Part 1
Introduction
LEARNING OBJECTIVES

When you have completed this chapter, you should be able to:

1. Explain why it is important to study consumer behaviour.
2. Discuss the limitations of a common-sense approach to consumer behaviour.
3. Compare and contrast different approaches to decision-making by consumers.
4. Discuss the effects of the consumer environment on choice.
5. Explain how markets are usually classified.

OVERVIEW

In this chapter, we show that findings about the way in which consumers behave when they buy and use products and services can be quite unexpected and that research is needed if we are to answer the questions posed by marketers and regulators. We then describe three ways in which consumer choice can occur. Following this, we introduce some classifications that are commonly used to describe different aspects of marketing and consumer research.

SECTION 1: THE SCOPE OF CONSUMER BEHAVIOUR

How do people buy and use goods and services? How do they react to prices, advertising and store interiors? What underlying mechanisms operate to produce these responses? If marketers have answers to such questions, they can make better managerial decisions. If regulators have answers, they can design better policy. It is the role of consumer behaviour research to provide these answers.

In this book, we provide an up-to-date account of the main issues studied by consumer behaviour researchers, our current understanding based on these research
findings, and we show how our understanding can be applied to marketing problems. Knowledge has grown rapidly in some areas, and we have reflected these advances by describing some work in more depth. In such cases, we explain why an issue is important, how it is investigated and what the findings are. This approach culminates in empirical generalizations. These are general findings, based on evidence, that have stood the test of repeated investigation. Such general findings summarize the state of our knowledge and are useful to practitioners and researchers alike. All too often, popular pronouncements on marketing issues contain little evidence of this sort and it is our purpose to reverse this approach.

Where our knowledge is still sketchy, we have tried to indicate doubts about the evidence or its interpretation. Such uncertainty propels research and as a result creates new knowledge. Though not always welcome to students, doubt is part of good education. Students who see the uncertainties in consumer research should be more sceptical of unsupported opinions and may be better placed to interpret and adapt to new findings when these emerge. Each of the authors is an active researcher and has struggled to understand the complexities of consumer behaviour over many decades. We hope that this sharpens the account that we give. Inevitably, we have omitted some fields of knowledge; in particular, we have left out some topics that are well covered in more introductory consumer behaviour texts.

In this chapter, we introduce some general ideas about consumer behaviour and marketing that are explored further in following chapters. In Section 1 of this chapter, we look at the sorts of question raised by marketing and the answers that are provided by consumer behaviour research. Section 2 will discuss models that provide descriptions of consumer decision processes and Section 3 will focus on some of the classifications and explanations that we use to describe different types of consumer research.

Questions and Answers

There is a close affinity between marketing and consumer behaviour. In a sense, marketing is a customer of consumer research. Marketers want answers to a number of problems raised by their practices, and consumer researchers can provide these answers. Examples of marketing practices are:

- the use of price incentives
- customer loyalty programmes
- the use of particular colours, music and aromas in the retail environment
- launching new products using existing brand names (brand extension).

Often, the direction of an effect fits common sense; for example, consumers buy more when the price is dropped. However, the benefit of a discount depends on the amount of extra purchasing generated by, say, a 10 per cent price cut, and here common sense does not supply an answer. For informed action, we need to conduct systematic research, which allows us to measure the size of any effect. Evidence is gathered using the methods of
market research, psychology and the social sciences. Using such methods, we seek answers to such questions as:

- How much do sales change when the price of a product is cut by 10 per cent? What happens to sales after a discount has ended? Why do these effects occur?
- How much do colours, music and aromas affect consumers’ behaviour in a store? Which underlying mechanisms explain any effects we see?
- When a new product is launched under an old brand name, how much does the old name affect purchase of the new product?

Another set of questions comes from legislators and regulators, who have to set the rules that affect marketing. Examples of their questions are:

- How do consumers react to product benefits such as increased energy efficiency or high nutritional value? What explains their behaviour?
- Do childproof packs save lives? How are such packs used?

Sometimes, marketers give little attention to the explanation for an effect. An example is the identification of specific groups who are very heavy buyers of a product. If such people can be identified, they can be selectively targeted. This type of empirical approach can work well but an explanation still helps. If marketers know why some groups buy a product much more than other groups, they may be able to design communications that capitalize on this and also predict other products that these groups will want.

In any applied subject, practitioners need to use their judgement when evidence is lacking. Those who have to take decisions cannot delay action until problems have been fully researched. However, it is important that marketing practitioners do accept new evidence when this becomes available. Some apparently sensible practices may need to be adjusted because of new findings.

For example, it is generally assumed that consumers across Asia are homogeneous, and accordingly their value perceptions towards the consumption of luxury items should be similar. Marketers usually adopt a standardized strategy for the region. In a multi-country study, Shukla, Singh and Banerjee (2015) show that this assumption is erroneous. How consumers value luxury differs across countries within Asia. Managers of luxury brands, therefore, need to adapt according to regional differences. Importantly, this type of work reminds us about the need for empirical tests.

SECTION 2: CONSUMER DECISION MODELS

The traditional approach to problems in consumer behaviour used to employ a comprehensive model of the purchase decision process. Such models were often the centrepiece of undergraduate consumer behaviour texts and were expressed with boxes and arrows representing all the components and connections of an elaborate rational decision.
In these models, a consumer is supposed to attend to product information and process it into their memory. The consumer retrieves that memory when a need emerges, and after a further search and evaluation of all relevant alternatives a purchase is made. After this, post-purchase evaluation may create satisfaction or dissatisfaction with the chosen product, and this can result in a review of needs for later decisions. Figure 1.1 shows the basic form of such a model.

![Figure 1.1 - Is this how you choose?](image)

These days, there is less enthusiasm for such models. One problem has always been that they are hard to test because it is difficult to find satisfactory measures for all the components (Ehrenberg, 1988). Another problem with comprehensive models is that they overstate the rationality of how consumers choose. If there is plenty of time and the decision is important, then sometimes people will discover all the alternatives, evaluate these, and then select the one that seems to be the best, but we know from our own experience that we often simplify the process. Sometimes, we will choose first and justify our behaviour afterwards – if we justify it at all. Thus, although rational decision models might suggest what people ought to do (normative), they are a poor guide to what people actually do (descriptive). In practice, managers want to know what people actually do since it is this behaviour that they are seeking to influence.

Textbooks now give more attention to ‘partial decision models’ where the rationality of the process is incomplete; also, it is accepted that much repeat purchase occurs automatically as a habit. Often, this range of decision-making from rational to automatic is related to the degree of involvement with the product. People are likely to be more involved and give more thought to the choice when they are buying something for the first time and this has important outcomes. To explain decision-making in more detail, we focus on three models of consumer decision which have different implications for managers (see Box 1.1). The models are:

1. **Cognitive** – treating purchase as the outcome of rational decision-making processes.
2. **Reinforcement** – treating purchase as behaviour which is learned and modified in response to the opportunities, rewards and costs present in the consumer’s environment.
3. **Habit** – treating purchase as already learned behaviour, which is elicited by particular stimuli in the consumer’s environment.
The Cognitive Model

When consumers make an important purchase for the first time, they may reflect on alternatives and discuss the pros and cons with others with the intention of securing benefits and avoiding costs. This model, sometimes called extended problem-solving, has always had its critics. Olshavsky and Granbois (1979: 98–9) noted:

> for many purchases a decision never occurs, not even on the first purchase … even when purchase behaviour is preceded by a choice process, it is likely to be very limited. It typically involves the evaluation of few alternatives, little external search, few evaluative criteria, and simple evaluation process models.

It is quite hard to find behaviour that fits the elaborate sequence of extended problem-solving. Beatty and Smith (1987) found that people did not search much before the purchase of durables and Beales et al. (1981) found that few people in the USA consulted *Consumer Reports*. Carefully thought-out decision-making is only likely for first purchases but these are quite rare, even in consumer durable markets, since most purchasers are either buying a replacement for an existing product or making an additional purchase. In a study of white goods purchases in the USA, Wilkie and Dickson (1985) found that two-thirds of the purchasers had bought the category before and Bayus (1991), quoting US industry sources, found that 88 per cent of refrigerators and 78 per cent of washing machines were replacements. In these circumstances, a carefully thought-out comparison of brands is likely to be the exception rather than the rule.

But, when it does occur, is a carefully thought-out decision likely to result in the best choice? When people attempt to be rational about a first-time choice, they may make mistakes because they lack experience. However, they are likely to make a better choice than those who abandon any rational processing and plump for an alternative (see Box 1.2).

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**Box 1.1 Models of consumer choice**

**The cognitive model** – this assumes rationality. The decision rests on beliefs about alternatives, which are investigated and compared. Marketers can influence cognitive decision-making by providing information that leads the consumer to prefer or reject alternatives.

**The reinforcement model** – choice is controlled by factors in the environment that reward and facilitate some alternatives more than others. Marketing influence is achieved by changing the consumer’s situation. However, what is rewarding to some persons may not be so to others and this limits influence.

**The habit model** – choice is controlled by managing stimuli (brand name, logo, pack features, etc.) that have become associated with a product as a result of past purchases. Sometimes this is called stimulus control.
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Box 1.2  When a pension is converted into an annuity

People build up pension funds over their working lives and may then convert the accumulated investment into an annuity when they retire. They may use their pension company for the annuity or search for better value from another company. According to Hargreaves Lansdown, a large financial services firm in the UK, the majority of people will buy their annuity from their pension company. Since annuity rates across pension companies can vary by as much as 15 per cent, this careless choice can mean that many retirees lose income that they could have enjoyed for the rest of their lives. The most likely explanation for this behaviour is that the retirees have a very poor understanding of the issues and they plump for the company that is familiar.

The tendency to simplify decision-making is also observed in industry. One study of investment decisions in British industry revealed that these were often made first and then justified later. Marsh et al. (1988) found that faulty financial analysis and a lack of coherence with stated strategic objectives were common in major acquisitions and that the company rulebooks were often ignored. More generally, industrial decisions often fit a ‘satisficing’ model (Simon, 1957). Simon describes how executives tend to accept the first option that is good enough to solve a problem; this means that there is little comparison between alternatives. Klein (1989) found that many decisions in operational settings follow a pattern that is consistent with Simon’s ideas. Typically, people assess the situation and generate a prospective action based on this assessment. Then, they evaluate this action to see whether it will provide a solution. If it fails, they generate another prospective action and evaluate this, but they do not usually compare prospective actions.

When the satisficing model applies, the order in which products are evaluated is important since the first satisfactory solution will be the one that is adopted. This means that more prominent alternatives have a better chance of selection (see Box 1.3). Managers and marketers may be able to use this fact to their advantage by keeping awareness of their brands high in consumers’ minds.

Box 1.3  Diagnosis

Even in medicine, decisions may be simplified. Often, the symptoms are assessed and a preliminary diagnosis is made, taking account of common illnesses; then other symptoms are checked to see whether they confirm this diagnosis. Only if these other symptoms fail to support the first diagnosis is a second one considered. This procedure may lead to the over-diagnosis of common illnesses.
These examples of decision-making in industry and medicine suggest that the simplification of choice is the norm rather than the exception and we might expect consumers to follow much the same pattern. For example, if the freezer needs replacing and a preliminary inquiry establishes that there is an appropriate model in a convenient shop, consumers may complete the purchase there and then. If the shop does not offer a suitable freezer, they may then turn to other stores and look at other models. On the Internet, the comparison between alternatives is made easier but consumers may still cut the process short by making a satisficing choice.

Although satisficing may not result in the optimal solution, it may use time efficiently when this is scarce. However, when the outcome of the decision is important, consumers and managers would make better decisions if they forced themselves to consider a second alternative before deciding.

**Influences on Decision-Making**

It is easy to fall into the trap of assuming that decisions are made by people acting on their own. Many choices are made in groups, and even when people decide on their own they are often influenced by word of mouth received previously from other people. At other times, people may base their decisions on information received through the mass media (e.g. advertising, newspaper, television and Internet reviews). People are particularly likely to seek advice on matters that are obscure or difficult to test in other ways; this is common when the recipient of the advice is choosing for the first time or acting under changed circumstances, such as when they move home and need to find service providers such as a dentist. In later chapters on word of mouth and advertising, we consider in more detail how these influences may affect choice.

Since advice affects consumer decisions, marketers need to take account of this process. For example, advertising can include information that is easily passed on in conversation, and the design of the ad can reflect the process of giving advice. However, word of mouth is under consumer control, not marketing control, so normally marketers can only affect it indirectly.

**Exercise 1.1 Decision-making**

Identify an important purchase that you have made, for example a holiday, electronic device, financial investment or education course:

- Were you clear about what you wanted?
- How much investigation did you do before purchase?
- Did you consider one option and move on to others if it was unsuitable, or did you keep several alternatives in mind before choosing?
- Did you use the Internet to search for others’ opinions?
- Did you consult friends or relatives?

In retrospect, you may be able to see defects in your decision-making process. Often, we will lack enough prior experience, time or motivation to fully compare the options.
Purchase as Learned Behaviour

A person’s environment controls behaviour in two ways. First, the environment makes some actions possible and other actions impossible to perform; for example, some physical items can only be bought if they are stocked by retailers. Second, when actions lead to positive outcomes they are more likely to be repeated, and conversely negative outcomes make it less likely that the action will be repeated. These reinforcement effects on behaviour have been examined in learning theory; this is a systematic description of the relationship between initial behaviour, its outcomes and subsequent behaviour. Learning theory is relevant to both the reinforcement and habit models.

Reinforcement

Early research in learning theory was done by Thorndike (1911), who confined a hungry cat to a cage and placed food outside. The erratic movements of the cat eventually released a simple catch and the cat escaped. The cat took less time on subsequent trials and eventually it released the catch immediately when it was placed in the cage. Thorndike called this trial and error learning and it has some relevance to consumption. People entering new markets are faced with a range of brands and may make near random trials of alternatives until they come upon a brand that they like.

In Thorndike’s work, the cat’s actions were driven by the outcomes: gaining food and freedom. Skinner (1938, 1953) called such outcomes reinforcers. He defined a reinforcer as an experience that raises the frequency of responses associated with it, while a punisher reduces the frequency of such responses. Reinforcers may be rewards or reductions in cost, while punishers may be costs or reductions in reward. Reinforcement has most effect when it occurs at the same time as, or just after, the response. Skinner placed an emphasis on the way in which reinforcement changes the frequency of the response, but reinforcement also strengthens the association between stimulus and response and this is important for the habit model. Figure 1.2 illustrates the effect of reinforcement.

![Figure 1.2 Reinforcement learning](image-url)
The principles of reinforcement are applied in many sales promotions, such as discounts that offset the cost of a product. Skinner also introduced the idea of shaping – the process whereby behaviour is gradually shifted from one form to another by selectively reinforcing those performances that show change in the desired direction. Shaping is sometimes apparent in sales techniques where the salesperson moves the prospect towards the sales goal by reinforcing shifts in the preferred direction with nods, agreement and approval. Products also shape us. We become more expert at using computers and cars, partly because of the reinforcers that such products deliver; as a result of this, we may seek more sophisticated models.

Learning can be reinforced each time a response is produced, i.e. continuously, or it can be reinforced intermittently. Learning is faster if the reinforcement schedule is continuous but the final effect of a given amount of reinforcement is greater when it is used intermittently. This helps to explain why people are prepared to lose money by gambling on fruit machines. The cost of playing a slot machine is a fairly continuous punishment but the machine rewards intermittently. Over time, the gains are fewer than the losses, but the effect on behaviour of the irregular reward is greater than the effect of the regular cost.

Both stimuli and reinforcers can lose their effect if they are used too frequently. Stimulus satiation, called desensitization, helps people to put up with recurring unpleasant experiences. An important effect of desensitization in consumer behaviour is the way in which people get used to conditions that are inadequate or unpleasant, and as a result may not complain or demand compensation. Examples of this are the way people tolerate litter in streets, overcrowding on public transport, and being kept waiting ‘on hold’ on the phone. Similarly, consumers may put up with defective goods because they have grown used to the defects. Examples are the continuing use of lumpy mattresses, broken refrigerator shelves, and inadequate carving knives. The job of the marketer is to overcome the inertia in these situations so that the consumer sees the problem afresh and seeks a solution.

Stimulus Control: Classical Conditioning

One type of learning, called classical conditioning, was studied by Pavlov (1927). Pavlov noticed that dogs started to salivate at the sight of the person who fed them. The older dogs showed this most, and Pavlov thought that over time the salivation reflex that normally occurred at the presentation of food had become associated with a new stimulus – the dogs’ handler. Pavlov set up a series of experiments to demonstrate this process of classical conditioning using the sound of a buzzer as the conditioned stimulus instead of the dogs’ handler. Figure 1.3 illustrates this process.

Classical conditioning has considerable relevance to consumer behaviour. Packaging, brand names, colours, smells, music and the contexts of purchase and consumption may become associated with the buying of particular products. Some advertising is clearly intended to forge associations between brands and particular stimuli that can be used in further advertising and at the point of sale – for example, McDonald’s and the big ‘M’ sign, ‘i’ and phone, pod, pad … and, more generally, all logos and their respective brands.
and companies. The idea here is that the conditioned stimulus may help in identification and add to purchasing tendency. It is also noticeable that, to compete in some markets, manufacturers have to adopt the colours and pack shape that are conventional for that type of product. The power of such associations is revealed by a trip to an unfamiliar country. The absence of familiar features makes the high street confusing. A simple task, like posting a letter, requires investigation and effort in order to identify the colour, shape and location of the postbox.

A stimulus that is associated with a rewarding product may induce a more generalized tendency to buy other products that appear similar. A direct application of such generalization in marketing is the use of an existing brand name for a new product. By this process of brand extension, some of the buying tendency (often termed propensity by marketers) that consumers have for the old brand may attach to the new brand. For example, Mars used the positive consumer propensity towards the brand when introducing Mars ice-cream, and this was helped by the similarity in the appearance of the ice-cream and the confectionery bar.

Habits of Purchase

The cognitive and reinforcement models emphasize the modification of consumer behaviour and thus may explain the changes that occur in our purchasing. However, much consumption has a settled form: people buy the same brands and use the same stores over long periods. This repetitive purchase is of great value to firms.

We say that people have a habit when they regularly produce much the same behaviour on encountering a particular stimulus. In the case of supermarket goods, important stimuli are the colour, size and shape of the pack. Williams (1966) found that colour positively affected buying behaviour most, followed by size and then shape. Response to such stimuli is automatic, so that no conscious thought is required when we pick a laundry detergent brand in the supermarket. Habits sidestep cognitive decision-making and leave us free to concentrate on other problems where experience does not provide us with a ready response. However, even in novel situations people may trade on already acquired habits. Consider the person who is about to buy a car for the first time. Most first-time car
purchasers are familiar with cars, have been to car showrooms before, may have bar-
gained for goods before, may be knowledgeable about the ways of salespersons, and may
understand credit arrangements. Thus, even first-time car purchasing may draw on
previous learning, some of which may have become habitual. Viewed in this way, even
complex and novel behaviour may call upon behaviours in a habit repertoire.

The habit model of consumption excludes planning before action but does not imply
that consumers never think about their habitual behaviour. People may reflect on their
actions after purchase either because of discussions with others or because their purchase
outcomes were exceptionally good or bad. But this is unusual; generally, habit restricts
experimentation, and as a result consumers may be unaware of improvements in products
from which they could benefit. This suggests that, although habitual purchase is fre-
quently satisfactory, it is not always the best solution. Exercise 1.2 draws your attention to
habits you may have which may not best meet your needs.

**Exercise 1.2  Habits**

It is hard to detect habits that work against your own interests but consider these two areas:

1. Taking sugar in tea and coffee is a habit that adds to body weight and contributes to
tooth decay. When people give up sugar, they get used to it fairly soon, and after a few
weeks may prefer unsweetened tea or coffee. Is this not a habit worth changing?

2. If you make a regular journey to work, is the route optimal? People can discover
journey improvements after years of using a less suitable route that has become
habitual.

How should marketers present new brands in markets where purchase is strongly
habitual?

When purchase is habitual, a new brand must be marketed in a way that disrupts habit
and provokes a review of past purchase. This is not easily achieved. Advertising may be
ignored, while discounts and free samples may be used by consumers without much effect
on later purchase. Most of the time, consumers will carry on buying what they have
bought before. But that’s why marketers need to understand which types of marketing
interventions work best for different customer groups in different environments.

**How Free Are Consumers?**

It is often claimed that the consumer is king but this may exaggerate the flexibility of action
that consumers have. To be free you should be able to choose from more than one option
without pressure, and be able to reject all options if they are unattractive. Many choices are
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controlled by the consumer's environment rather than by reflective thought by the consumer, and this casts doubt on how much freedom of action consumers can exercise.

The constraints on consumers are considerable and are not just environmental. Consumers may lack knowledge of alternatives when these are not displayed. Sometimes, people have to use products; they must put petrol in a car and laundry detergent in a washing machine, and the fact that they have a choice between near identical brands is often, to them, a matter of indifference. Freedom of action is also affected by limited access to goods and services, by physical dependence on products like cigarettes and alcohol, and by psychological dependence when the consumer is a compulsive purchaser or gambler.

People also do many things that they would prefer to avoid, such as going to work on congested public transport and waiting for flights in airports. In many areas, such as education, medicine and legal advice, the opportunity to influence a service by withdrawing custom or complaining is effectively limited by the continuing need to use the service. There are other areas where a lack of money prevents people from doing the things they might wish to do; large houses and luxurious cars are possible for only a few. For these reasons, we are sceptical of claims about the almost unlimited choice available to consumers and how much autonomy they have. However, the growth of the Internet has raised access to knowledge about goods and services and assisted purchase; this may lead to a genuine increase in consumer choice.

Decision-Making on the Internet

Increased use of the Internet and the facilities that websites offer may change the rationality of choice. The ability to compare prices online generally drives down the average price of goods and services bought online. The proportion of UK shoppers who

![Figure 1.4](image_url) Changes in the use of the Internet by UK shoppers (Office for National Statistics, UK, Statistical Bulletin 2014)
say they often consult the Internet before making a purchase was 78 per cent in 2011, unchanged from the previous year (Nielsen, 2011a). However, shoppers seem to be making more purchases on the Internet. According to the Office for National Statistics (UK), daily Internet use more than doubled in eight years to 2014 (see Figure 1.4). In the UK, 74% of all adults reported buying goods or services online. This had risen from 53% in 2008, with clothes the most popular online purchase, bought by 49% of all adults (ONS data, 2014).

The Internet makes it easier to compare prices and specifications, and can take some of the effort out of shopping. Search engines such as Google.com assist in the identification of sources and products, while chatrooms and blogs often provide user comment on different brands. Comparison sites such as Shopping.com show the prices charged by different suppliers. Other sites, such as Uswitch.co.uk, can compute the best value among service providers and may facilitate transfer to a new provider. Websites for those buying houses, shares, books and many other items aid choice by providing easy comparison between alternatives. For example, an Australasian buyer can use a site such as realestate.com.au to specify properties by location, price and type, and can then inspect pictures of interiors. This helps to focus attention only on those properties that meet the needs of the buyer. A subscriber buying shares through a Web-based stockbroker such as Hargreaves Lansdown (www.hl.co.uk/) can see the past return on specific shares over different periods, and can compare this performance with other shares and with standard indexes. On Amazon.co.uk, customers can read reviews of a book before buying and be provided with information on new books that are related to their previous purchases. On airline sites such as ba.com, a traveller can pick travel dates that are cheaper. Quite clearly, the Internet can be used by consumers to better assess alternatives, but how much do consumers do this to improve their choices and lower their costs?

A study by Zettelmeyer, Morton and Silva-Risso (2006) suggests that Internet customers may bring down the price that they pay for cars by an average of 1.5 per cent. However, consumers who use the Internet may be more price-sensitive and these people might also drive a hard bargain in an offline context. In addition, it appears that even Internet customers rarely secure the lowest price. According to Shopping.com, 80 per cent of Internet customers pay more than they have to. It seems that use of the Internet to obtain better value is restrained by loyalty to particular websites. Once they are familiar with a site, consumers may return to it later because it is easy to use and saves time. A consumer may agree that a book might be cheaper elsewhere but still use Amazon because of convenience – and this convenience can be considerable; customers may allow trusted sites to store their credit card and delivery details so that purchasing really is simplified. Similarly, buyers normally use one online grocer because of the trouble of getting to know another site. In short, habits take over.

This evidence presents a somewhat confused picture. The Internet can assist people to make better decisions and buy more cheaply, but the technology may discourage experimentation when goods are regularly bought. In addition, there are some sectors, such as grocery, where choice limitations and delivery cost may raise the price that is paid online.
SECTION 3: CLASSIFICATIONS AND EXPLANATIONS

Disciplines must organize and classify information in order to explain it. Marketing is no exception and uses a number of classifications, some of which are shared with other subjects. We start with one distinction that is so ubiquitous that we scarcely notice it. This is the use of comparison in the assessment of evidence.

The Principle of Comparison

Any judgement rests on implicit or explicit comparison. When we say ‘that’s cheap’, we are comparing the price that is presented with some standard. That standard might be given by another brand that is physically present, or it might be an internal standard that we have built up from experience. Such comparisons are fundamental to human judgements. We make sense of any raw data by comparing these with objective standards, or with personal or social norms. Comparison also occurs in the scientific assessment of findings. To illustrate this, consider Table 1.1.

This table shows the ratings that owners gave to their car compared with the best alternative that they could have purchased instead. The data come from an Internet survey of 495 owners conducted in the UK. The numbers show that 64 per cent of respondents thought that their car was better than the best alternative and 9 per cent thought that it was worse. This seems to show great confidence among respondents in their choice of car. Our finding reflects a general phenomenon called the endowment effect: objects are rated more highly once they are owned (Kahneman, Knetsch and Thaler, 1991a). However, the assessments shown in Table 1.1 are difficult to justify. When there are many alternatives, which are difficult to fully compare, it is quite likely that another brand would have been better than the one chosen. Thus, there seems to be an optimism bias in the assessment of possessions which is revealed by making the question comparative. In Chapter 8, we study these judgemental effects in more detail.

Sometimes, the standard of comparison that people use for judgements has an objective basis: for example, the average price of a basket of goods in the different supermarket chains or the fuel economy of different cars. But notice that consumers have to discover and accept such standards if these are to affect their judgements. Standards may be affected by marketing communications, but mostly people appear to acquire price or quality norms from experience. Such internal norms will be based on observations, discussions with other consumers and information from the media, and are likely to be quite stable. In these circumstances, what changes when marketers are successful in modifying consumer behaviour? Usually, marketing activity alters the immediate perception rather than the internal norm. When the price is cut, and more people buy, it is because the new price is seen as cheap, compared with the norm.
Categories, Brands, Variants and SKUs

Classifications are also made on the basis of the context in which decisions are taken. We call anything a customer buys, whether a good or service, a product. Then all products are divided into categories such as soup, wine, mobile phone airtime supply, cars and hotels. Within a category, there will be a number of brands available for consumers to choose from. Brands are easily recognizable entities – such as Apple, Toyota and Disney – and customers can become attached to one brand rather than another when making repeated choices. Sometimes there are sub-brands, for example Volkswagen has Polo, Golf and Passat. The branding is signalled primarily by name, but also by logo, and the shape, colour and design of the pack or product when this has a physical form. Advertising may attach other associations to the brand, such as cartoon animals and musical themes. In many cases, a company name is synonymous with the brand, such as BP, but in other cases, the company owns a variety of brand names – for instance, General Motors, Procter & Gamble and Unilever each manage many brand names (e.g. Unilever owns Ben & Jerry’s, Bertolli, PG Tips, Dove, Lynx and Timotei among other brands). Variants are subdivisions of the product type so the Volkswagen Passat is available as a saloon or an estate, and Heinz soups are available in different flavours or pack sizes.

In business, the term SKU (stock keeping unit) is used widely. This is a unique combination of brand, variety, pack size, etc. that is required for manufacturing and filling the shelves. The SKU is barcoded so that automated systems can specify it in production scheduling and stock control. Manufacturers and retailers often analyse consumer choice at the level of the SKU. Research by Singh, Ehrenberg and Goodhardt (2004) shows that buyers switch between SKUs in much the same way that they switch between brands. In both cases, switching is related to the market share of the SKUs.

The consumer’s purchasing of specific brands from specific outlets at specific prices controls the profit that is made by the brand owner, retailer and other suppliers; marketing activities are therefore coordinated to promote brand and outlet preferences. This means that the branding must be distinctive enough for consumers to
distinguish one brand from another, but at the same time the brands in a category often have features in common, such as pack size, colour and shape, which help the consumer to recognize what they are buying when they search for the product on a shop shelf or on a website. In fact, one brand does not have to be physically different from other brands in a category. At one time, Volkswagen, Seat and Ford offered SUVs that were almost the same except for the name badge and price. Similarly, there may be no detectable difference between the granulated sugar offered by two different manufacturers; consumers know this, but this does not stop them from regularly buying one brand over another. Often, each brand will cover much the same range of variants. Sugar brands will offer granulated, castor, icing and Demerara variants; soup brands will have much the same range of flavours; and car brands will be available in SUV, sports, saloon and estate forms. In fact, the differences between the variants of a single brand are often much greater than the differences between the corresponding variants of different brands.

Singh, Ehrenberg and Goodhardt (2008) show that product variants can attract markedly different levels of loyalty. These different loyalty levels are found to be closely related to the variants’ market shares – higher loyalty predictably goes with higher sales. Some variants were found to be very popular, and some were bought by only a small fraction of the market. However, neither large nor small variants seem generally to attract a special or unusually loyal customer base. Although product variants have their own specific functional differentiation, this is seldom the focus of advertising and promotion (except perhaps at launch). Instead, they are expected to ‘sell themselves’ by their labelling, shelf space and familiarity. A problem here is that, when the variants of different manufacturers are very similar, advertising the variant may assist the sales of other manufacturers as well. Choosing between product attributes and the variants offered remains complex (e.g. Sharp and Dawes, 2001) and is subject to substantial market research using focus groups, trade-off analysis and modelling.

In many categories, brands compete only with each other for the customer’s attention, such as Colgate versus Aquafresh toothpaste. However, in the food and entertainment fields this is less true. A frozen meal brand competes with home cooking and restaurant meals, as well as with other brands of frozen meals. Similarly, beer competes with wine and ten-pin bowling competes with the cinema.

Other differentiators beside brands are used to distinguish one market offering from another. An interesting example is provided by wine. French wine has traditionally been branded by the producer, sub-region and region – for instance, Château Cheval Blanc is a St Emilion production in the Bordeaux region. There are many other producers, and this produces a complex choice for the consumer. By contrast, Australasian wine is sold more on the basis of grape variety. Although there are many varieties of grape, a small number dominate the field (e.g. Cabernet, Chardonnay, Malbec, Merlot, Pinot Noir, Riesling, Sauvignon, Shiraz and Tempranillo) and several of these varieties are grown in each region. Grape variety creates major differences between wines and provides an easy ‘handle’ for the consumer. When the grape variety has been chosen, regions like the Barossa, producers like Penfolds, and the year of the vintage may be used in the choice process of the more discriminating buyer.
Goods and Services

A familiar grouping of categories is into goods and services. A good has a physical form, such as a can of soup or a bed, or in business-to-business (B2B) markets, aluminium sheets or bus wheels, whereas a service is intangible and is used by the recipient as it is created, such as a haircut, a visit to the dentist, professional advice or a phone call. Thus, the essence of a service is that it exists in time and must be consumed at that time if a loss of sale is to be avoided. By contrast, goods such as frozen peas can be stockpiled by the retailer and supplied when there is demand. Most service products incorporate a goods component, for instance the meal is consumed in a restaurant and your phone call is made from an electronic device such as a phone handset or a computer.

Goods can be subdivided into classes such as groceries, electronics and fashion, or in B2B markets, electronic components, food commodities, etc. Similarly, services divide into classes such as telephony, transport, surgery, entertainment and financial services. The fact that there are textbooks devoted to the marketing of services suggests that this is substantially different from the marketing of goods. One difference is that, because they are delivered over time, services can suffer problems of uneven demand, leading to an inefficient use of resources and delay and frustration among customers. We cover research on the consumer response to delay in Chapter 9. There are also differences that arise from the interaction between service supplier and customer; this cannot easily be standardized because customers differ and attempts at uniform treatment may cause dissatisfaction. Most goods can be examined before purchase and this helps consumers to find what will be satisfactory. Services cannot usually be examined in this way, and as a result those who are thinking of adopting a new service provider may seek advice from existing customers, whose word of mouth provides a proxy for personal experience. In other respects, goods and services are similar. Our three models of consumer decision-making apply to both, and so does the distinction between repertoire and subscription categories that we discuss below.

Vargo and Lusch (2004) have suggested that services rather than goods are the fundamental product form since goods are made by the service of workers. This new ‘dominant logic’ in marketing has echoes in the work of early economists, particularly in Marx’s theory of value, first expounded in Capital (volume 1 was published in 1867), which relates value to the labour input. At the time, economists argued that the value of goods was defined by an exchange process; it is what others are prepared to give for the goods and no amount of labour input will raise the price of something that people do not want. The character of transactions may have changed and become more cooperative, but in our view such exchanges remain the basis of value. Marketers must be concerned with profitable trading, and for this reason we are sceptical about making service fundamental in marketing.

Service failures are a common concern, and service providers struggle to understand the psychology behind customer perceptions of a fair response by the supplier after failure (see Singh and Crisafulli, 2015 for a review of service recovery after failure). This topic is considered in more detail in Chapter 10.
Repertoire and Subscription Markets

Categories can be divided into those that are repertoire, where consumers commonly purchase more than one brand over a fairly short time such as a year (e.g. groceries, restaurants and airline tickets), and subscription, where consumers mostly use only one brand at a time (e.g. bank accounts, dentists and refrigerators). Research by Sharp, Wright and Goodhardt (2002) shows that most categories fall clearly into either the repertoire or the subscription division. In repertoire markets, we can measure a type of behavioural brand loyalty called share-of-category requirement (SCR). This is the percentage of category purchases that a customer gives to a specific brand over a period. For example, if a person buys instant coffee on ten occasions in a year and five purchases are Nescafe, the customer’s SCR for Nescafe is 50 per cent. By contrast, loyalty in subscription markets is shown at the time of repurchase when the customer either retains the brand or switches to another.

Market Concentration

In many categories, there are relatively few brands. Laundry detergents, toothpaste and mobile phone airtime supply are examples. In other fields, such as wine, cheese and biscuits, there are a great many producers, none of which commands a large market share. In some other fields, such as supermarkets, fashion stores, chemists and investment advisers, a few large chains compete with many smaller suppliers in western markets. When a few producers command a large part of the category, we describe the market as high concentration. Usually, large suppliers are more profitable because of economies of scale in manufacture, distribution and advertising. Retailers feel compelled to stock more familiar brands because of demand and this helps the manufacturer (the brand owner) to maintain the price paid by the retailer.

Consumers are not necessarily disadvantaged by high market concentration. The large scale and efficiencies of big producers mean that product development can occur and the wide distribution of big brands ensures that consumers can easily find the larger brand. One concern is that high concentration may reduce competition but it is not difficult to find high levels of competition in concentrated markets. For instance, the worldwide cola market is highly concentrated, yet both Pepsi and Coca-Cola remain fiercely competitive suppliers.

Market Share

A brand’s market share is a robust indicator of its customer loyalty. Ehrenberg (1988) has explained that many aspects of aggregate buyer behaviour can be seen as an outcome of market share. For example, the average SCR loyalty for a big brand tends to be higher than that for a small brand (i.e. the evidence is that, in general, the bigger the brand the more likely it is that customers will buy it again compared with the customers for smaller brands). In Table 1.2, we illustrate how another variable, the share of recommendation, relates to market share in the mobile phone category, using data gathered before the advent of smartphones.
Table 1.2 shows that the share of brand recommendations closely follows the market share of the brand. There is no mystery about this. As we saw earlier with regard to cars, people are usually happy with the products that they own, and East, Romaniuk and Lomax (2011) found an average of 71 per cent of recommendations related to the informant’s main brand. So, the bigger the brand, and therefore the greater the number of users, the larger will be the share of recommendations. For this reason, managers need to take account of market share before they assess the word of mouth about their brand. In Table 1.2, Motorola is doing well because the rate of recommendation is ahead of market share. If the rate of recommendation was assessed without taking account of market share, Nokia would come top, but we can see that its performance is just average for its size.

Table 1.2  Market share and share of recommendations of mobile phone brands (unpublished UK data gathered in 2005)

<table>
<thead>
<tr>
<th>Brand</th>
<th>Market share (%)</th>
<th>Share of recommendations (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nokia</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>Sony-Ericsson</td>
<td>25</td>
<td>21</td>
</tr>
<tr>
<td>Motorola</td>
<td>14</td>
<td>20</td>
</tr>
<tr>
<td>Samsung</td>
<td>10</td>
<td>11</td>
</tr>
<tr>
<td>Siemens</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Others</td>
<td>7</td>
<td>4</td>
</tr>
</tbody>
</table>

Exercise 1.3  Do big brands get more, or less, negative word of mouth?

Recommendation is positive word of mouth. What about negative word of mouth? Develop ideas about how negative word of mouth is produced. What will be the resulting relationship between market share and the share of negative word of mouth?

When you get to Chapter 12, you will see our evidence on this topic.

Consumer Segmentation and Causal Relationships

We often compare population segments: those who retain a brand versus those who switch, heavy TV viewers versus light viewers, high recommenders versus low recommenders, men versus women, etc. If we have evidence about the consumption habits of different segments, we can target those that appear to be most likely to purchase the category or most open to switch brands. Consumer segmentation is an approach that is very popular in marketing; it can work well even when we do not know why the behaviour of
one segment differs from that of another. For example, a method used by those trying to harness word of mouth is to try to identify those consumers who give more advice than others (the *influentials*). Once they have been identified, the job of the marketer is to recruit them on behalf of a promoted brand.

However, in consumer behaviour, we want to explain behaviour, preferably by finding causes for it. Why is it that one segment is more active in giving advice to others than another segment? We can investigate how segments differ with respect to possible causes. As the picture of the different factors underlying recommendation builds up, a new strategy becomes available to marketers. Instead of identifying a segment that gives more word of mouth, marketers can try to influence the factors that cause word of mouth, and this can be done *without* identifying the influentials.

**Behaviourism and Cognitivism**

Does a change in thinking cause a change in behaviour, or does a change in behaviour cause a change in thinking? The answer is that we can find support for both processes. In psychology, the primacy of behaviour is called *behaviourism*. This approach was developed by Skinner (1953). The traditional behaviourist rejects the idea that thought and feelings are the initiators of action. Instead, action is explained by reference to the environmental circumstances that act on a person. This fits the reinforcement and habit models of consumer decision-making.

In traditional behaviourist research, it used to be believed that thought and feeling are *effects but not causes*; like ripples on the surface of a pond, they indicate the fish’s movements but do not move the fish. If this account is correct, we can use people’s thoughts and feelings as indicators of their potential behaviour but not as explanations for it. Such narrow behaviourism is usually rejected today. One reason is that it is difficult to describe action without taking account of the thoughts and feelings that lie behind it; words become insults or praise only through an understanding of the motives of the person uttering them. The traditional behaviourist position is not subtle enough to deal with this complexity in the nature of human behaviour.

Opposed to behaviourism is the view that thought and feeling can produce change in action directly. This is *cognitivism* and it lies behind rational accounts of consumer decision-making. In its strongest form, experience is interpreted and used to change attitudes and knowledge, which then control behaviour. Thus, from a cognitivist perspective, behaviour may be modified by communications that change attitudes and knowledge. Some support for the cognitivist position can be found in the way public information campaigns change behaviour (for example, anti-smoking advertising, featuring the hazards of smoking, has been shown to be effective; see Chapter 13).

There are also examples where behaviour precedes attitudes that support behaviourism. Clare and Kiser (1951) asked parents of completed families about the number and sex of the children that they thought were desirable. There was a strong tendency for parents to prefer both the size and the sex mix of the family that they already had; for example, if they had two girls they stated that they felt two girls were what they would like if they were to have their family again. At the time of the study, there were no ways of controlling the sex of offspring, so a preference for the same sex balance can only be explained as a product of experience.
In many other cases, the causal direction between attitude and behaviour may be in doubt. The preferred number of children is a case in point. Parents might have had two children because they wanted two; or, having had two children, they might have come to prefer this number. Such alternative explanations can often be seen in the social sciences. For example, Marx argued that it was not ideology that determined social relations but social relations that determined ideology. This is the sociological equivalent of the primacy of behaviour over attitude and it is contrasted with Hegelian philosophy favouring the primacy of ideas. Sometimes Hegel’s account fits; paradoxically, Marxism itself was a revolutionary ideology that created change.

In consumer research, there is substantial evidence for the effect of prior behaviour. Bird and Ehrenberg (1966) found that two-thirds of those who have used a brand at some time express an intention to buy it. A declining brand has a long tail of past users, and as a result a larger number of consumers state that they are going to buy it again, compared with a growing brand with the same share. There is also evidence that brand attitudes follow the purchase of groceries. Dall’Olmo Riley et al. (1997) found that brand attributions (e.g. that ‘Persil washes whiter’) may depend on recent purchase.

**SUMMARY**

Key questions for consumer behaviour come from marketing strategy and consumer policy. In order to answer these questions, we need to understand how consumers make decisions. When people face difficult and involving choices, the cognitive model of choice may describe the process of decision-making, but the process is often simplified, even when the decision is difficult. When action is steered by the environment, the reinforcement model provides an explanation of how purchasing is learned: consumer action is constrained by the opportunities available and directed by the rewards and costs that are present. Once actions such as brand purchase are learned, they may be induced by specific stimuli, such as brand name, and the habit model can apply. To change the behaviour of consumers, the influencing agent (e.g. advertising, promotions, word of mouth) must either alter the beliefs and values involved in a complex decision, or where the context controls behaviour, modify the consumer’s environment. Learning principles help us to explain some marketing practices, such as brand extension.

The growth of the Internet suggests that people are now able to make better choices (more suitable brands, lower prices), but it is not yet clear how much this occurs.

In this chapter, we also introduced some of the ways in which data are organized to create meaning: the use of comparison, types of category, brands and variants, goods and services and market share.

**Additional Resources**

For an early challenge to comprehensive models of consumer behaviour, read Olshavsky and Granbois (1979).