Lesson-40

CONSUMER BEHAVIOUR
(PART-1)

Consumer Behavior

Consumer behavior is the study of

1. How people buy?
2. What they buy?
3. When they buy?
4. And why they buy?

It is a subcategory of marketing that blends elements from psychology, sociology, socio-psychology, anthropology and economics.

It attempts to understand the buyer decision making process, both individually and in groups. It studies characteristics of individual consumers such as demographics, psychographics, and behavioral variables in an attempt to understand people's wants. It also tries to assess influences on the consumer from groups such as family, friends, reference groups, and society in general.

Models of Consumer Behavior

One of the best known of the explanatory 'lain the interactions involved are that of Howard and Sheth. This contains a deal of common sense, although, as is often the case with such models, the rather obscure terminology makes it appear more confusing than it really is. The 'inputs' (stimuli) that the consumer receives from his or her environment are:

1. Significative - the 'real' (physical) aspects of the product or service (which the company make use of)

2. Symbolic - the ideas or images attached by the supplier (for example by advertising)

3. Social - the ideas or images attached to the product or service by 'society' (for example, by reference groups)

The 'outputs' are what happens, the consumer's actions, as observable results of the input stimuli.

Between the inputs and outputs are the 'constructs', the processes which the consumer goes through to decide upon his or her actions. Howard and Sheth group these into two areas:

1. **Perceptual** - those concerned with obtaining and handling information about the product or service

2. **Learning** - the processes of learning that lead to the decision itself

The Engel-Kollatt-Blackwell model, as a further example, follows a more mechanistic approach.

In the domain of **evolutionary economics,** consumers are seen as active agents following rules of behaviour, fairly easy to follow and implement because they require only a limited amount of information and capability of elaboration. For instance, a consumer, being aware of a certain need and believing a certain good category satisfies it, might fix a maximum price he/she can afford and search for the best good available under such a constraint.

Buyer Decision Processes

Buyer decision processes are the decision making processes undertaken by consumers in regard to a potential market transaction before, during, and after the purchase of a product or service.

More generally, decision making is the cognitive process of selecting a course of action from among multiple alternatives. Common examples include shopping, deciding what to eat. Decision making is said to be a psychological construct. This means that although we can never "see" a decision, we can infer from observable behavior that a decision has been made. Therefore we conclude that a psychological event that we call "decision making" has occurred. It is a construction that imputes commitment to action. That is, based on observable actions, we assume that people have made a commitment to effect the action.

In general there are three ways of analyzing consumer buying decisions.

They are:

•**Economic models** - These models are largely quantitative and are based on the assumptions of rationality and near perfect knowledge. The consumer is seen to maximize their utility. See consumer theory. Game theory can also be used in some circumstances.

•**Psychological models** - These models concentrate on psychological and cognitive processes such as motivation and need reduction. They are qualitative rather than quantitative and build on sociological factors like cultural influences and family influences.

•**Consumer behavior models** - These are practical models used by marketers. They typically blend both economic and psychological models.

Nobel laureate Herbert Simon sees economic decision making as a vain attempt to be rational. He claims (in 1947 and 1957) that if a complete analysis is to be done, a decision will be immensely complex. He also says that peoples' information processing ability is very limited. The assumption of a perfectly rational economic actor is unrealistic. Often we are influenced by emotional and non-rational considerations. When we try to be rational we are at best only partially successful.