CONSUMER BEHAVIOR THEORIES

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From the very early times, efforts were made to explain the motivational processes that influence buying behavior. All social sciences have contributed separate theories and tried to find out this phenomenon. Later on, based on theories researchers started developing models of consumer behavior since they can explain behavior more precisely than theories. In this unit you will be given an idea on different theories of buyer behavior through three different lessons.

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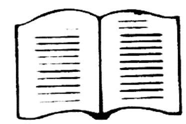
Lesson - 1: Introduction to Consumer Behavior Theories

Objectives of this lesson

After reading this lesson, you will be able to:

- Know the differences between traditional and modern theories of consumer behavior
- Understand how consumer behavior theories are developed
- Comprehend the role of theory in science
- Identify the criteria of a sound theory of consumer behavior.

Introduction



Marketers use theories in explaining how consumers behave. Some of the theories they use are based on economic principles or marketers' own experiences, known as traditional theories; others are based on different disciplines of social sciences, known as modern or contemporary theories. The use of theories help marketers better understand what makes consumers s they do so.

About Traditional and Modern Theories of Consumer Behavior:

There are two types of theories that explain consumer behavior.

Theory is an exposition of the general principles of any science. It is basically the philosophical explanation of phenomena, either physical or moral. It is a view held or supposition explaining something. There are two types of theories that explain consumer behavior - the traditional or old theories and modern or contemporary theories.

The traditional theorists would believe that consumers behave mechanistically. Their views about consumers may be compared with that of the economic philosophers' views. Economists developed quite a few principles explaining consumer behavior. One of the principles of economics says that as consumers' incomes increase they buy more items for use or consumption. The other principle says that, if supply of an item falls, consumers will go for buying that item in larger quantities meaning increase of demand. The traditional theorists explaining consumer behavior fully accept these economic principles and believed that consumers behave in compliance with economic principles. They thought that consumers are rational creatures and as a result every move they take is well thought, planned, and logical. They also applied some of their experiences and intuitions in explaining consumer behavior. Therefore, we can say that traditional theories explaining consumer behaviors were based on economic laws, marketers' own experiences, as well as their intuitions.

The modern or contemporary theories in opposition to traditional theories are neither based on economic principles nor on the intuitions of marketers. They are rather based on the findings of different disciplines of social and behavioral sciences. Since consumer behavior is considered as an interdisciplinary field of study today, theories explaining consumer behavior are also based on such disciplines from which consumer behavior borrows. Consumer is described as the most complex and unpredictable creature in this earth. He is again a social element interacting with different groups belonging to a particular culture. Moreover, he himself is an identity. Because of this multidimensional aspects, his behavior at times is rational, and other times highly irrational and unpredictable. His mind also changes very often changing his behavior.

Majority of our behaviors are irrational and unpredictable.

The modern or contemporary theories can deal very successfully with the volatile, unpredictable, and irrational aspects of consumer behavior. These theories based on social and behavioral sciences though not as precise as the theories of physical or natural sciences, but they can explain the uncertain behavior, unaccountable change of mind, and unreasonable behavior of people more accurately than the old theories. In real life we see that majority of our behaviors are irrational and unpredictable. The contemporary theories focus mainly on these aspects in explaining consumer behavior. They are developed through eclectic borrowing from anthropology, sociology, social psychology, individual psychology, and other related fields. These are the couple of fields dealing with almost all of the forces that may have potential influence on our behavior. The contemporary theories are now-a-days heavily used to build models of buyer behavior. The reason for developing and using models of consumer behavior are numerous of which consideration of all of the variables affecting decision making of individuals is most important. It is obvious that behavior should be understood in totality, and to do this, simultaneous consideration of every single variable having impact or potential impact on buying behavior is a must. And a model can help effectively in this since it organizes variables in a comprehensive way.

Behavior should be understood in totality.

Theory Building in Consumer Behavior

Theories are assumptions or conclusions about some phenomena.

Theories are assumptions or conclusions about some phenomena. Consumer behavior theories are also assumptions or conclusions about how consumers behave or may behave. Marketers at every stage make such assumptions or conclusions as to how consumers may react to their offers or how the potential buyers may behave. Bluntly speaking, these assumptions or conclusions are also consumer behavior theories. But, realistically, consumer behavior theories are developed in a more formal and structured way. Scientific method, as used in physical or natural sciences is used today by consumer behavior researchers in theory building. But, scientific method used here to build or develop theories of consumer behavior is not as precise as that used in the physical sciences.

Consumer behavior is a multidisciplinary subject in nature.

Since consumer behavior is a multidisciplinary subject in nature, theories of consumer behavior are also based on the findings of a number of disciplines. In theory building here, researchers basically borrow findings from anthropology, sociology, social psychology, individual psychology, marketing research, and to some extent from economics. Now question may come to your mind, 'which discipline is considered more important while borrowing findings for a theory building?' You may also ask, 'how the theory builder fits cultural, social, and individual determinants of buying together?' Consensus lacks among the researchers as to which influence is more important than others or how should the determinants of buying be tied together. As a result of this, researchers developed quite a number of theories of consumer behavior each highlighting on a particular influence. You will find that certain theories focus on the culture as a determinant of buying decision, while others on social class or family, yet another group on the personal characteristics such as learning, perception, motivation, personality, or attitude. In this unit we shall try to focus in brief on each of different types of consumer behavior theories.

The Role of Theory in Science

Marketers now a days use contemporary consumer behavior theories in explaining consumer behavior and undertaking marketing activities based on those theories. Consumer behavior research undertaken by present day marketers are based on scientific methods. The scientific method used here, though as not precise as that of physical or natural sciences, but it closely resembles those (physical or natural) sciences. Theory is defined as an exposition of the general principles of any science or the philosophical explanation of phenomena, either physical or moral. Philosophy is the science of the relations of causes, reasons, and effects of phenomena. Therefore, theory is that explanation of phenomena or events that identifies relations of causes, reasons, and effects, not a general explanation. It also identifies relationship among facts that are observable and combines the facts in such a way that carries certain meaning to the user. The explanation of phenomena or facts are also presented in theory in an orderly or systematic way to make it meaningful to the users. The role of theory in science may be summarized according to the following points:

- Consumer behavior theories of modern time are based on empirical results. By empirical, we mean, that which is observable as well as measurable. A result may be termed as empirical, provided anybody interested may observe it later as well as measure it. What theory does is that, it defines this empirical orientation. The definition is given by focusing on the data that are required to explain the theory. You should know that applying a particular theory, you do not need to consider all available data on the field. Theory tells you which are the relevant data on which you should concentrate on and which you should sidestep.

> Consumer behavior theories of modern time are based on empirical results.

- Data that you consider in using a theory may fall in many categories. If you consider them together without distinguishing them according to their nature, you may lead toward wrong direction. To be on the right track, data should be classified in a systematic manner to make them more useful and meaningful. Theory indicates the method of such classification in an orderly manner.

Theory is an explanation of facts in an orderly

- Theory, you know, is an explanation of facts. Based on the facts, we try to generalize on certain aspects. The generalization should be done in such a way that is considered empirical. That is, it must have the properties as 'observability' and 'measurability'. After classifying data following a systematic manner, theory summarizes them, and based on this, it generalizes on the area in question in an empirical manner.

- Theory considers facts. It is an explanation of facts in an orderly manner. Moreover, it also helps researchers or users to predict facts that one may observe provided the circumstances remain same. The prediction of facts help marketers enormously in developing their strategies so that they can combat the competition more effectively.

Theory identifies the unexplored areas of consumer behavior.

- You should agree with us that, there are still many areas of consumer behavior that are unexplored. As many areas still remain unexplored, we have gaps in our knowledge on different aspects of consumer behavior. Theory identifies these unexplored areas. If the areas are known, research may be carried on these and the findings minimize the gaps in our knowledge.

Criteria of a Sound Theory of Consumer Behavior

Not all consumer behavior theories are good or sound. Certain theories may be termed as sound in explaining consumer behavior. How can you conclude that a theory is sound? Obviously there should have certain features in it to be considered as an ideal theory. Mr. John A. Howard, one of the leading authorities in this discipline has offered a number of criteria of a sound theory of buyer behavior. If a consumer behavior theory contains the features as offered by him, it may be called a good theory of consumer behavior. The criteria are mentioned below:

A sound theory of buyer behavior gives a reasonable description of that behavior.

- A sound theory of buyer behavior not only describes the behavior, but also gives a reasonable description of that behavior. Let us say, we have developed a consumer behavior theory on the behavior of female customers of dress materials. In the said theory it is said that female customers of dress materials enjoy bargaining.

  This is mere description of their behavior, not the explanation of the behavior. On the contrary, if the theory identifies which female customers enjoy bargaining, what are the reasons of such a practice, this can be termed as an explanation of behavior. So, a sound theory of buyer behavior gives description of the behavior, side by side its explanation.

- Consumer behavior has been described as an interdisciplinary field of study, and hence, theories explaining consumer behavior take help or borrow findings from a number of disciplines. When borrowing, theory developer must keep in mind that, the findings that he considers in theory building should resemble the mainstream discipline from which he borrows. Findings of a particular discipline resemble the mainstream thinking only when it is substantiated by the principal findings or avenues of research of the discipline concerned.

- Consumer behavior theories help us to conduct research on different aspects of buyer behavior. There are certain areas of behavior which are well researched, and there are other areas which have not received much attention. A sound theory gives us pointers on the areas where research should be conducted, thus saving our time and resources which otherwise would be channeled in unrelated dimensions.

- A theory usually consists of a number of elements. To apply a theory in its proper perspective, one should understand what each of its parts or elements means. In addition, he should be able to measure the elements using certain yard-stick. But, what each of the elements of the theory stands for and what is the yard-stick? A sound theory of buyer behavior gives answers to these two questions to the user of it. Therefore, a sound theory of consumer behavior is that which fixes the precise meaning of its components and provides measuring devices to measure them.

A theory usually consists of a number of elements.

The above mentioned four are the criteria of a sound theory of buyer behavior as identified by Mr. John A. Howard. But, according to Mr. Mittelstaedt, following three are the basic criteria of a sound theory of consumer behavior :

- A sound theory of buyer behavior is that which includes known characters of buyer behavior. For example, one of the known character of buyer behavior is that it is affected by the principal norms of his culture. A theory which accounts for such known characters may be termed as a sound theory.

- Consumer behavior theories are used to understand and predict behavior of consumers. Marketers not only are interested in knowing the existing behavioral patterns that are influenced by different known regularities. Since societies and cultures are changing, there could be new characters observed in consumers which may influence their behaviors. A sound theory of buyer behavior is that which highlights on such new characters that may be observed in consumers in future. For example, majority of Bangladeshi consumers do not enjoy self-service shopping. But, time may come, when majority may behave otherwise. A sound theory of consumer behavior always highlights on such future changes.

Consumer behavior theories are used to understand and predict behavior of consumers.

- A sound theory of buyer behavior is one which is single unified theory. It is not based on eclectic borrowing.

Self Evaluation

Objective Questions

1. Theory is basically –
   a. An exposition of the general principles of any science
   b. The philosophical explanation of phenomena, either physical or moral
   c. Both a & b
   d. None of the above.

2. There are two types of theories that explain consumer behavior, they are –
   a. New and old
   b. Traditional and modern
   c. Classical and contemporary
   d. All of the above.

3. The traditional theorists would believe that –
   a. Consumers behave mechanistically
   b. Consumers behave rationally
   c. Consumers behave logically
   d. All of the above.

4. One of the principles of economics says that as consumers' incomes increase–
   a. They buy more items for use or consumption
   b. They save more for future consumption
   c. Both a & b
   d. None of the above.

5. Traditional theories explaining consumer behaviors were based on –
   a. Economic laws
   b. Marketers' own experiences, as well as their intuitions
   c. Both a & b
   d. None of the above.

6. Contemporary theories of buyer behavior are based on –
   a. The findings of different disciplines of social sciences
   b. The findings of different disciplines of behavioral sciences
   c. Both a & b
   d. None of the above.

7. The modern or contemporary theories can deal very successfully with –
   a. The volatile aspect of consumer behavior
   b. The unpredictable aspect of consumer behavior
   c. The irrational aspect of consumer behavior
   d. All of the above.

8. In theory building consumer behavior researchers basically borrow findings from –
   a. Political science
   b. Anthropology, sociology, social psychology, individual psychology, marketing research, and to some extent from economics
   c. Physics and chemistry
   d. All of the above.

9. Consumer behavior research undertaken by present day marketers are based on –
   a. Traditional method
   b. Statistics
   c. Scientific method
   d. None of the above.

10. Theory –
    a. Identifies relationship among facts that are observable
    b. Combines the facts in such a way that carries certain meaning to the user
    c. Both a & b
    d. None of the above.

11. How many criteria Mr. John A. Howard has offered for a sound theory of buyer behavior ?
    a. Three
    b. Four
    c. Seven
    d. None of the above.

Answers:

1. c, 2. d, 3. d, 4. a, 5. c, 6. c, 7. d, 8. b, 9. c, 10. c, 11. b.

Descriptive Questions

1. Discuss the role of theory in consumer behavior. Highlight on traditional and modern theories of buyer behavior.
2. How theory may be useful to science. Discuss the criteria of a sound theory of buyer behavior with examples.

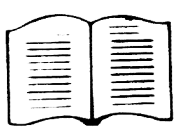
Lesson - 2: Economic Theories Explaining Consumer Behavior

Objectives of this lesson

After reading this lesson, you will be able to:

- Form a deeper understanding on economic theories explaining buyer behavior
- Understand different economic theories used in consumer study
- Know the market laws that may be formulated using economic theories
- Trace the contributions as well as weaknesses of economic theories
- Explain different psychological theories applied in consumer behavior study
- Trace social psychological theories of buyer behavior
- Know how sociological theories explain consumer behavior.

Introduction



Efforts were made from very early times to explain the motivational processes that influence consumer behavior. All social sciences including economics have contributed separate theories and tried to find out this phenomenon.

Economic Theories - Some Insights:

> Price is considered to be the strongest motivation.

Economists from even the Adam Smith's time developed theories that explain the behavior of consumers. The trend continued thereafter and even the contemporary economists are constructing theories of buyer behavior. Economic theories describe man as a rational buyer who has perfect information about the market and uses it to obtain maximum value for the buying effort and money. Consumers, according to the economic theories (particularly the classical ones) take purchase decisions purely based on self-interest. Price is considered to be the strongest motivation. Consumers compare all competing sellers' offerings, and buy the one with the lowest price. Number of economic factors influence consumer in the ways he spends his income for personal consumption. Purchasing power of the consumer is used to convert production into consumption. People do not spend all their income. Disposable personal income is used both for personal consumption and saving. If disposable personal income should rise businessmen would be interested in learning what proportion of the additional income the consumers might spend and what proportion they might save. Marketing analysts are more interested in examining the effect of changes in income on spending and saving. In inflationary periods spending rises faster than income. In the same way size of family and family income is also important as they affect spending and saving patterns. The income that consumer expects to receive in the future has some bearing on his present spending pattern. In particular, spending for automobiles, furniture, major appliances and other expensive items tend to be influenced by consumers' optimism or pessimism about future incomes. In the same way consumers' liquid assets also affect buying plans. Cash and other assets readily convertible into cash such as balance in saving accounts, shares, etc. influence our purchases. Retired and unemployed individuals may use liquid assets to buy every day necessities. Other consumers may use liquid assets to meet major medical bills and other emergencies.

Availability of consumer credits strongly influences the pattern of consumer spending. Credit which allows one to buy now and pay later enables a consumer to command more purchasing power than that separated by his current income. Even small fluctuation in income causes sharp repercussion in consumer's purchases. The quick response of durable goods expenditure to income changes traces to the wide use installment credit in financing such purchases. Consumers are more willing to increase installment debt when income is rising and are more reluctant to incur additional indebtedness when income is declining.

Availability of consumer credits strongly influences the pattern of consumer spending.

Quite a number of economic theories explain different aspects of buying behavior described in the above few paragraphs. Here we shall take into consideration four major economic theories dealing with buyer behavior. They are:

- Marginal Utility Theory
- Indifference Theory
- Income and Savings Theory
- Rising Income Theory

Let us now look at them in turn.

Marginal Utility Theory

This theory was developed by classical economists. According to them, a consumer will continue to buy such products that will deliver him the most utility or maximum satisfaction at relative prices. He continues buying and consuming a product so long the total satisfaction increases thus he avoids dissatisfaction. How a consumer calculates his total satisfaction? According to Kotler, he calculates it by taking into account the consequences or results of purchases.

As a customer you will buy a good because you feel it gives you satisfaction or utility. A first unit of a good gives you certain amount of psychological utility or satisfaction. Now imagine consuming a second unit. Your total utility goes up because the second unit of the good gives you some additional utility. What about adding a third and fourth unit of the same good?

We use the term marginal utility to refer to the extra utility added by one extra unit of a good.

As you consume more of the same good, your total (psychological) utility increases. However, let us use the term marginal utility to refer to the extra utility added by one extra last unit of a good. Then, with successive new units of the good, your total utility will grow at a slower and slower rate because of a fundamental tendency for your psychological ability to appreciate more of the good to become less keen. This fact, that the increments in total utility fall off, economists describe as follows:

Table- 2.1: Showing the Law of Diminishing Marginal Utility

(1) Quantity of a good consumed	(2) Total Utility	(3) Marginal Utility
0	0	0
1	4	4
2	7	3
3	9	2
4	10	1
5	10	0

As the amount consumed of a good increases, the marginal utility of the good (or the extra utility added by its last unit) tends to decrease known as the law of diminishing marginal utility. "At some point, the addition of one more unit of that item will have no effect whatsoever upon total utility".[1] The table above shows the law of diminishing marginal utility.

The above table shows that consuming the first unit of an item gives the consumer an utility of say 4 unit. In this instance both the total and marginal utility is 4. The second unit of the item will also give him some utility, but not same as the first one as his urge reduces. After consuming the second unit, his total utility is 7 and the marginal utility is 3 as he gets 3 units of satisfaction from the second unit. As he consumes more of the same item, marginal utility gradually drops. This pattern will continue through the third and fourth item until finally, by the fifth perhaps, fails to offer any satisfaction whatsoever.

The lesson of this theory is that unlimited quantities can not be sold to an individual.

This theory holds the view that man is rational in all his activities and purchasing decisions are the result of economic calculations. The lesson marketers may take from this theory is that, no matter how attractive the product is, it cannot be sold in unlimited quantities to an individual as he decides based on the diminishing marginal utility. Marketers' production and marketing planning should, therefore, be based on this concept. Marketers, however, do not accept this theory all the time, on the ground

[1] *Consumer Behavior - Concepts and Strategies, Berkman H.W. and Gilson C.C., Dickenson Publishing Company Inc.,1978, p. 26.*

that it fails to explain how product and brand preferences are formed. Further, economic factors alone cannot explain variations in sales.

Indifference Theory

Indifference theory states that consumers form preferences for some combination of products over others. It also states that they (consumers) remain indifferent to some other combinations. The combinations of products that consumers view indifferently may be plotted on a graph which will give some points. If joined, these points will give us a curve termed as an indifference curve. All of the combinations of products that will fall right to or above the indifference curve will definitely be considered more satisfactory by the consumers, and as a result they will undertake activities to buy and consume those. The combinations of products that will fall left to or below the indifference curve will be viewed negatively as they are considered less satisfactory than the combinations falling on or above the indifference curve. Consumers as a result, will try to avoid buying and consuming products of these combinations (that fall below the indifference curve).

Indifference theory states that consumers form preferences for some combination of products over others.

The lesson that marketers may take from this theory is that, they should do their best to produce and offer products in such a way that are considered falling above the indifference curve. If viewed so, chances are that they will sell better than competing products.

Income and Savings Theory

This theory is based on the fact that purchasing power is the real determinant of buying. Purchasing power, on the otherhand, is dependent on disposable income, i.e., income left after payment of tax and savings. To facilitate how people allocate changes in their total income between spending and saving, there are two concepts as given by the economists:

Purchasing power is the real determinant of buying.

- The marginal propensity to consume, and
- The marginal propensity to save.

The marketers are interested in examining the effect or changes in income on spending and saving as this will have direct bearing on buying habits. The theory states that personal consumption spending tends both to rise and fall at a slower rate than does the disposable income. In certain situations, spending rises faster than income and, at certain other times, a higher proportion may be saved.

Though the theory does not explain consumer behavior in specific terms, the concept is used in planning and analysis of demand.

Rising Income Theory

The rising income theory was given the present shape by Ernst Engel. This theory states that, consumer spending pattern changes with the change in his income. As income increases, expenditures on most of the items are likely to increase. But, the increases do not follow the same pattern. According to Engel, as income rises, percentage spent on food tends to decline, and percentage spent on housing and furniture tends to stay constant. He however, noted that percentage of income spent on luxuries and savings tends to increase.

As income increases, expenditures on most of the items are likely to increase.

Market Laws That May be Formulated Using Economic Theories:

Economic theories are studied by marketing students as well as the practitioners as they suggest four important market laws that guide marketers in formulating their policies and strategies. The law may be summed up as follows:

Market Law 1

The sale of a product is likely to increase if its price is reduced as consumers try to make the best use of their money that they spend. A marketer willing to increase his sale may pursue a price-cut strategy.

Market Law 2

If the prices of substitutes fall, it is likely that the sale of the original item will fall as more and more people will lean toward cheaper substitutes. On the contrary, if prices of complementary products fall, it is expected that the sale of the original item will go up as many people will be able to afford the original item now.

Market Law 3

If disposable income and real income of consumers increase, they are likely to buy more of the luxury and personal care or high-ticket items as stereo sets. Increase in real income of consumers, therefore, creates opportunities for the manufacturers of such items.

Market Law 4

A marketer can increase the sale of his products by undertaking aggressive promotional activities. Since aggressive promotion helps more people to be aware of a company's product, it is likely that some of the informed people will buy the product.

Marketers always do not consider the above laws as workable and as a result they are not always applied by them. Consumers, for example, may not buy the product even if its price is reduced, thinking that the quality of the product has gone down, or price may come down further. Aggressive promotion also may not help marketer in increasing sales, if consumers are suspicious of or skeptical to advertising claims. Increase in consumers' income may not also increase the sale of product if customers view it as not able to satisfy their needs.

Contributions and Weaknesses of Economic Theories

Economic theories discussed above, though always may not be used or applied by marketers in their activities, but they are regarded highly by them. The reason is that they have made two significant contributions in the study of consumer behavior. The contributions are noted below:

Contribution 1

Almost all of the economic theorists are of the opinion that consumers try to maximize their satisfaction from purchase and consumption of products. Taking lesson from this, marketers may try to add features in their products making them suitable for maximizing satisfaction.

Contribution 2

Economic theories basically focus on the purchasing power of the consumers. This is true that the bottom line of any purchase decision is the economic condition of consumers. Marketers, thus, may develop their products, price, promote, and distribute them according to the purchasing capacity of their target customers.

Besides the contributions made by the economic theories, they suffer from a number of limitations or weaknesses. The weaknesses can be discussed as below:

Weakness 1

Economic theories consider consumers as rational in every purchase decision. But, in reality, it does not always happen so. Since we are human beings, we have our liking, disliking, feelings, affinities as well as aversions. We act being influenced by these characteristics. It was also mentioned before that some of our behaviors are irrational and unpredictable. Therefore, the assumption of being rational at all levels is not true.

Weakness 2

Most of the economic theories present individual as not being influenced by others. These theorists believe that consumers act purely based on self-interest. But, we are social being, and as a result we are influenced by members of different social units to which we belong. Our decisions, as a result, are also influenced by this interpersonal relation. Therefore, the assumption that consumers are unsusceptible to interpersonal influence is not also a reality.

Weakness 3

Economic theories also assume that consumer is fully informed of all the facts of his or her market domain, and as a result his behavior is rational. But, it is humanly impossible to be fully aware of all the facts of even brands falling in a single product category. Since decisions are made by consumers without being aware of all the factors, their decisions or behaviors cannot be termed as rational or logical.

Self Evaluation

Objective Questions

1. Economic theories describe man –
    a. As a rational buyer
    b. As an emotional creature
    c. Both a & b
    d. None of the above.

2. Consumers, according to the economic theories take purchase decisions purely based on –
    a. Self analysis
    b. Self interest
    c. The influence of others
    d. All of the above.

3. According to economic theorists, marketing analysts should be more interested in examining the effect of changes in income on –
    a. Spending and disposable income
    b. Real income and saving
    c. Spending and saving
    d. All of the above.

4. Spending for automobiles, furniture, major appliances and other expensive items tend to be influenced by consumers' –
    a. Optimism about future incomes
    b. Pessimism about future incomes
    c. Prediction of price changes
    d. Optimism or pessimism about future incomes.

5. Consumers are more willing to increase installment debt when –
    a. Income is rising
    b. Income is falling
    c. Both a & b
    d. None of the above.

6. According to the Marginal Utility Theory, a consumer will continue to buy such products that will deliver him the maximum satisfaction at –
    a. Lower prices
    b. Relative prices
    c. Both a & b
    d. None of the above.

7. As you consume more of the same good –
   a. Your marginal utility increases
   b. Your total (psychological) utility decreases
   c. Your total (psychological) utility increases
   d. All of the above.

8. All of the combinations of products that will fall right to the indifference curve will be considered –
   a. Less satisfactory by the consumers
   b. Unimportant to the buyer
   c. Both a & b
   d. More satisfactory by the consumers.

9. According to the Income and Saving theory, purchasing power is dependent on –
   a. Disposable income
   b. Total income
   c. Money income
   d. None of the above.

10. The rising income theory was given the present shape by –
    a. Sigmund Freud
    b. Ernst Engel
    c. Adam Smith
    d. None of the above.

11. How many market laws that may be formulated using economic theories?
    a. Three
    b. Four
    c. Seven
    d. None of the above.

12. Economic theories assume that –
    a. Consumers are fully informed of all the facts of his or her market domain
    b. Consumers are not informed of all the facts of his or her market domain
    c. Both a & b
    d. None of the above.

Answers :

1. a, 2. b, 3. c, 4. d, 5. a, 6. b, 7. c, 8. d, 9. a, 10. b, 11. b, 12. a.

Descriptive Questions

1. Highlight some insights on Economic Theories. Discuss the major economic theories used in consumer study.
2. Critically discuss the market laws that may be formulated using economic theories. Discuss the contributions and weaknesses of economic theories.

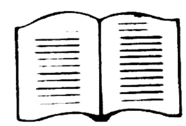
Lesson - 3 : Different Theories Explaining Consumer Behavior

Objectives of this lesson

After reading this lesson, you will be able to:

- Form a deeper understanding on Psychological, Social Psychological, and Sociological theories explaining consumer behavior
- Understand different Psychological theories used in consumer study
- Understand different Social Psychological as well as Sociological theories explaining consumer behavior
- Know the Research findings on achievement motivation.

Introduction



Purchase decision of consumers' re influenced by some of their individual characteristics, such as learning, attitudes etc., as well as the groups and their psychology of which consumers belong. Psychological, social psychological, and sociological theories discussed in this lesson will help you to understand how consumers are influenced by their personal characteristics as well the groups they belong to.

Psychological Theories - Some Insights:

Psychological theories are also called Learning Theories.

Psychological theories are also called Learning Theories. The essence of these theories lies in the fact that people learn from experience, and the results of experience will modify their actions on future occasions. The importance of brand loyalty and repeat purchase make learning theory more relevant in the field of marketing. Studies of learning and the related areas of recognition, recall, and habitual response have furnished marketers with several keys to understanding consumer behavior. They help in answering questions like how consumers learn about products offered for sale? How do they learn to recognize and recall these products? By what process do they develop buying and consuming habits? There are a number of **factors that influence learning**.

These are as follows :

- Repetition,
- Motivation,
- Conditioning
- Relationship and organization.

The above factors can be pressented as below:

- ***Repetition:*** is necessary for the progressive modification of psychological influences and must be accompanied by attention, interest, and a goal if it is to be effective. Advertisers who depend on repetition alone waste both their efforts and money.

- ***Motivation:*** The individual motivation is the most important factor involved in indicating and governing his or her activities. Activity in harmony with one's motives is both satisfying and pleasing. Human motivation is a topic of considerable interest to marketing professionals.

- ***Conditioning:*** It is a way of learning in which a new response to a particular stimulus is developed. Through long advertising efforts and continued exposure of a particular symbol the company succeeds in conditioning the people to recognize the bottle or packet of its product, e.g. Jet washing powder or Aromatic toilet soap. The conditioned response establishes only a temporary rather a permanent behavior pattern and if it is not frequently enforced by the original stimulus, the conditioned response eventually disappears. We have to remember that all persons do not respond equally well to conditioning nor are their responses generally predictable.

- ***Relationship and organization:*** Learning effectiveness is enhanced if the thing to be learned is presented in a familiar environmental setting. A salesman can more effectively demonstrate a vacuum cleaner or a washing machine by using them at the customer's place instead of describing their capacity and cleaning power in a store. The housewife is interested in the machine's performance specification only as they directly relate to the task of cleaning own carpets and garments etc.

You will now be given brief ideas on a number of psychological theories. We shall limit our discussion on these theories in this unit, because you will find detail description of them in other units. Let us now consider these theories in turn:

Learning or Stimulus Response Theory

Purlon, Skinner, Thorndike and Kotler developed this theory on the basis of experiments they conducted on animals. According to them, learning occurs as a person responds to some stimulus and is rewarded with need satisfaction for a correct response. They proved that most recent and frequent stimuli are remembered and responded. This approach is the basis of repeated advertisements.

Drives are needs or motives that are stronger, whereas a cue is a weaker stimulus.

Stimulus response theory, after constant refinements, is now based on four central processes. They are drive, cue, response, and reinforcement. Drives are needs or motives that are stronger, whereas a cue is a weaker stimulus. The response is the resultant reaction of some stimuli. If it is based on a cue, the response may be shifting from one brand to another based on previous experience. In other words, cues will create different degrees of responses under different occasions. Reinforcement is the process by which rewarding experiences in the past are strengthened. It is here that brand preferences are strengthened leading to brand loyalty. The purpose of giving free samples of newly introduced product is nothing but to activate this reinforcement.

Cognitive Theory

This theory was propounded by Festinger mainly to explain certain post-buying behavior. According to it, stimulation of want is conditioned by a customer's knowledge, his perception, beliefs, and attitudes. Perception is the some total of physical stimuli and personal factors. Certain stimuli are stronger than others and some are perceived by more people; for example, color. Beliefs and attitudes also play an important role in the cognitive process. Strong beliefs and attitudes are difficult to be changed. Advertisements stressing special appeals are purposely designed by the manufacturers to overcome this kind of resistance by customers. This theory explains buying activities as problem solving in nature. According to this theory, the buyer solves problem (arrives at buying decision) through gathering information, processing those, and taking the decision based on information processing.

Perception is the some total of physical stimuli and personal factors.

Gestalt and Field Theory

According to this theory, learning and consequent behavior is not independent, but is a total process. They argue that, human behavior must be viewed as individually patterned totalities. Behavior should be explained in terms of all the factors that are operating when an event happens. Thus buying is not motivated by a single element, but is the some total of many elements.

Field theory is a useful refinement of Gestalt psychology, formulated by Kurt Lewin. The essence of this theory is that, buyer behavior is the result of one's psychological field existing at the time of taking buying decisions. Thus, according to this theory, a person makes the decision to buy, taking into consideration product, quality, price, advertising, retailers, etc., all combined into a particular pattern, consistent with buyer's expectations.

Psychoanalytic Theory

This theory was developed from the thoughts of Sigmund Freud. He postulated that the individual's psyche or mind and personality has three basic dimensions: the ***id***, the ***ego***, and the ***super ego***. It follows that consumer behavior is a function of the interaction of these three systems. The ***id*** refers to the free mechanism that leads to strong drives. Such drives (motives) are not influenced by morality or ethics. ***Ego*** refers to the act of weighing consequences and tries to reconcile with reality. It is an equilibrating device that leads to socially acceptable behavior and imposes rationality on the id. The ego weighs the consequences of an act rather than rushing blindly into the activity. Finally, ***super ego*** is a person's conscience. It is highly rational and tries to keep the activities morally right. In essence, the id urges an enjoyable act; the super ego presents the moral issues involved and the ego acts as the arbitrator in determining whether to proceed or not. This has led to motivation research and has proved to be useful in analyzing buyer behavior. This, in turn, has contributed some useful insights in the advertising and packaging fields.

Social Psychological Theories - Some Insights

The credit of formulating these theories goes to Thorstein Veblen and Festinger. Veblen asserted that man is primarily a social animal and his wants and behavior are largely influenced by the group of which he is a member. The tendency of all people is to fit in a society in spite of their personal likes and dislikes. Most of the luxury goods are bought primarily because one's neighbor or friend of the same status bought it. Culture, sub-culture, social classes, family are the different factor groups that influence buyer behavior. Consumers are social beings and belong to social groups. Among these, perhaps, family plays an important role in behavior formation.

Man is essentially a social being and interacts with other individuals in a variety of social groups. In spite of personal differences, people may be forced to accept the decision of society; for example, the Group Insurance Scheme, where individual differences of opinion may not be given much consideration.

It is pertinent here to ask how these considerations influence marketing. The answer is simple, for present day, marketing is consumer oriented and consumers' psychology, their social and economic characteristics, etc., therefore, form the cornerstone for marketing decisions. It is this recognition given to consumers that has given rise to the concept of market segmentation.

Now you will be given brief ideas on two important social psychological theories that help understand consumer behavior. They are as follows :

* Theory of Achievement Motivation, and
* Cognitive Dissonance theory.

Theory of Achievement Motivation

Mr. McClelland, following the foundation of Veblen, developed the theory of achievement motivation. According to McClelland every individual is having a need to achieve something and to make others aware of his achievement. To him, the desire to achieve and make others aware of this achievement varies in terms of degrees from person to person. An individual's behavior, thus, is dependent on his degree of desire to achieve. Why some people are found to work desperately to achieve a number of material goods, and others are not as desperate as them? The answer lies in the degree of urge to achieve and make others aware of those achievements.

Research Findings on Achievement Motivation

Number of research have been conducted on achievement motivation and its relationship with consumer behavior. Some of the intriguing findings of those studies are noted below:

- **Finding - 1**

Individuals scored high on need achievement were found to favor products that are related to masculinity or virile such as a straight razor. On the otherhand, individuals scored low in need achievement were found to favor dull, old fashioned, unpleasant, or ordinary products such as deodorant, automatic equipments etc.

- **Finding - 2**

It was found that people who prefer outdoor sports and activities have high need achievement, such as a political leader.

- **Finding - 3**

Those who have high need achievement usually spend less time viewing televisions. They on the contrary prefer to listen to radios or reading magazines.

Cognitive Dissonance Theory

According to Festinger when a person makes a decision, dissonance or discomfort will almost always occur. The person making the decision knows that it has certain advantages as well as disadvantages. After making his decision, then, the person tends to expose himself to information that he perceives as likely to support his choice and to avoid information that may favor the rejected alternatives. In marketing an important goal both of advertising and personal selling is to reduce cognitive dissonance on the part of buyers and prospects. Customers suffering cognitive dissonance may need reassurances that their decisions are or were wise ones. This can be accomplished by providing information that permits them to rationalize their decisions.

The theory further states that, even after a well-thought-out purchase, the consumers undergo some sort of discomfort, fear, or dissonance. This post-decision anxiety is caused by noise arising from doubts on the decision taken. The consumers go on comparing the merits of the product bought with substitutes or start analyzing drawbacks of the product. Such customers require some reassurances from sellers stressing that the decision taken is a wise one. It is for this purpose that when automobiles or similar durable goods are sold, the seller gives a letter of congratulation on the wise decision to the buyer. Though the theory was developed to explain post-decision phenomenon, it is suitable for explaining pre-decision anxiety also. An important goal, both of advertising and personal selling, is to reduce cognitive dissonance on the part of buyer and prospects.

Sociological Theories - Some Insights

Reference group exerts strong influence on an individual behavior.

Sociologists and anthropologists view behavior as involving the activities of groups of people motivated by group pressures. Now it is recognized that individuals as social creatures strongly influenced in their buying by social and cultural environments in which they live. The people with whom an individual regularly associates exert strong influences on his or her behavior. Reference group exerts strong influence on an individual behavior. Knowledge of reference groups and their influences make it easier to explain why consumers behave in particular ways and more important to marketers is to predict their behavior.

There are quite a few sociological theories developed so far. Here we shall concentrate on two of them that explain consumer behavior. They are as follows:

- Theory of Inner versus Other Direction, and
- The Role Theory.

Theory of Inner versus Other Direction

This theory has been put forwarded by sociologist David Reisman. According to this theory people and societies around the globe may be classified according to three sociological types. An individual consumer behavior will be dependent on where he fits in to one of these classes. The classes are:

- Tradition directed society,
- Inner directed society, and
- Other directed society.

Let us briefly consider these classes in turn:

Tradition directed society: A tradition directed society is that where changes take place very slowly. In such a society people are fully dependent on extended family ties. People of these societies are less mobile in terms of their outlook, living areas, profession, and virtually every areas of their lives including consumption.

Inner directed society: An inner directed society, on the otherhand is one, where people are highly mobile in everything. In such societies industrialization takes place very fast and people enjoy accumulating capital. People in such a society are well informed of the market scenario, and are highly demanding which puts enormous pressure on the marketers. Marketers operating in such a society must carefully plan, price, promote, and distribute products to win consumers' hearts in order to survive in the face of severe competition.

Other directed society: The other directed society, on the other hand, is an imaginary one. It is believed that these societies have surpassed the need for industrialization and socialize their individuals as consumers rather than producers. They are not at all concerned about personal achievement and inner satisfaction. But, in reality, it will be hard to find a society that has surpassed the need for industrialization. Therefore, such a society still remains a dream.

The Role Theory

The role theory has been developed by Erving Goffman. To him, every individual is an actor. As an actor he plays different roles at different times to convey certain impressions. This role is played in the presence of others. Since an individual interacts with different people at different times, his roles vary. While playing the role, he takes into account the expectations of his audience as well as his position in the minds of the audience. The role playing also is dependent on the demands of the audience as well as the actor’s physical and mental characteristics. An individual’s consumption behavior is dependent, thus, on the roles he plays, the audiences, their expectations, as well as the actor’s physical and mental abilities.

Self Evaluation

Objective Questions

1. The essence of Psychological theories lies in the fact that –
   a. People learn from experience
   b. People learn from others
   c. People learn from marketers
   d. None of the above.

2. Which of the following factors influence learning?
   a. Repetition
   b. Motivation and conditioning
   c. Relationship and organization
   d. All of the above.

3. Advertisers who depend on repetition alone waste –
   a. Their efforts
   b. Both their efforts and money
   c. Their money
   d. None of the above.

4. Activity in harmony with one's motives is –
   a. Satisfying
   b. Both satisfying and pleasing
   c. Pleasing
   d. None of the above.

5. The conditioned response establishes –
   a. A permanent behavior pattern
   b. A temporary behavior pattern
   c. A temporary rather a permanent behavior pattern
   d. None of the above.

6. Learning effectiveness is enhanced if the thing to be learned is –
   a. Presented in a familiar environmental setting
   b. Presented in a unfamiliar environmental setting
   c. Both a & b
   d. None of the above.

7. Learning or Stimulus Response Theory was developed by Purlon, Skinner, Thorndike and Kotler on the basis of experiments they conducted –
   a. On disturbed personalities
   b. On animals
   c. Both a & b

d. None of the above.

8. Learning occurs as a person responds to some stimulus and is –
   a. Rewarded with need satisfaction for a correct response
   b. Rewarded with need satisfaction for a wrong response
   c. Both a & b
   d. None of the above.

9. Reinforcement is the process by which –
   a. Rewarding experiences in the past are not strengthened
   b. Rewarding experiences in the past are strengthened
   c. Punishing experiences in the past are strengthened
   d. None of the above.

10. According to cognitive theory, stimulation of want is conditioned by a customer's –
    a. Knowledge
    b. His perception
    c. Beliefs, and attitudes
    d. All of the above.

11. According to Gestalt and Field Theory, learning and consequent behavior is –
    a. Independent
    b. Dependent
    c. Not independent, but is a total process
    d. None of the above.

12. Super ego is –
    a. A person's conscience
    b. A reality concept
    c. Both a & b
    d. None of the above.

13. Who has investigated the Theory of Achievement Motivation?
    a. Mr. McClelland
    b. Veblen
    c. Festinger
    d. None of the above.

Answers :

1. a, 2. d, 3. b, 4. b, 5. c, 6. a, 7. b, 8. a, 9. b, 10. d, 11. c, 12. a, 13. a.

Descriptive Questions

1. Describe different Psychological theories used in consumer study showing their real-life applications.

2. Summarize different Social Psychological as well as Sociological theories explaining consumer behavior. Highlight on the research findings on achievement motivation.