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An Overview of Consumer Behavior

Economics

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ABSTRACT

Consumers are those who determine the volume of sales and the profit of companies through their purchase decisions, therefore, their actions determine, in fact, the economical viability of the company. Any activity of the company must be conducted taking into account that customer has to be in the center of attention and marketing brings out into relief the necessity of anticipation and fulfilling the customer's needs.

Studying the consumer behavior starts with knowing the human behavior first, which is why the research in this area borrows concepts and theories from a lot of domains like Psychology, Sociology, Economics etc.

This paper provides a brief insight into the meaning of consumer behavior and has the form of an overview of the representative literature regarding consumer definitions and models, along with classification of factors that influence it.

INTRODUCTION

Consumers reject products and services that do not correspond to their needs and report their incomes to a certain level of price. The sellers use an entire arsenal in order to influence the consumers, trying to adapt constantly the quality and the price of their products and services. Companies have marketing strategies with focus on consumption stimulation and consumer behavior study.

Until the '60s, the consumer behavior was considered a domain of psychology. Only after that began the first studies regarding consumer behavior inside marketing area. Today, the consumer behavior theory has become a domain by itself.

In order to analyze the consumer behavior, we need a multidisciplinary approach including Economics, Psychology, Sociology, Medicine, Marketing, Statistics etc.

Because it is related to consumption, the consumer behavior represents a component of economic behavior of individuals.

The way people act from economic point of view represents the result of life experience.

DEFINITION

The consumer behavior can be defined in various ways:

- A multi dimensional concept, seen as a result of the dynamic interaction between impression and perception, conduct natural common experiences through which the human beings are guiding the changes in their own life (according to American Marketing Association).
- As a sum of attitudes and decisions regarding the usage of the income in order to buy products or services and in order to economize [1].
- In relation with his peers, underlying his social nature, including when taking decisions [2].
- More than a command and control mechanism, taking into consideration the cognitive approach of human behavior [3].

MODELS

In trying to generalize the consumer behavior, we get to a very complicated system which contains into his centre the consumer with his needs.

Philip Kotler designed a cybernetic model [4] in which the consumer is the "output" – the result of different "inputs" like price, quality, choice, culture, social-professional biography etc. These inputs arrive into the "black box" through specific channels like advertising, knowledge, personal observation, and determine the outputs – decision of buying or not, the moment and frequency of buying, selecting the product and the seller etc.

Another approach of consumer behavior comes from John Maynard Keynes [5] who put the accent on the psychological side of consumer behavior during the buying process.

For Keynes, the economic equilibrium comes from three fundamental psychological laws:

- The psychological law of propensity to consume – people don't spend the entire income on consumption, they save some money, but the proportion between consumption and savings is different from one people to another according to the intensity of consumption need and consumption needs hierarchy.
- The psychological law of propensity to marginal efficiency according to which people tend to invest the saved money from income only if they obtain a certain profit. In the absence of a sure profit, the saved money remains unused which leads to loss at society level.
- The psychological law of propensity to liquidity which high lights that people tend to keep their savings in monetary form.

Keynes concluded that people tend to increase consumption as their income increases, but only a part of the new gained income goes to consumption, another part being saved. As the income increases, the part of the income dedicated to consumption decreases and the one dedicated to savings increases. On short term, the marginal propensity to consumption is constant. In case of supplementary income, the tendency of saving arises because all the known needs are fulfilled. If the income increases very fast, the consumption increases also, but not with the same speed.

When savings are growing, the propensity for consumption decreases and spending for acquire economical goods and the request for this kind of goods also goes down. In reverse, if the propensity for consumption increases, the expenditure for acquiring economical goods increases and the demand for these goods also increase. The consumer credit is embed into this system, influencing the propensity for consumption according to the monetary policy: the credit with favorable conditions encourage the propensity for consumption, increase the spending and the demand for economic products, whilst tightening the credit conditions leads to exigency in consumption allocation, the spending and the demand for economic goods decreases.

As already stated, many disciplines have tried to analyze the consumer behavior, therefore, I will present some other relevant models.

The Marshallian model, realized by the economist Alfred Marshall, states that the buying decisions followed by the purchase of product and services are the consequences of some economic conscious and rational calculation. The only variable that has influence on consumer is the price and the fulfilling oh needs is ranked according to the marginal utility [6].

The Pavlovian model, realized by the famous Russian physiologist I. P. Pavlov, is based on the learning theory and operates with four concepts: impulse, suggestion, reaction and relapse.

The Howard – Sheth model explains how people choose one product out of many others after having them compared to each other and analyzes the variables that influence the buyer behavior before and during the purchase (perception, learning and attitude formation).

The Nicosia model, realized by Francesco Nicosia, an expert in consumer motivation and behavior, analyzes the human as a system with stimuli at input and human behavior as output.

The Freudian model, realized by S. Freud, the Austrian neurologist, is based on the study of attitudes and their verbal expression – the opinion.

The Veblenian model, initiated by T. Veblen, an American economist and sociologist, is based on the ostensive consumption theory, a social-psychological model which states that the study of consumer behavior must be done through the desire to obtain a certain prestige and not through motivation inflicted by meeting the needs.

The Hobbesian model, realized by the English philosopher Thomas Hobbes, puts the accent on the organizational point of view – consumers that are being organized as collective institutionalized entities – government or social organism, public or private firms, community organizations, military units, hospitals, kindergartens, schools. The decision of buying is taken by special assigned persons and is influenced by the aspirations and competence of consumer, his scale of values, no matter how strong is the attachment of an individual towards his organization.

FACTORS, PROCESSES AND COMPONENTS

The human behavior is influenced by many factors which, treated sequential, can't explain the consumer behavior by itself. These factors can be classified in different manners:

- Cultural factors (culture, subculture), social factors (reference groups, family, society, the state), personal factors (age, the life cycle phase, occupation, life style, personality, self esteem), psychological factors (motivation, perception, preferences, attitudes) [4].
- Individual explicative variables (needs and motivations, attitudes, "permanent" individual characteristics – personality, self esteem, life style) and sociological and psychological explicative variables (the influence of the group over its members, social classes, cultural variables, family) [7].
- Demographic factors, psychological characteristics (life style), individual factors (motivation and attitudes), sociocultural factors [8].
- Endogen factors (the perceptual process, information/ learning/ personality, motivation, attitude, the actual behavior), exogenous factors (demographic and economic factors, marketing mix factors, situational factors, sociologic factors – family, group membership, reference groups, social class, culture and subculture) [9].

Furthermore, in order to understand the human behavior, there are some processes that have to be studied: perception (the mental activity through which we can detect, understand and judge the stimulants), information or learning process (a combination of elements through people know the products), attitude (constant reaction of buyers towards social objects), motivation (the inner side that mobilizes the consumer in accomplishing a very well defined purpose) and actual behavior that can be directly observed.

The buying behavior has several components:

- The reason to buy – determined by the economic motivation, the price accessibility, the consumption destination, the buyer's personality, the temper, the state of mind.
- The buyer's preferences – represent a positive motivation expressed as affective compatibility towards the product.
- The purchase intentions – represent probabilistic estimations regarding the future behavior.
- The buying habits can be temporal habits (seasonal buying, shopping on certain days of the week or certain hours of the day), spatial habits (the average distance covered in order to purchase the good, types of shops preferred by consumers), modal habits (the types of selling preferred by buyers, product association during purchase, brand loyalty or presentation form).

CONCLUSIONS

With its systemic nature, the consumer behavior has to be considered as a synergistic effect of a processes system that cannot be reduced to any of its components.

Though it is a very complex phenomenon, everybody becomes aware of the new axiom – customer is profit.

Therefore, companies need to analyze what, where, when, why and how consumers buy.

Understanding consumer behavior is vital to the success of the company.

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