer is always right' is an example of the ____ concept.

Multiple Choice Questions

- 1.11 Which of the following is a *positivist* assumption?
- Cause and effect cannot usually be identified in a buying decision.
 - Our experience of reality is unique.
 - We make a decision by processing all the relevant information.
 - Our decision making is influenced by our emotions.
- 1.12 Which of the following is an *interpretivist* assumption?
- Cause and effect can usually be identified in a buying decision.
 - Our buying decisions are generally rational.
 - Consumers usually know what they want.
 - Consumer fantasies are important to their buying behaviour.
- 1.13 Which of the following is correct?
Where the *production orientation* is paramount, you find:
- consumer-centred marketing.
 - increasing choice.
 - incentives to improve quality.
 - demand for products exceeding supply.

Further Reading

- Katona, G. 1960. *The Powerful Consumer*, New York: McGraw Hill. A pioneering work on consumer behaviour by one of the earliest social scientists to combine, in a systematic way, economic and psychological thinking on this topic.
- Solomon, M.R., Bamossy, G., Askergaard, S. and Hogg, M.K. 2010. *Consumer Behaviour: A European Perspective*. 4th ed. Essex: Prentice Hall. A comprehensive introduction to consumer behaviour.

It is also worth browsing through the latest issues of the following periodicals:

- *Advances in Consumer Research*
- *Harvard Business Review*
- *Journal of Consumer Research*

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1. Lutz, R. 1989. Positivism, naturalism, and pluralism in consumer research: paradigms in paradise, Srull, T. ed. *Advances in Consumer Research*, 16, Provo, UT: Association for Consumer Research.
2. See for example, Holbrook, M. B. and O'Shaughnessy, J. 1988. On the scientific status of consumer research and the need for an interpretive approach to studying consumption behavior, *Journal of Consumer Research*, 15 (December) 398–402.
3. Holbrook, M. and Hirschman, E. 1982. The experiential aspects of consumption: Consumer fantasies, feelings, and fun, *Journal of Consumer Research*, 9(2) 132–40.
4. Wilkie, W. L. 1994. *Consumer Behavior*, New York: John Wiley & Sons Inc.
5. Getting Inside Their Heads, *American Demographics*, August 1989.
6. Smith, A. 1982. *On the Wealth of Nations*, Hammonds worth: Penguin.
7. Drucker, P. F. 1974. *Management*, London: Heinemann, 56.
8. Drucker. op. cit., 57.