Chapter IV
THEORETICAL FRAME WORK
4.1. Introduction

This chapter covers the basic concepts of consumer behaviour, consumer decision-making processes and the changes in the consumer behaviour in the past century. Subsequently the literature on consumer purchase decision-making behaviour is reviewed.

4.2. Consumer Behaviour: Definition

Engel, Kollat and Blackwell (1990) defined consumer behaviour as “acts of individuals directly involved in obtaining and using economic goods and services, including the decision processes that precede and determine these acts”. They pointed out that the word “behaviour” is used to include only the overt purchasing act. This is the obvious aspect of the decision process. According to Belch and Belch (1998), Consumer behaviour is “the process and activities people engage in when searching for, selecting, purchasing, using, evaluating, and disposing of products and services so as to satisfy their needs and desires”. In the view of Mowen (1993) consumer behaviour is “the study of the buying units and the exchange process involved in acquiring, consuming, and disposing of goods, services, experiences, and ideas”. This definition focuses on buying units in an effort to include not only the individual but also groups that purchase goods and services. Schiffman and Kanuk (2007) elaborated the definition by explaining that consumer behaviour is the study of how individuals make decisions to spend their available resources (time, money, effort) on consumption-related items. Generally, consumer behaviour is treated as a study of what, why, when and how often consumers purchase and use products. In addition, it includes all the behaviour that consumers display in searching for, purchasing, using, evaluating and disposing of goods and services.

The need to understand consumer behaviour originates from the marketing concept, as it illustrates the conscious effort of firms to achieve desired exchange outcomes with target markets (Kohli and Jaworski, 1990). The major goal of consumer behaviour is to acquaint and provide marketers with the knowledge and skills that are necessary for understanding and analyzing consumer behaviour. This
can be used for understanding markets and developing marketing strategies (Hamansu, 2008). This implies that understanding consumer behaviour is very crucial and critical for the successful delivery of a firm’s offerings in the market place. This provides knowledge for market-opportunity analysis, target market selection, marketing-mix determination, formulation and implementation of proactive marketing strategies, effective regulatory policy and social marketing.

4.3. Consumer Behaviour: An Emerging Field of Study

In the highly advanced study of “business management”, “marketing management” function plays a very critical role in business activities. It is because this functional area of management earns the revenue and works in the close proximity with the public or persons outside the organization. Controlling and coordinating these two attributes to have the desired benefits are the most difficult part of the management. The reason is that none of these two are within the direct control of the marketers. This does not mean that the other functional areas are not useful, but they are not directly involved in the activities mentioned above.

Marketing consists of an interaction between buyer and seller for the purpose of exchanging something valuable to the mutual benefit of both the parties to the transaction. The marketing process cannot be appreciated by observing the seller alone. Knowledge about consumer is a sound basis for marketing strategies and decisions. Markets are identified on the basis of consumer wants, location, characteristics and expenditure patterns. Ignoring the customer may lead to disaster in the modern economy.

Consumer behaviour is considered as an integral part of strategic market planning. It is also the basis of the approach to the concept of “Holistic Marketing”. The belief that ethics and corporate social responsibility should also be an integral component of every marketing decision is embodied in a revised marketing concept – the societal marketing concept. It calls on marketers to fulfil the needs of their target markets in ways that improve society as a whole.

Consumer play a very critical role as these are the people who finally buy the goods and services of the firm. It has to be noted that firm is always on the move to
make them buy so as to earn revenue. It is crucial from the viewpoints of both customers and marketers.

Today, in the highly developed and technologically advanced society, a great deal of choices and options (often very close and competing) are left before the consumers to decide on or compare. They have an extreme range of products attributes, they have a wide range of cost and payment choices, they can order products to be supplied to their doorstep or anywhere else and finally they are provided with communications from more channels of information than ever before with the invention of information technology.

The purpose of marketing is to sell more stuff to more people in order to make more profit. In earlier days aggressive selling was very common. It cannot be achieved by force, aggression or plain alluring. Customers today are more informed, more knowledgeable and more demanding. There is no dearth of marketers from whom customers can buy. The global marketplace involves study of diversity among consumers, producers, marketers, retailers, advertising media, cultures, customs, and traditions and of course the individual or psychological behaviour. Amidst diversities, there are also many similarities. Consumer market is driven by widely diversified culture in many countries.

In order to understand and predict buying behaviour of consumers in the marketplace, the study of consumer behaviour is very important. It deals not only with what consumers buy, but also with why they buy, when, where, how they buy, how often they buy and also how they enjoy the services. The methodology used to study consumer behaviour is consumer research. It takes place at every phase of the buying process: before the purchase, during the purchase and after the purchase. Researchers pointed out that two different buyers buying the same product may have done it for different reasons, paid different prices, used in different ways, have different emotional attachments towards the things and so on. The market strategies are reframed to achieve organisational objectives depending upon identifying, serving and influencing consumers. This shows that the knowledge and information about consumers is critical for developing successful marketing strategies.
Consumer behaviour is interdisciplinary approach based on concepts and theories with regard people. These have been developed by behavioural scientists, philosophers and researchers in diverse disciplines such as psychology, sociology, social psychology, cultural anthropology and economics. Detailed study of consumer behaviour also helps management to understand consumer’s needs. This will help to recognize the potential for the trend of development of change in consumer requirements and new technology. This will articulate the new thing in terms of the consumer’s needs so that it will be universally accepted in the market. The benefits of the study of consumer behaviour derived by the different categories of people are given below. A marketing manager should understand about consumer behaviour as it will help him to design better marketing plans to get those plans accepted within the company. In developer company the marketing department should have knowledge about the consumers need. Researchers want to analyze the consumer’s decision process and ingredients of customer satisfaction.

4.4. Consumer Behaviour: Models

The study of consumer behavior is a very important and complex process. The individual is the cornerstone of any activity and the factors that determine his behavior and cause him to behave in a certain way are numerous. Due to the individual differences existing among people, it cannot be expected that every person will respond in the same way to one particular stimulus.

To understand the consumer, it is required to know his behavior that affects his needs and wants. It is difficult to predict human behavior accurately, since behavior changes with lifestyles and the strength of encountered stimuli. Hence it is difficult to know what goes on in the consumer's mind or the decisions he makes or intends to make in selecting the products that satisfy his needs and wants. It so happened because the consumer responds to a set of stimuli that instigate him to act, and these stimuli, whether personal or environmental, cannot be fixed at any time. The relationship between experiences and reactions is governed by what goes on inside the mind.
It is now generally accepted that several factors are involved in the purchase decision-making process. The factors can be identified by means of models of consumer behavior analysis.

Economists, psychologists and sociologists were pioneers in attempting to understand and explain consumer behavior. They were later followed by researchers in marketing and administrative sciences. Approaches to explaining consumer behavior can be classified into two categories: Traditional or micro-approach and Comprehensive or macro-approach.

4.4.1. Traditional or Micro-Approaches

The following are four traditional or micro-approaches to understand consumer behavior:

(a) The Economic Model

Economists were among the first who attempted to explain consumer behavior. The roots of the economic approach to explaining consumer behavior can be sketched to Adam Smith's 'The Wealth of Nations' and Germy Benthamen’s 'The Consumer-Producer-Product'. In his book, Adam Smith established a principle by which he explains individual and collective behavior on the basis of self-utility. In other words, irrespective of the fact that an individual is a producer or a consumer, he always seeks to maximize his self-utility and minimize his sacrifice, i.e. buying for the least price and selling for the best price. This is defined to as "marginal utility", which is considered as the difference between the utility obtained from the latest produced or consumed unit and that obtained from the unit before it. Adam Smith did not directly address marginal utility but concentrated on “total utility”.

Alfred Marshal and William Hyrvonss introduced the concept of marginal utility separately but almost simultaneously, and the economic model or the Marshal model came into existence. Scholars such as Karl Mynjer from Austria and Lyon Walrs from Switzerland wrote about the economic model, which focused on maximizing utility and minimizing sacrifice. According to this model the consumer is a wise, rational individual, calculates his steps accurately, and when he decides to
buy a product his decision is based on the belief that the product he chooses is the best. On the other hand, from a practical point of view, a few consumers follow this model. It is also difficult to apply the model even to the industrial consumer. Even though this model provides an acceptable, logical interpretation, it does not offer a good scientific explanation.

In fact, economists themselves differ about this model. Some of them argue that the so-called rational man does not always make rational decisions, and that the economic man is a consumer who is influenced by several factors. For example, low income may not allow the consumer to make rational decisions when he chooses from alternatives, and he has to take the prevailing price level into account. In this context, the economist Bach remarks that most consumers are not that calculating economic man who compares the utility he will attain from what he wants to buy with the price he will pay. Anyhow, they are aware of the utility-price consideration.

(b) The Pavlov Model

Purchase decision is related to what goes on in the consumer's mind, and therefore psychology is the closest discipline to deal with such behavior. The psychological model of consumer behavior goes back to classical conditioning or conditioned reflex experiments conducted on dogs by the Russian physiologist Ivan Pavlov. He tried to generalize the association concept between man's behavior and his nervous system. This learning model finds application in human behaviour. This model has four major elements. They are Need or Motive, Attribute or Implications, Response or behaviour and Reinforcement.

a. Need or motives, which are of two types: primary motives, and acquired motives.

A primary motive is associated with basic human needs, such as hunger, thirst, and clothing, which must be satisfied to a reasonable level. An acquired motive is associated with the environment. One acquires it from the external environment around him.
b. Attribute or implication, which is associated with a product. The product itself is the stimulus for consumer behavior so that one purchases it in order to satisfy his need for it.

c. Response or behaviour: This is the process by which actual purchase takes place.

d. Reinforcement: A consumer purchases a product with assumptions is that the utilities of the product will match with his expectations, and that his goals out of possessing it will be achieved. If this actually happens, a positive reinforcement occurs, and as a result, the consumer will have tendency to buys the product again in future.9

(c) The Freud Model

The Freud Model explains human behavior from a psychological and unitarian point of view. It explains human behavior in terms of psychosexual assumptions. Man's purchase decisions throughout the different stages of life are related to his psychosexuality from childhood. The success of many products in the market place may be explained through that model10.

In their explanation of consumer behavior, psychologists have focused on investigating the real reasons operating in the consumer's mind which resulted in making the purchase decisions. They found that it is very difficult to know the real reasons, and they only made some inferences based on the decisions consumers had already made. Psychologists concluded that some psychological factors influence consumer behavior, and they must be studied to know the extent of their influence on decision-making. The factors are motives, perception, and learning11.

(d) The Fiblin Model

The Fiblin Model examines social-psychological aspects. Fiblin views the consumer as a social being, facing pressure from several sources: his general culture, sub-cultural determinants, and the communication groups in his daily life. The consumer's needs and behaviors increase because of belonging to many groups. The behavior of an individual cannot be explained independently, since he is a social
being. He is influenced by his surroundings. This will result in differences in individuals' behavior on the basis of their aspirations.

To emphasize his perspective, Fiblin gave an example of the behavior of a certain social class and tried to generalize it to the behavior of the other social classes. He stressed his explanation on the affluent social class, whose behavior was motivated by internal factors such as pride, fame, love for appearances, and egoism. He further explained that self-pride factors direct people's behavior in this class when they search for and buy some products that can reflect this feeling.¹²

4.4.2. Comprehensive or Macro-Approaches

In order to study consumer behavior various models have been used by researchers from such fields such as economics, sociology, psychology, management, and marketing. The comprehensive models are based on more than one variable. The following section explains some of the comprehensive models.

(a) Nicosia’s model

Nicosia is considered as one of the leading contributors in the development of macro-approaches to consumer behavior. He developed a conceptual framework for analyzing consumer behavior specifying the major elements in buying decision process and their interactions. Nicosia gave the first comprehensive review of theories and findings in behavioral sciences relevant to consumer behavior. A distinctive feature of the Nicosia model is the shift of emphasis from the purchasing act itself to the buying decision processes that precede and follow the purchase act. "The act of purchasing is only one component of a complex, ongoing process of decision making a process of many interactions among many variables over time."¹⁴ Nicosia identified four basic "fields in his flow chart that explains the structure of a consumer decision processes. Field one contains the firm’s attributes and its products. Media characteristics and target audience, the consumer’s space which is composed of environmental factors as well as the psychological factors such as personality characteristics and cognition, are included. The message aimed at target audience is expected to result in the formation of an attitude towards the product or brand and this outcome forms the input for the next field. In the second field, a search for and comparative evaluation of the advertised product take place. The
model differentiates between internal search - the consumer's conscious and unconscious associations with the product, brand, etc., and external search - information gathered from both commercial and noncommercial sources. The input from the second field in to third field may or may not be a motivation to buy the advertised brand. Third field includes the possible transformation of the motivation into an act of purchase. If purchase takes place, the fourth field has storage or use of the purchased item. The output is feedback which may or may not result in retention of the consequences of the purchase in the buyer's memory.

(b) Howard and Sheth’s model

A truly integrative model in consumer behaviour is based on Howard's study 1963. The model is comprehensive enough to handle different classes of consumers Compared to earlier models. Also it is distinguished by a richer specification of variables and their inter-relationships, and it attempts a much deeper and more detailed integration of theoretical positions from several behavioural sciences. Four distinct sets of factors in the buying process were analyzed in the model: (i) input (stimulus) variables, (ii) output (response) variables, (iii) hypothetical constructs, and (iv) exogenous variables.

According to Howard-Sheth theory the most significant stimulus affecting the buyer behaviour consists of information cues about a set of characteristics of the product or brand (quality, price, distinctiveness, service and availability). A similar set of cues could come in symbolic form from other impersonal sources such as advertising. Both these sources are commercial, representing the efforts of the firm. The third source is social information cues which could affect behaviour towards the product or brand. This may come from family, friends or to the members of the groups with which the buyer comes into contact or to which he aspires. This third source differs from the first two in two aspects. One is that it is not commercial. Other is that the social source is personal while the first two were impersonal.

There are a number of inputs. Similarly there are a number of buyer responses also. These are relevant for different areas of marketing strategy. The outputs, from a hierarchy, are the various dimensions of buyer behaviour. This may
include attention, comprehension, attitude, intention, and purchase. The most important among these from the point of view of a seller is purchase.

There are two sets of hypothetical constructs in the Howard-Sheth model. The first set concerned with perception. These concepts pertain to the way the individual deals with information available if not attended to (attention) and is not always crystal clear in its meaning (stimulus ambiguity). Some of the information cues may bombard the individual without his explicit consent, although he may at times engage in an overt search for information. The information cues to which the individual may attend may be distorted (perceptual bias) as a result of his own frame of reference. All of these are complex states or psychological processes.

The second set of hypothetical constructs in the theory relates to learning. The actual purchase which is the observable behaviour, is related to the individual's intention. The various motives are critical as representations of the goals the individual attempts to achieve through his buying behaviour. These goals are originated from his needs, which range from the basic physiological needs to the higher-level learned needs (such as the need for prestige or aesthetic satisfaction). Most closely related to the buyer's intention is his attitude towards the product or brand. As it is clear from the model, attitudes affect and are affected by a number of other variables, as well as being quite complex on their own.

Remaining learning constructs are brand comprehension, knowledge about the existence and characteristics of those brands that form the buyer's evoked set of alternatives, choice criteria, the buyer's mental rules, which he utilizes to evaluate brands as goal-objects; and confidence or the degree of certainty the buyer has about his brand comprehension, attitudes or intentions. Finally, the model includes a construct, Satisfaction, to refer to the post-purchase and post-use evaluation of the output of the process. This is the major feedback mechanism and has importance in learning.

A number of variables are included in this theory which does influence some or all of the constructs discussed above. Howard and Sheth include several such concepts which they call exogenous variables. Social and organizational setting is felt to have an important influence on much of the buyer behaviour.
The influence of our reference groups on all our behaviour indicate the fact that we are social animals and look at each other for guidance regarding what to buy. Social stratification is based on a rich social tradition of social class. Sociologists have developed volumes of information on the influence of social class on all sorts of behaviour. Researchers in marketing have found it useful in explaining the behaviour of consumers. Culture is considered as the shared, somewhat consistent, behaviour of a group of people. Financial status refers to the funds available for purchasing goods and services during some specified time period.

Howard and Sheth model appears to provide one of the most satisfactory explanations of consumer buying behaviour. The consumer is viewed as an active processor of data who has the ability to accept products. The complexity of many buying situations is indicated by Howard and Sheth.

Howard and Sheth have highlighted the necessity for marketers to analyze their marketing strategy and tactics, and to relate these to some systematic appraisal of the buying influences which affect the acceptance of their products. The interdisciplinary approach offered by Howard and Sheth’s model provided a strong foundation on which other theories are formulated.

(c) Engle – Kollat - Blackwell Model

This model is a more recent development than the Nicosia, and is conceptually simpler than the Howard and Sheth model while still being adequately comprehensive. It analyses the behavioural influences that affect the purchasing decision from the initial stages of awareness of need to the final stage of post purchase evaluation. This sequential approach, based on the decision-process model of buying behaviour, takes into account the multiple influences to which the buyer is exposed. This model identifies the three major classes of variables that form the basis for understanding buyer behaviour; (i) stimuli from the external environment, (ii) characteristics of a buyer, and (iii) the responses to external stimuli made by the buyer. Stimuli provide information that consumers must process. This task includes the stages of exposure, attention, comprehension, and retention. Stimuli should interact with personal characteristic to produce consumer response. The central control unit of the Engel Kollat- Blackwell model consists of (i) personality traits,
(ii) motives, (iii) attitudes, (iv) past information and experiences, and (v) evaluative criteria.

Consumer decision process can be extended, limited or habitual. An extended decision process begins when a consumer recognizes a problem which might be solved by the purchase of some product. For comparatively less important or more routine purchase decisions, a consumer may go through a limited decision process by evaluating only those product/brand alternatives already known, with no attempt to search for new alternatives.

Engel and Kollat revised the model in 1982. In its present form, the model contains five components: (i) input stimuli, (ii) information processing, (iii) decision process, (iv) decision process variables, and (v) external influences. The form of these components and how they relate to each other varies depending on the degree of involvement that the consumer is experiencing in a given purchase situation.

Under conditions of high involvement, for instance purchasing a new car, the consumer perceives considerable importance in the purchase situation and is likely to engage in extensive (involved) problem solving behaviour. This is usually characterised by a serious effort at information search and an intensive evaluation of alternatives. When Low involvement situations occur, the consumer perceives little personal relevance or importance to a purchase. In such cases, the purchase is likely to be made on the basis of existing levels of information and with only modest levels of deliberation.

The core of the complete model in its high involvement version is the decision-process component which includes five basic stages, (i) problem recognition, (ii) information search, (iii) alternative evaluation, (iv) choice, and (v) outcomes.

Problem recognition occurs when the consumer is activated by awareness of a difference between his or her actual state of affairs and his or her concept of the ideal situation. This may occur through internal activation of a motive such as hunger, or by confronting some external stimulus such as advertisement. Purchase action occurs only when the consumer perceives a sufficiently large discrepancy between the actual and ideal states.
Once the consumer is ready to act, the next stage is to undertake an information search. The first reaction is to review memory for stored information and experiences relevant to the problem. This information is in the form of beliefs and attitudes. The review leads to identifying a brand preference, and results in a routine purchase action. If an internal search does not provide adequate information, the consumer will engage in an external information search and a more extensive problem solving behaviour. This result in exposure to a variety of informational inputs called stimuli, which can arise from personal sources as well as from published or mass-media sources. The extent of external search will be influenced by the consumer’s perception of the costs versus benefits of such activity.

The information inputs are to be processed. The stimuli must capture the consumer’s conscious attention so as to influence extensive problem solving. The attention stage is highly selective. The comprehension stage involves deriving meaning from information. The alternative evaluation stage involves comparing information about alternative brands to evaluative criteria which are product-judging standards that have been stored in permanent memory.

Changes in consumer’s beliefs will modify attitudes. Attitudes that are favourable will lead to formation of a purchase intention. Another influence on purchase intention is normative compliance, which is the extent to which the consumer is influenced to conform to expectations of other important people such as those in a group or family members.

The model also recognizes the external influences that affect the consumer's decision process. Cultural norms and values play an important role in the consumer’s evaluation of the worth of the products. The consumer’s lifestyle will influence the evaluation criteria used to judge products. A second set of external factors affecting a consumers behaviour work through reference groups and family members.26
4.5. Models of House purchase

(a) Mateja Kos Koklic and Irena Vida model

Mateja Kos Koklic and Irena Vida model (2009)\(^{27}\) buying process for a custom-made prefabricated house consists of three main groups of variables: the buying process itself, the external and the internal factors indirectly impacting the buying process (through a buyer lifestyle and self-concept constructs). The results of empirical research confirm the notion that cognitive and rational factors alone do not offer a sufficient explanation of consumer behavior in the case of high-involvement products being purchased only a few times in a person’s lifetime. Customer’s personal situation and environmental factors, the role of feelings, experience, subconscious factors, needs and goals should to be taken into account while analyzing the buying process. The following evaluative criteria should be exposed as decisive in the evaluation stage of the buying process: that the house is custom-made, professionalism and reputation of the seller/company, quality, price, and architectural solutions. Along with the emotionally charged internal factors, which carry heavy weight in initiating the purchase, other factors identified in include the experience of buyer (with the product and the seller) and his/her prior knowledge. Significant external factors impacting the buying process include recommendations from people’s buyer trust, the seller/company’s behavior and marketing communication in the housing market.

(b) Onyekwere M. Ukoha and Julia O. Beamish model

This conceptual model developed in (1997) establishes relationships between the independent variables (single-item measures of structure types, building features, housing conditions, neighborhood facilities, public housing management, and the multiple-item measures of the specific features of the housing characteristics) and the dependent variables (overall housing satisfaction). The model indicates that overall housing satisfaction is directly affected by satisfaction with housing norms (single-item measures) and indirectly affected by the specific features of the housing (multiple-item measures) that comprise these norms. The multiple-item measures directly influence the single-item measures of housing satisfaction\(^{28}\).
This model developed (2010) in based on the notion that residential satisfaction is a composite construct of the indices of satisfaction which respondents perceive with dwelling unit features, dwelling unit support services, public facilities, social environment and neighbourhood facilities. According to this model objective attributes of the residential environment, once they have been evaluated by the individual become subjective giving rise to a certain degree of satisfaction. Subjective attributes are influenced by the subject’s socio-demographic and personal characteristics as well as his/her residential quality pattern, a normative element whereby the individual compares his/ her real and ideal residential environment. This model shows that the respondents’ evaluation of objective attributes of housing through their socio-economic and demographic characteristics becomes subjective attributes which can be captured into five components of housing satisfaction and these five components together form the basis of residential satisfaction of the inhabitants.39

4.6. Conclusion

In this chapter an attempt was made to present definition of the relevance of consumer behavior as a emerging field of study. Consumer behavior models such as traditional models and comprehensive models. In the subsequent section three models of house purchase are also discuss. Based on this a study model has been developed. The model is shows in the first chapter.
References


25. Ibid., p. 300.

