CHAPTER II
REVIEW OF LITERATURE

The purpose of this chapter is to review previous studies that have dealt with aspects of the same or similar problems. This survey of literature is not exhaustive. The compilation covers mainly books on Consumer Behaviour, Marketing and Economics and Journals of Economics, Consumer Research Marketing and Marketing Research.

2.1. The Constrained Consumer

James (1970) addresses the problem of choice and formation of preferences in a market characterized by cut-throat competition and rivalry. With claims and counter claims for various products and many brands, the choice task is made complicated. Consequently, buyers have to rely on surrogate clues like brand names and price to ascertain the quality of products. Such criteria of choice, he argues, leave much to be desired.

Alvin Toffler (1970) in his fascinating and well documented book, discussing the effect of technology on consumers, holds that the rate of technological change and its effects on society are creating severe problems for people in all roles including consumers. He introduces the concept of ‘over choice’, a state in which the advantages of diversity and individualization are cancelled by the complexity of the buyers’ decision-making process. Consumers purportedly feel overburdened by too much choice, product complexity and information, some of which are useless for sound decision making.

Maynes (1973) in a study on consumerism identifies informational imperfections of consumer market as the major constraint in consumers’ efficiency to perform their roles in a market effectively. Technical complexity accounts in a large measure for the extent of consumer ignorance concerning most modern products. This difficulty applies to the
ascertaining of prices and the extent to which a brand possess the desired characteristics as well as to knowing what characteristics are desirable. Consumers’ bargaining power is seriously impaired by lack of appropriate information required to bargain efficiently.

Akerlof, (1970) in his path breaking study maintains that information in the market place is very often asymmetric. He showed how trade can almost completely collapse when agents on the one side of the market have imperfect information and know only the distribution of product quality rather than the quality of each item traded.

Cochrane and Shaw Bell (1956) while conferring the informed consumer with the distinction of being the catalyst of competition, throw light on the consumer information problem. The individual consuming unit, the authors observe, cannot, acting independently, acquire in an efficient manner the information that he needs to make choices. Appliances have been a mystery to typical households and it requires proficiency to choose and use the same. Two possible approaches suggested for getting informed are acquiring the requisite expertise to evaluate products and product tests through experience. The inability to get expertise or to make tests prior to purchase is particularly disadvantageous where purchases are infrequent and costly. The typical consuming unit lacks time and resources to become adequately informed with respect to potentialities and limitations of the alternatives. Moreover an active desire-resistance conflict involves psychic cost and tensions, which consumers seek to avoid even at the expense of efficient disbursement by purchasing by rule, habit or impulse.

Hansen (1972) contents that the mounting variety and increasing competitiveness of the durable goods market make free and intelligent choice by the consumers difficult. Unusually greater complexity and faster pace of technological advancements in the case of durable products make the
problem of adequacy and comprehension of product performance information compounded. Longer lifespan and varied conditions under which these products are used, clouds post-purchase comparisons and makes the consumers less capable of personally evaluating durable products.

Russo (1988) cites a number of reasons why consumers are not able to use more information to make calculated decisions. Some of the possible reasons can be attributed to certain inherent characteristics of the consumer himself. When compared to sellers, consumers have only limited knowledge as their knowledge is 'domain specific'. Sellers have genuine and persistent motivation to be knowledgeable about their strategies with regard to positioning and disclosure of facts. Consumers who are confronted with an overwhelming number and complexity of consumption decisions do not have an equivalent disposition to be dynamic and intuitive. Consumers are also constrained by certain limitations of the information environment itself. Often crucial information will be missing, incomplete, inappropriate or biased.

Scitovsky (1976) diagnoses an element of regress in the domain of consumers' leverage in ensuring competitiveness. He observes that there is an element of 'isolation paradox' in the interactions between producers and consumers. Thus the consumer finds himself in a situation where his own actions' direct impact on competitiveness is negligible. His most rational course of action, therefore, is to save time on shopping. If we all follow this course of action, he warns, none of us will shop carefully, the market will cease to be competitive and all of us will be worse off than we would be, had we all devoted extra time to careful shopping.

Stern (1971) writing on consumer protection through increased information, considers the language of advertisement as an important factor that contributes to the problem of adequacy of product information. He endorses the view that most advertising down the years have done little more than say
sweet - nothings about a product. Advertisements have contained the least information and rely mainly on adjectives, charm, or manner of presentation coupled with unspecific and unsupported claims of superiority. He contends that the difficulties of attempting to provide greater information to consumers are substantial. The problem of communicating technical information to a non-technical audience, the time and space limitations of the vehicle of communication and the cost of the time and space used are all crucial.

Kurien (1997) recalling Akerlof's theory of asymmetric information, states that the most likely scenario for practically all manufactured goods is that the seller will have more information than most potential buyers. The presence of intermediaries who are not disinterested parties in a deal will lead to further asymmetries in information. Whenever it is to their advantage, they must be presumed to distort information. As such, as exchange increases and markets proliferate, it will become more and more difficult to concede the condition that all participants have the required information.

Mishra, Heide, Stanton and Cort (1998) comment that marketing relationships between buyers and sellers often are characterized by information asymmetry, in the sense that the supplier possess more information about the object of an exchange - e.g. product or service - than the buyer.

Bettman, Johnson and Payne (1991) suggest that the organization of information has overriding importance, as it affects the consumer's task of decision making. Advertisements usually discuss only favourable subset of available information on one brand at a time. In such an environment where information is received sequentially rather than simultaneously, the decision making problem gets confounded. A consumer exposed to such information would find the choice of the best brand in a product category on the basis of recall and ordering of attributes nearly impossible. The process, they argue
would be simple if a table summarizing the values of the brands' attributes were available such as the tables presented in Consumer Reports.

Amory (2000) labels neo-liberalism as a political ideology, which advocates market as a space of freedom. Consumer choice replaces citizenship as a preeminent right. Corporates need dependent consumers and therefore they deny their right to know and to choose. The citizen consumers' right to product choice is limited to the corporate product lines and may not include 'process destinations'. Illusory product diversity replaces the right to know, to participate, to regulate and to govern.

Spence, Michael (2002) in an article on signaling and informational structure of markets narrate that there are many markets with information gaps. These include most consumer durable goods among others. These information gaps might alter some of the performance characteristics of the markets in which they appear.

Muthukrishnan and Kardes (2001) maintain that the level of ambiguity in the choice context may often determine the degree of uncertainty with which preferences are held in choice. Following Ellsburg, they identify objectively ambiguous contexts as those in which available information is scanty or obviously unreliable, highly conflicting or where expressed expectations of different individuals differ widely. When choice sets in the market place are characterized by high ambiguity caused by missing information, even side by side comparisons may not reveal which option is superior. Ambiguity of this nature, they depict, is widely prevalent in the market place.

Tybot (2002) in a study on the effects of claim similarity and concurrent repetition demonstrates that when consumers are confronted with similar competitive brand claims from different producers which they process under low attention, repetitions of these claims may paradoxically make people more susceptible to memory confusion and choice uncertainty.
Vaishna Roy (2003) observes that the deluge of consumer goods which has occurred since liberalization has not taken place in an appropriately mature market and that the average consumer continues to be largely ignorant about his rights, about what to really look for or what offers him value for money when he goes shopping for a durable. With large number of products and claims, there is a high possibility that a consumer purchases a worthless product paying a high price.

2.2. Factors affecting Information Search

Cunningham (1964) postulates that purchase decisions can be viewed as decisions involving perceived risk. The risk perceived stems either from uncertainty measured by the subjective probability that the product will perform as expected or from the consequences or costs that may result from making the wrong decision or both. People behave so as to reduce their perceived risk. The study concludes that greater the perceived risk greater is the likelihood that a person will seek information that will enable him to reduce it.

Cravens, Hills and Woodruff (1976) quote research findings which indicate that relative to middle income consumers, lower income consumers tend to search less for information before making purchase decisions, are less mobile shoppers, rely on personal contacts and friendly merchants, and generally engage in behaviours which are less consistent with the 'economic man' type of consumers.

Johnson and Russo (1984) indicate that expert consumers have distinct product category knowledge as they have better developed product category cognitive structures, which enable them to develop more abstract and deeper levels of categorization. They use this capability of theirs to engage in more efficient information search.
Bettman and Park (1980) argue that the relationship between experience and information search is more likely to be an inverted ‘U’. Johnson and Russo (1984) support the same point of view. They point out that in the presence of expertise and increased experience, there will be an increase in the ability to encode new information and therefore people tend to search more in the initial stages. This accounts for the increasing part of the inverted ‘U’ curve. On the other hand, as experience increases beyond a particular point, the consumers have increasing ability to ignore irrelevant information. This accounts for the declining part of the inverted ‘U’ curve.

Moorthy, Sridhar, Ratchford and Talukdar (1997) maintain that economic incentives for search explain an inverted U relationship. If consumers have little experience in a category and have difficulty in making distinctions among the brands that they are willing to consider, there is little incentive to engage in search process. As experience is gained, consumers become aware of more attributes and are able to make finer distinctions between brands. As a result, they develop a greater incentive to search. Finally, when consumers have a great deal of experience, there is relatively less uncertainty about brands and their attributes. At this point information search becomes a non-value added activity, that is additional information is no longer valuable.

Iyer and Smith (1989) present overt evidence to show that if consumers are under time pressure, search activity will be severely restricted. Without time pressure opportunity is higher and search tends to increase. Also consumers will spend less time searching different sources as time pressure increases.

Srinivasan, Narasimhan and Ratchford (1991) in an empirical examination of a model of external search for automobiles observed that time pressure can have a negative impact on information search. Time pressure while shopping reflects the customers’ time availability and therefore their time costs.
Subjects who experience time pressure obviously reduce information search or follow patterns of search which are time saving.

Brucks (1985) focuses on variations in product related knowledge. A distinction is drawn between subjective and objective expertise; the former refers to the knowledge of attributes by the consumer whereas the latter reflects the consumers' own subjective evaluation of his own knowledge. Since experts are knowledgeable in a formal way with regard to attributes in the choice sets, and since they have stored them in memory, they seek information about a greater number of product attributes. They also tend to seek less information about inappropriate alternatives. Experts also appeared to search more selectively and more efficiently than novices.

Noel Capon and Roger Davis (1984) examining the impact of basic cognitive ability measures on consumer information processing strategies conclude that consumers with higher basic cognitive abilities such as intelligence and ability to integrate complex information, are more likely to acquire more information than consumers with little or no knowledge. They are also able to process this information in more complex ways.

Schaninger and Sciglimpaglia (1981) in a study on influences of cognitive personality traits and consumer demographics on information search, infer that consumers with higher education tend to involve more in pre-purchase information search than the less educated ones as they possess some accumulated product knowledge which is easily accessible and testable for making further modifications. The more educated also have the added advantage of greater accessibility to sources of information and as such they tend to make use of those sources.

Alba and Hutchinson (1987) put forward consistently differential patterns of search by consumers with different levels of knowledge. Consumers with moderate level of knowledge search the most as they are more motivated
and are capable of deciphering new information drawing on their already existing knowledge. Experts indulge in ‘smart search’ since they know how to selectively direct their search towards the most relevant or diagnostic information.

Urbany, Dickson and Kalappurackal (1996) assert that similarity on key attributes possessed by rival brands is a key determinant of information search. As attributes of available competing brands converge to homogeneity, the perceived benefits from information search diminish progressively. Thus the greater the perceived attribute congruity across alternatives, the lower the effort invested in information search.

James Jeffrey (2000) identifies interdependence between the extent of information search and the nature of characteristics which producers decide to embody in the goods they sell. The less thorough the process of acquisition of information, the greater the opportunity afforded to the producers to differentiate his product in minor ways, making acquisition of information and efficiency in consumption even more difficult. Where information search is thorough, the changes in characteristics will, in general, tend to be substantive as opposed to ‘cosmetic’ alterations thought to typify markets characterized by poor quality search.

2.3. Sources of Information and their Influence

Beatty and Smith (1987) present a taxonomy of sources of information. Five major groups of sources are pinpointed. They are:

i. Retailer: where the consumer collects information from stores or dealers or from packages and pamphlets.

ii. Media: i.e. information from marketer dominated commercial sources.

iii. Interpersonal sources: where the consumers gather information from others with whom they are associated.
iv. Independent sources: where the consumers consult sources such as books and publications, which are not generated by the marketer.

v. Self: i.e. the consumer uses own consumption experience through product trials.

Retailer and media are the most common sources used by consumers followed by own experience of consumption.

Hoyer and Mac Innis (1999) detail the sources of influence in terms of marketer or non-marketer-dominated sources. Incidentally it happens to be a word-picture of the various sources of information. The first category refers to marketer-dominated sources delivered via mass media and includes advertising, sales promotions, publicity and special events. The second head, which outline marketer-dominated sources delivered personally, comprise of sources like salespeople, service representatives and customer service agents. Under the third form which is marked out as non-marketer dominated sources delivered via mass media, the authors mention, among other sources, news about new products and services, television programmes, publications of organizations, consumer reports etc. The list under non-marketer dominated sources delivered personally contains sources of word-of-mouth communications namely friends, family, neighbours, casual acquaintances and even strangers.

Feick and Price (1987) put forward opinion leaders and market mavens as credible sources of information. Opinion leaders, because of their position, expertise and knowledge, are capable of disseminating trustworthy information. Consumers in general rely on market mavens who, due to their general interest in markets, accumulate a lot of information from various sources regarding product attributes and market place as a source of information.
Smith and Swineyard (1983) studying the differential impact of product trial and advertising as sources of information, conclude that product trial leads to higher information acceptance than advertising. This happens, they argue, because of the fact that people rarely derogate themselves as sources of information and they see information acquired by experience relatively more reliable and therefore more acceptable. The higher information acceptance leads to higher order beliefs and affect. Contradictory to this, the study finds that lower order beliefs and affect are formed from exposure to advertising.

Arndt (1968) in a study on the relative weight assigned by consumers to the different sources of information in the ultimate decision making context, construe perceived risk as a decisive factor in choice of source of information. The findings of the study suggest that consumers who perceive high risk in connection with the product either avoid adopting it or if at all they adopt, do engage in more extensive decision processes in which personal information sources become important. i.e. high-risk products make the more credible sources such as personal information more important.

Business Line - Indica Research (2001) on car buying behaviour in India reports that on an average a buyer gathers information from three or four sources. Of these, talking to the dealer is the most common source and also considered as the second most reliable. Next in popularity are the views of friends and relatives. Car advertisements were used to gather information only by forty six per cent of the respondents and only twenty seven per cent felt that they were reliable. Despite the cyber boom, internet was used as a source only by nine percent of the buyers and only seven percent of the total respondents felt that it was a reliable source.

The study also vehemently supports the view that branding is here to stay, especially in a product category like cars where it is often difficult to distinguish between competing brands on purely technical or functional
parameters. The brand has thus become the most meaningful differentiator and a guarantee of 'safe 'choice.

2.4. Deliberation and Use of information in Brand Choice

The earliest study reported on the extent of pre-purchase deliberation by buyers is that of Katona, George (1951). Katona expresses scepticism about the availability of evidence regarding foresight in consumers' purchase plans. Numerous empirical investigations by him resulted in interesting findings. Under certain circumstances, such as buying a house or a car, consumers make genuine decisions after carefully considering alternatives. Otherwise they follow habitual patterns of behaviour. His research findings indicate that for purchases exceeding $1000, planning and genuine decision-making are frequent; for purchases of several hundred dollars, planning and decision-making are less frequent; and for purchases of less than $100 planning and decision-making are infrequent.

Katona and Mueller (1954) found considerable variations in the extent of advance deliberations among households. The actions of only on fourth of the group appeared to conform to the idea of economic man. Almost one third of the time buyers did not consult more than two sources of information, they mainly consulted friends relatives and others before they made the purchase. Even for purchases which involved considerable amount of money, buyers did not indulge in extensive search.

Kerby (1967) found brand name generalizations i.e. previously formed cognitive and affective relations with a brand name or product class characteristic generalized to a new product with an old brand name, does not occur with consumer durables. The study suggests that semantic generalizations come only when the products are relatively unimportant, requiring a minimum of intellectual and emotional effort.
Cohen (1971) opines that the consumers are selective in his acceptance of information offered. This selectivity, according to her, is partly due to a difference between the objective environment in which the consumer really lives and the subjective environment he perceives and responds to. The consumer reacts to information not only with his intelligence, but also with habits, traits, attitudes and feelings. In addition, opinion leaders, reference groups and so on influence his decisions significantly. There are pre-dispositions at work within the individual that determine what he is exposed to, what he perceives, what he remembers and the effect of the communication upon him.

Newman and Staelin (1972) in a study on pre-purchase information seeking for purchase of new cars and major household appliances report less than optimal search for information by buyers. Only one half of all consumers purchasing major household appliance visit more than one retail outlet or consider more than one brand.

Hansen (1972) comments that if 'rational choices' ever are found in consumer decision making, it is likely to be in connection with first purchase of major durables. The nature of the problem is complex enough to arouse such processes and since the satisfaction derived from the durable products is not realized immediately, the choice processes would include future states of affairs as cognitive elements. However one cannot generalize that all choices made in the course of decision process to be rational. Many semi - complex choices would be found, but 'clue-guided choices' are not likely to be frequent, as the consumer will not have many clues to rely on. Whereas forced learning may occur in the awareness phase, information acquisition is the most likely activity in the interest and evaluation phases during which a considerable number of alternatives may be considered and many different information sources will be attended to.
Meyer (1981) constructing a model on multi-attribute judgments under attribute uncertainty and information constraint conclude that if a consumer does not have information on the value of a particular attribute for some alternative, he or she may infer that attribute's value from other available information. His results show that consumers infer a discounted value for a missing attribute value, that is, a value which is less than the average value of that attribute across other alternatives.

Ford and Smith (1987) find that the consumer uses available attribute information for formation of inferential beliefs in consumer evaluations and generalizations. Consumers' inferences about a missing value for a given brand are influenced more by information about other attributes of that brand than by information about the same attribute for other competing brands.

Lynch and Srull (1982) document that novel and unexpected information is more likely to gain attention, to be processed more extensively and to be better recalled. They also conclude that novel information captures attention at the expense of other information in the decision process due to the individual's limited attention and processing capabilities. Therefore new attributes of a product, if perceived novel, are likely to get more importance.

Mizerski (1982) studying experimentally the disproportionate influence of unfavourable information, notify that the findings of the experiment support hypothesis proposing that unfavourable ratings, as compared to favourable product ratings on the same attributes, prompts significantly stronger attributions to product performance, belief strength and affect towards products. People pay more attention to negative information and give it more importance and therefore it is more influential. Since such information is amazing, atypical and unconventional, people conjecture it to be more diagnostic. Negative information also evokes the attitude of attributing a problem associated with the product to the product itself and not to the
consumer who uses it. Therefore unfavourable information has a disproportionate influence on decision-making.

Purse, Punj and Stewart (1984) in a study on the extent of information search and forethought in automobile purchases found that about twenty-five percent of automobile buyers did no searching for information from outside sources in spite of the fact that the item purchased was important and involved higher financial outlays.

Keller and Staelin (1987) studied the effect of quantity and quality of information on decision effectiveness and suggest that along with the quantity of information, the quality of information also has to be considered. Quality of information is the cumulative importance of information. Their study revealed that increases in information quantity without commensurate increases in quality, reduced decision accuracy. A given quantity of information, when quality is increased resulted in better decision accuracy. Consumer confidence increases in magnitude when the total amount of information was enriched both quantitatively and qualitatively.

Herr, Kardes and Kim (1991) in a study on word of mouth and product attribute information assign word of mouth the role of a very important persuasive source as it involves face to face and vivid interactions with another person. According to them word of mouth is, compared to written information, more convincing and more eloquent, and therefore more influential.

Varghese, Ogale and Sreenivasan (1996) commenting on the buying habits of consumers state that their buying practices are on the whole irrational, unintelligent and 'un-businessman-like' because they are poorly informed regarding the availability of products and methods of identifying quality. Basically they lack knowledge of sources of reliable information.
Jacoby, Speller and Berning (1974) attempt to explain that if the amount of information in a choice environment exceed the capacity of the consumers, then they might become confused and make poorer choices. In their study they found that increasing package information load tends to produce dysfunctional consequences in terms of the consumer's ability to select that brand which was best for him. In other words, the subjects felt better with more information, but actually made poorer purchase decisions.

Leckenby (2001) examines the effect of information overload in an online environment and traces the possibility of information overload when people make a choice with an amount of information that exceed their capacity. Information overload was found to be less detrimental for those who have a high-level of product information than for those who have less or no product knowledge. Consumers' product knowledge or information accessibility worked in such a way that it decreases information overload to some degree and increases choice quality.

Hundal and Sandhu (1987) in a case study of buying behaviour of television buyers in Punjab, come to the conclusion that the recommendations of friends and relatives influenced brand selection in a little less than fifty per cent of the cases. In contrast, advertisements contributed to brand selection decision only in thirty nine per cent of the cases.

Bhavani Prasad and Sitakumari (1987) in a study on the impact of advertising on consumer durable goods market, bring in evidence to prove that buyers tend to visit on an average only one shop and shop for durables with pre-determined ideas about purchase of a particular brand. Friends are the main influence in brand choice decisions followed by relatives.

Mallikarjuna Reddy (2001) in a study on audio choice in the twin cities of Hyderabad and Secunderabad found that eighty one per cent of the respondents considered company's reputation as the most important factor
while choosing audio appliances. Majority of the respondents considered price as an important factor as they correlated price with quality.

The above review focuses on the buyer information and brand choice problem mainly from the point of view of authors in a developed country setting. Buyer information being an under researched area, there is paucity of relevant literature generated through research in the Indian context. A few marketing research organizations are involved in product-specific and brand-specific studies mainly for improving the marketability of those products and brands. Although National Council of Applied Economic Research conducts Market Information Survey of Households, the main thrust of such studies is on trends in consumption in general and on other related variables contributing to changes in levels of consumption and composition of consumption.