

## **Module - 5**

# **CONSUMER BEHAVIOR**

**Sangeeta Sahney**

**Assistant Professor,**

**Vinod Gupta School of Management**

**Indian Institute of Technology**

**Kharagpur, India**

**Email. [sahney@vgsom.iitkgp.ernet.in](mailto:sahney@vgsom.iitkgp.ernet.in)**

## **MODULE 5: MODELS OF CONSUMERS (4 hours)**

### **MODULE 5: MODELS OF CONSUMERS (4 hours)** **MODELS OF CONSUMER BEHAVIOR**

- 5.1 Models of Consumers**
- 5.2 Models of Consumer Behavior: General Models**
- 5.3 Models of Consumer Behavior: Basic Models**
- 5.4 Models of Consumer Behavior: Specific Models**

### **Introduction:**

Consumers are different. Although the decision making process is the same, they have varying perspectives and this impacts the final decision. Consumer behavior models help a marketer in identifying and understanding a wide range of variables that could explain consumer behavior. In this way these models help a marketer understand and predict buyer behavior, and they help the marketer formulate better marketing programs and strategies. Researchers have attempted to study the dynamics of consumer decision making consumer behavior from varying orientations, and various models have been proposed. These models have evolved from the economic paradigm of the 1940s, to the irrational, impulsive, emotional and vulnerable social consumer of the 1950s and 1960s, to the information processor of the 1960's and 70s, to the cognitive and rational consumer post 1980's. The purchase paradigms have also evolved; there is the cognitive paradigm, where purchase is regarded as an outcome of problem solving; the reinforcement paradigm, where purchase is regarded as a learned behaviour; and the habit paradigm, where it is regarded as a pre-established routine pattern of behaviour

## LESSON – 9 Models of Consumer Behavior I

### Instructional Objectives:

After completion of this lesson, the student shall know about:

#### 5.1 Models of Consumers

#### 5.2 Models of Consumer Behavior: General Models

### 5.1 MODELS OF CONSUMERS:

Consumers approach the marketplaces differently; they go through the buying decision process differently as it gets impacted by internal and external forces. Researchers have attempted to understand the dynamics of consumer decision making and they have classified four varying views and perspectives, the underlying forces operating within consumers that could be employed to approach the marketplace. These are i) Economic ii) Cognitive iii) Passive iv) Emotional.

**i) Economic view:** According to the economic perspective of studying consumers, the consumer is regarded as being rational. The model assumes that there exists in the market a state of perfect competition; the consumer is aware of the various alternatives; he has the knowledge and ability to rank all of these; and he finally takes a rational decision. He takes a decision and makes a choice as after taking into account the cost and benefit, and the overall value in economic terms.

**ii) Cognitive view:** The consumer is regarded as being a problem solver, who searches for products to fulfill his needs/wants. Consumer decisions are based on information gathering and processing. The consumer is believed to take decisions after a lot of thought and deliberation, so as to get maximum benefit and value.

**iii) Passive view:** Here, the consumer is regarded as irrational and impulsive, who easily succumbs to the selling and promotional efforts of the marketer. It is assumed that the consumers are submissive to the self-serving interests of the marketer and the salespersons are powerful.

**iv) Emotional view:** The consumer is regarded as being emotional and impulsive. who takes decisions based on moods and emotions. Marketers must put in efforts and create positive mood and emotions.

## 5.2 MODELS OF CONSUMER BEHAVIOR: General Models:

The consumer models refer to varying orientations and perspectives with which consumers approach the marketplace and how/why they behave as they do. They refer to how the varying orientations impact the buying decision process and overall buyer behavior.

Various models have been proposed by researchers; these models can be classified as (a) General models (b) Specific models. This session deals with the General Models. The Specific Models are dealt with in the next session.

**GENERAL MODELS:** There are four models that fall under this category, viz. Economic model, Psychological model, Psychoanalytic model and Sociological model

**i) The Economic model:** The economic model explains buying behavior from an economic perspective; The assumption is that resources are scarce viz. a viz unlimited needs; a consumer seeks value: he wants maximum benefit at minimum cost. The economic models showed concern as to how scarce resources were allotted to satisfy the unlimited needs and wants.

Economic models can be further classified into Micro economic models and Macro economic models.

### **Micro economic models:**

The micro economic models focus on the act of purchasing; they focus on what an average consumer would purchase and in what quantity; they also ignore why and how the needs/wants get prioritized, and how the behavior is underpinned.

According to the micro economic view, consumers are rational in nature and value utility. With resources being scarce, they would allocate money on their purchases in a way that satisfies them maximally. The consumer decisions are thus based on benefit to cost ratio; the consumer would settle on an alternative that provides the highest ratio in terms of marginal utility.

The limitations of studying consumer behavior with this orientation is that consumers are not always rational, and they seek average /adequate satisfaction and not total satisfaction. Also, consumers assess the benefit to cost ratio differently; they define the two variables “cost” and “benefit” variedly; the issue is subjective. The view is also silent about other forces that operate during the buying process.

### **Macro economic models:**

The macro economic models focus on the overall trend in the economy that has an impact and is also impacted upon by buying patterns. They focus on the aggregate flows in the economy. Conclusion about consumer behavior are made after analyzing such flows. This approach could also be studied with two orientations:

- a) Relative income hypothesis: A person's expenses are influenced by his social surrounding and group. With his income being constant, the relative expenses and the resultant savings will not change, until and unless, there is a big change in the total income. The hypothesis holds that what and how much a consumer spends is not solely dependent on income, but is influenced by peers.
- b) Permanent income hypothesis: Even if the total income increases, people initially exhibit inertia towards spending as they want to accumulate wealth; so purchasing pattern does not change immediately.

The limitations of studying consumer behavior with this orientation is that the view is silent about other forces that operate during the buying process.

**ii) The Psychological model:** The psychological model, also called the Learning Model or the Pavlovian Learning Model, was proposed by classical psychologists led by Pavlov. According to this model, consumption behavior and decision making is a function of interactions between human needs and drives, stimuli and cues, responses and reinforcements.

People have needs and wants; They are driven towards products and services (stimuli and cues), which they purchase (response), and they expect a satisfying experience (rewards and reinforcements); Repeat behavior would depend on reinforcement received.

The model believes that behavior is deeply affected by the learning experiences of the buyers; and learning is a product of information search, information processing, reasoning and perception. Reinforcement leads to a habit formation and the decision process for an individual becomes routinized, leading to brand loyalty. Consumers also learn through trial and error and resultant experiences that get stored in our memory.

The limitations of studying consumer behavior with this approach is that the model seems incomplete. Learning is not the only determinant in the buying process and the decision making. The model totally ignores the role played by (a) other individual determinants like perception, personality (the sub-conscious), attitudes; as well as (b) interpersonal and group influences.

**iii) Psychoanalytic model:** The psychoanalytic model was proposed by Sigmund Freud. The model tries to explain consumer behavior as a resultant of forces that operate at subconscious level. The individual consumer has a set of deep seated motives which drive him towards certain buying decisions

According to the model, buyers needs and desires operate at several levels of consciousness. Not all of the behavior is understandable and explainable by the person. Also not all of human behavior is overtly visible and explainable. Sometimes, the behavior may not be realized and understood by the person himself. Such causes can be understood by drawing inferences from observation and casual probing.

There have been two more contributions that have been made to the psychoanalytic approach, these are a) Gestalt model b) Cognitive theory

**Gestalt model:** The model based on Gestalt principles (meaning “patterns and configuration”) lays emphasis on the perceptual processes that impact buying behavior. According to this model, consumption behavior and decision making is based on how a consumer perceives a stimuli ( the product and the service offering and the 4 Ps) viz a viz. the external environment and his own prior experiences.

**Cognitive theory:** The model proposed by Leon Festinger, views the consumer as one who faces a feeling of anxiety (dissonance), while he is making a purchase; this is because he is faced with many alternatives, all of which seem desirable. Post-purchase, this dissonance increases even further. There is an imbalance in the cognitive structure; and the consumer tries to get out of this state as soon as he can. So a buyer gathers information that supports his choice and avoids information that goes against it.

**iv) Sociological model:** The model is based on findings of Thorstien Veblen, and focuses on the role played by social groups and social forces. A person’s consumption pattern and buying behavior is affected by social factors; his family, friends, peers, social groups, reference group and culture have a major role to play. According to the model, man is perceived as a “social animal”, and thus he conforms to norms of its culture, sub culture and groups amongst which he operates. Emulative factors and social influences have a big role to play in consumer decision making.

**Table 1: MARKETING IMPLICATIONS OF MODELS**

<b>MODEL</b>	<b>IMPLICATION</b>
<b>Economic model:</b>	-Consumers' are price sensitive; they look out for a value proposition and thus buy those offerings that give them more benefit vis a vis cost.
a) Micro economic	-As a marketer, this implies that he should offer to customers a Value proposition. -Deals and sales promotion can also impact buying decisions to his favor.
b) Macro economic	Consumer purchases are affected by fluctuations in the economy.
<b>Psychological model</b>	-Consumers learn from experiences of self and others. -They would buy products and services that are rewarding and would bring positive reinforcement. -Marketers should arrange for product demonstrations. -They should also encourage trials: free samples, testing and sales promotion can help elicit trials. -If the consumer finds the product usage satisfying, he would go for a repeat purchase.
<b>Psychoanalytic model:</b>	-While consumers may look for functional benefits while buying a product, they are also affected by hedonic elements. The marketer also needs to understand the consumer psyche and design the 4Ps accordingly; this has implications on pricing and promotion.
a) Gestalt	This has implications for brand management; branding, brand associations and imagery.
b) Cognitive	-This is related to post-purchase behavior; the marketer needs to help minimize the consumer's post-purchase dissonance.
<b>Sociological model</b>	- A persons' purchase behavior is affected by his culture, sub culture and social group; - Opinion leadership and social group appeals.



## REFERENCES FOR FURTHER READING:

1. Kotler P., and Armstrong, G., Principles of Marketing, Eleventh Edition, 2006, Prentice-Hall.
2. Kotler P., and Keller K.L., Marketing Management, Thirteenth edition, 2009, Pearson.
3. Loudon, D.L. and Bitta A.J. Della, Consumer Behavior, Fourth Edition, 2002, Tata McGraw-Hill, New Delhi.
4. Peter, P.J. and Olson, J.C., Consumer Behavior and Marketing Strategy, Seventh Edition, 2005, McGraw-Hill Higher Education.
5. Schiffman, L.G. and Kanuk, L.L., Consumer Behavior, Eight Edition, 2004, Prentice Hall, India.
6. Wells W.D. and Prensky, D., Consumer Behavior, 1996, John Wiley & sons, Inc.

## FAQS (FREQUENTLY ASKED QUESTIONS):

**Ques 1      What do you understand by the term “ Models of Consumers”? What are the various views and perspectives?**

**Ans I** the term “Models of Consumers”, refer to varying orientations and perspectives with which consumers approach the marketplace and how/why they behave as they do.

There are 4 varying views and perspectives:, namely, Economic, Cognitive, Passive, and Emotional.

i) Economic view:

- consumer is regarded as being rational.
- he takes a decision and makes a choice as after taking into account the cost and benefit, and the overall value in economic terms.

ii ) Cognitive view:

- the consumer is regarded as being a problem solver, whose decisions are based on information gathering and processing.
- he takes a decision after a lot of thought and deliberation, so as to get maximum benefit.

iii) Passive view:

- the consumer is regarded as irrational and impulsive, who easily succumbs to the selling and promotional efforts of the marketer.

iv) Emotional view:

- the consumer is regarded as being emotional and impulsive.
- he takes decisions based on moods and emotions.

**Ques 2 Write short notes on the following:**

- a) Psychological model of Consumer Behavior
- b) Psychoanalytic model of Consumer Behavior

**Ans a) Psychological model of Consumer Behavior:**

The model also called the Learning Model or the Pavlovian Learning Model was proposed by classical psychologists led by Pavlov. According to the model, consumption behavior and decision making is a function of interactions between human needs and drives, stimuli and cues, and responses and reinforcements. People have needs and wants; they are driven towards products and services (stimuli and cues), which they purchase (response), and they expect a satisfying experience (rewards and reinforcements); repeat behavior would depend on reinforcement received.

**b) Psychoanalytic model:**

The model proposed by Sigmund Freud, tries to explain consumer behavior as a resultant of forces that operate at subconscious level. According to the model, buyers' needs and desires operate at several levels of consciousness; Consumption behavior and decision making is dependent on a number of forces operating at the subconscious level; many of the causes of such behavior are not visible to other people; sometimes, they may not be realized and understood by the person himself. Such causes can be understood by drawing inferences from observation and casual probing.

- Two other contributions under the psychoanalytic school are as follows:

- i) Gestalt model: - consumption behavior and decision making is based on how a consumer perceives a stimuli (the product and the service offering and the 4 Ps) viz a viz. the external environment and his own prior experiences.
- ii) Cognitive theory: according to the model, the consumer faces a feeling of anxiety (dissonance), while he is making a purchase; this is because he is faced with many alternatives, all of which seem desirable; Post-purchase, this dissonance increases even further. So a buyer gathers information that supports his choice and avoids information that goes against it.

## SELF EVALUATION TESTS/QUIZZES:

### Section A True/false:

1. According to the cognitive view, a consumer takes a decision and makes a choice as after taking into account the cost and benefit, and the overall value in economic terms.
2. The cognitive view, holds relevance for post-purchase behavior.

### Section B Fill up the blanks:

1. According to the \_\_\_\_\_ view, the consumer is regarded as irrational and impulsive, who easily succumbs to the selling and promotional efforts of the marketer.
2. The \_\_\_\_\_ model focuses on the overall trend in the economy that has an impact and is also impacted upon by buying patterns.
3. The \_\_\_\_\_ model proposes that consumption behavior and decision making is a function of interactions between human needs and drives, stimuli and cues, and responses and reinforcements.

### Section C Multiple choice questions:

1. The Gestalt model is a contribution from the \_\_\_\_\_ school of thought.
  - a) Sociological
  - b) Psychological
  - c) Psychoanalytic
  - d) None of the above.
2. Which of the following is not true about the psychological model?
  - a) Consumers learn from experiences of self and others.
  - b) They would buy products and services that are rewarding and would bring positive reinforcement.
  - c) They believe in what their social groups say.
  - d) Repeat behavior would depend on reinforcement received.

**Section D Short answers:**

1. Which are the four models of consumers?
2. Mention the two kinds of economic views in studying consumer behavior?
3. Who were the proponents of a) Psychological model b) Psychoanalytic model c) Sociological Model.

**KEY**

**Section A True/false:**

1. False
2. False

**Section B Fill up the blanks:**

1. Passive
2. Macro-economic
3. Psychological

**Section C Multiple choice questions:**

1. c
2. c

**Section D Short Answers:**

1. Economic , Cognitive, Passive, Emotional
  2. Micro-economic view, Macro Economic view.
  3. a) Pavlov b) Freud c) Veblen.
-