

CHAPTER II

LITERATURE REVIEW

The concepts and theories of consumer behavior were originally developed by scientists in other disciplines and fields of inquiry. They include psychology, sociology, social psychology, anthropology and economics. The interdisciplinary nature of consumer behavior serves to integrate existing knowledge from other fields into a comprehensive body of information about the consumer.

There are tremendous amount of literature on consumer behavior from the West, especially the United States of America. However, research is clearly needed to check the validity of applying these theories/findings in Malaysia.

This Chapter is divided into two parts. In the first part, the theoretical background of consumer behavior are discussed. This is then followed by a brief discussion on some of the previous research in this field.

Theoretical Background

The marketing concept states that marketers must first define the benefits consumers seek in the marketplace and gear marketing strategies accordingly. The marketing concept was first formulated in the early 1950s (Assael 1992). In the beginning history of marketing concept, many organizations operated under the production method which dictated that consumers preferred products that are widely and easy access/available and priced low. Production-orientated organizations concentrated on reaching high volume production efficiency and

effective distribution coverage. As a result, mass marketing strategy was developed to achieve economies of scale in production and marketing. With little competition among the manufacturers and limited choices available to the consumers, this strategy worked well for most organizations at that point of time.

With technological advances of the 1950s and the resultant tremendous increase in production capacity, manufacturers were faced with the difficulty of disposing off their products. The selling concept which emphasized on aggressive selling and sales promotion effort was seen as the only solution for most of the manufacturers. However, as the product markets developed, increasing numbers of new entrants resulted in more intense competition among the manufacturers. Here, manufacturers have begun to focus on product quality of their products as the main selling point. At this point of time, others emphasized development of market segmentation and product differentiation (Bass, Tigert & Lonsdale 1968). As a corollary, the understanding of consumer behavior became important (Churchill & Surprenant 1982).

The economic recession of the late 1970s and early 1980s led to a greater price sensitivity among consumers and resulted in a reverse trend in marketing strategy (Resnik, Turney & Mason 1979). Aggregation strategy was observed to work well with highly price-elastic markets since prices could be lowered with economics of scale in volume production.

Currently, the focus is on the pursuit of competitive advantage (Porter 1980; Porter & Millar 1985). The ability and capacity to establish and to maintain an advantage will definitely give superior performance over that of competitors is

the central theme of contemporary strategic thinking. A strategy of balancing between competitor-centered and customer-centered assessments appears to be the direction for gaining cutting-edge advantages in the near future.

The field of consumer behavior came into its own in the early 1960s. An emerging concern within marketing for more comprehensive accounts of consumer behavior coincided with a growing interdisciplinary trend within business schools and the hiring of "pure" behavioral scientists for management school faculties (Ward & Robertson 1973).

A consumer behavior literature emerged and research was conducted across a variety of constructs, although very little integrative research was done. Howard (1963) and Kuehn (1962) were instrumental in advocating learning theory approaches to consumer behavior; personality and social character were studied by a host of researchers, including Evans (1959), and Kassarian (1965); cognitive dissonance was pursued by Engel (1963), Kassarian and Cohen (1965), and many other researchers, Bauer (1960) introduced the idea of perceived risk and generated a brief research tradition culminating in the publication of Cox (1967), Steffire (1968) and Green (1969) focused attention on perception preference mapping; Levy (1959) was instrumental in advocating a symbolic interactionism point of view; attitude was given explicit treatment by Day (1969) among others; Bourne (1957) and Stafford (1966) focused attention on reference groups; King (1963) and Zaltman (1965) studied interpersonal communication and diffusion; Levy (1966) and others at Social Research Incorporated related social class to consumer phenomena; Wells (1966)

furthered the concept of life style; and Bauer (1965), Sturdivant (1969), and others focused attention on subcultures, such as blacks and ghetto consumers (Ward & Robertson 1973).

What is Consumer Behavior?

Consumer behavior is defined as the study of the buying units and the exchange processes involved in acquiring, consuming, and disposing of goods, services, experiences, and ideas (Mowen & Minor 1998).

One of the most important principles of successful branding understands your consumer. There is nothing more important than getting a deep and insightful understanding of consumer needs in every market where a company competes. A company must dig deep to understand consumer needs, attitudes, and usage habits in a competitive framework.

Consumer behavior analysis is the basis for marketing management. It helps marketing managers to design the marketing mix, segment the marketplace, position and differentiate products, perform an environmental analysis and develop market research studies. It also provides knowledge of overall human behavior.

The study of consumer behavior is also concerned not only with how consumers behave but with why they behave as they do. As consumers, it is vital for us to study consumer behavior so that we may gain greater insight into our own consumer-related decisions: what we buy, why we buy, and how we buy.

Three Research Perspectives on Consumer Behavior

Consumer behavior is characterized by studies that make use of theories and concepts borrowed from established behavioral science disciplines. Moreover, the field is multidisciplinary in the sense that it draws from several different fields of study. It also serves diverse user groups, including marketers, consumer advocates, and government regulatory agencies (Ward & Robertson 1973).

As a social science, consumer behavior employs research methods and procedures from psychology, sociology, economics, and anthropology. Briefly, research in consumer behavior is organized according to three research perspectives that act as guides in thinking about and identifying the factors that influence consumer acquisition behavior. These three perspectives are:

1. The Decision-Making Perspective

The decision-making perspective portrays consumers as taking a series of steps when making a purchase. These steps include problem recognition, search, alternative evaluation, choice, and post-acquisition evaluation. The roots of this approach are in cognitive and experimental psychology and certain areas of economics (Mowen & Minor 1998).

2. The Experiential Perspective

The experiential perspective on consumer buying proposes that in some instances consumers do not make purchases according to a strictly rational decision-making process. Instead, they buy certain

products and services in order to have fun, create fantasies, or feel desired emotions. The roots of the experiential perspective are in motivational psychology and in certain areas of sociology and anthropology. Researchers who take an experiential perspective frequently use interpretive research methods. Interpretivists believe that researchers inevitably influence the data-collection effort, concentrate on understanding rather than predicting behavior, and think that reality is socially constructed (Mowen & Minor 1998).

3. The Behavioral Influence Perspective

The behavioral influence perspective assumes that strong environmental forces propel consumers to make purchases without necessarily first developing strong feelings or beliefs about the product. According to this perspective, the consumer neither goes through a rational decision-making process nor relies on feelings to purchase a product or service. Instead, the consumer's purchase action directly results from environmental forces, such as sales promotion devices (e.g., contests), cultural norms, the physical environment, and economic pressures. The roots of this perspective are found in behavioral learning theory (Mowen & Minor 1998).

Models of Consumer Behavior

A model is a replica of the phenomena it is intended to designate; that is, it specifies the elements and represents the nature of relationships among them.

As such, it provides a testable "map of reality," and its utility lies in the extent to which successful description and or prediction of behavior and its underlying influences is made possible (Engel & Blackwell 1982).

As consumer behavior emerged as a subject for intensive study in its own right, confusion developed with respect to these variables. A real step forward occurred with the publication of three models of consumer behavior in the 1960s.

Models of consumer behavior usually are elaborate flow charts explaining the process. Some variables and the relationships between them can only be hypothesized at this time. No model can be considered definitive or final, because revision is necessary as new research becomes available.

The Howard-Sheth Model

One of the major contributions to the literature of consumer behavior was publication of *The Theory of Buyer Behavior* by John A. Howard and Jagdish N. Sheth in 1969. It has evolved somewhat over the years, culminating in Howard's own model discussed in the next section (Engel & Blackwell 1982).

The Howard-Sheth model is a major revision of an earlier systematic effort to develop a comprehensive theory of consumer decision-making. This model explicitly distinguishes between three levels of learning or stages of decision-making: (1) extensive problem solving, (2) limited problem solving, and (3) routinized response behavior. The model consists of four major sets of variables: (1) inputs, (2) perceptual and learning constructs, (3) outputs, and (4) exogenous variables.

The Howard Model

John Howard has revised the original Howard-Sheth model even further in an influential volume published in 1977 entitled *Consumer Behavior: Application of Theory*. Really he has three different models ranging from his conceptualization of extended problem solving to be examined here down to routinized buying behavior. His thinking tacitly reflects a high-involvement orientation, however, in that cognitive processes always are assumed to precede behavior rather than follow it as low-involvement theory explicitly postulates. In that sense, all of the consumer behavior models appearing in the literature to date (including the first three versions of the EKB model) have a distinct commonality which means that they do not account for a large proportion of behavior which does not have an explicit decision process (Engel & Blackwell 1982).

The Engel-Kollat-Blackwell (EKB) Model

The EKB model of consumer behavior was initially designed to serve as a framework for organizing the fast-growing body of knowledge concerning consumer behavior. It has gone through a number of revisions aimed at improving its descriptive ability and clarifying basic relationships between components and sub-components.

The EKB (1978) model shows consumer behavior as a decision process of five activities which occur over time. These five activities are:

(a) problem recognition

- (b) information search
- (c) alternative evaluation
- (d) choice, and
- (e) outcomes

Advantages of this model include its consideration of the many variables influencing consumers and its emphasis on the conscious decision-making process. However, this model has been criticized as being somewhat mechanistic in its treatment of the decision process.

The Engel-Kollat-Blackwell (EKB) model has several distinct purposes:

- (1) to clearly highlight the interrelationship between stages in the decision process and the various endogenous and exogenous variables.
- (2) to clarify the relationship between attitudes and behavior to reflect the contributions of the Fishbein extended model. Beliefs and intentions were introduced as explicit variables for the first time as was normative compliance.
- (3) to define the variables with greater precision and to specify functional relationships to permit empirical testing.

Comparison of the Models

First, the EKB model is unique in highlighting the decision process and explicitly including the proven relationships of the Fishbein behavioral intentions model under alternative evaluation. Neither of the other options includes normative compliance, for example, and the relationships between evaluative

criteria, beliefs, attitudes, intention, and behavior are not as focused. There are many similarities, however, in that all three hypothesize a hierarchy of effects in which a change in attitude leads to corresponding changes in intention and behavior, all things being equal (Engel & Blackwell 1982).

EKB and Howard share a general agreement on the functioning of memory. EKB, however, goes into far more detail on specifying the steps which occur between the stages of exposure and retention. This is consistent with the current focus in consumer behavior on information processing (Engel & Blackwell 1982).

Stimulus ambiguity is a term not used in the EKB model. It is defined as perceived uncertainty and lack of meaningful information received from the environment. Its definition in the empirical studies undertaken by the Columbia group is a curious one indeed: "confidence in radio and television as sources of information about the product." These are two very different phenomena. In fact, the present authors do not think that stimulus ambiguity can be operationalized in any meaningful way and thus have concluded that it adds little to the understanding of decision processes (Engel & Blackwell 1982).

Finally, confidence in ability to judge the product has not been included in the EKB formulation. The reason is that we do not feel it has received empirical confirmation in studies to date, although this fact could be argued. Whatever one's evaluation might be at this stage, further research is needed to resolve the issue (Engel & Blackwell 1982).

Consumer Choice Behavior

The consumer's step in the decision process is to make a choice and how people go about making choices is strongly influenced by the type of decision process in which they are engaged. In low-involvement circumstances consumers generally act as though they are using noncompensatory models of choice. Examples of noncompensatory models are the conjunctive, disjunctive, lexicographic, and elimination-by-aspect rules. According to these models, high ratings on some attributes do not necessarily compensate for low ratings on other attributes.

Understanding the choice behavior of consumers is one of the most difficult tasks facing marketing managers. Yet, if the marketing manager is to allocate his marketing resources effectively, it is essential that he gain a good understanding of the consumer's choice behavior, and that he be able to utilize this understanding to predict consumer response to his company's marketing mix (Ward & Robertson 1973).

In the consumer behavior literature, brand selection decision is discussed within the context of consumer information processing or consumer search behavior. Numerous models and frameworks have been suggested to explain consumer search behavior when making a purchase decision. One of the information consumers generally search for is the brand and consumers do rely on past experience when deciding on brand alternatives.

Belk (1975), supported by Mowen (1993) summarized the interaction effect between the consumer, the product and the situation that influences the

decision-making process and purchase behavior of individuals. This is shown below:



The usage situation according to Assael (1992), has direct influence on marketing strategy because it affects the manner in which products are positioned and markets are segmented.

Product attributes and benefits also have strong influence on the decisions and purchase behavior of the consumers. Ultimately, the consumers' final decision in purchasing a product are often influenced by their past experiences, their life styles, cultural values, motives and other external influences such as peer pressure, advertisements, store image and atmospherics, etc. (Assael 1992 and Mowen 1993).

Consumers generally evaluate products based on the information acquired through word-of-mouth, the print and audio-visual media as well as through shop displays and other forms of physical presentations (Engel, Blackwell & Miniard 1990). However, previous personal experiences and the individuals' self-concept also play important roles in deciding which products to buy (Buckley and Haefner, 1984 and Block and Roering, 1979).

The consumer buying process can be conceptualized most simply as five stages: perception of a need, pre-purchase activity, purchase decision, use behavior, and post-purchase evaluation. Consumer choice behavior is of some importance in all stages of the buying process, but it is most important in the first three stages (Ward & Robertson 1973).

Consumer Involvement

To understand complex decision making, we must first understand the nature of consumer involvement with the product (Assael 1992). Consumer involvement is the perceived personal importance and/or interest consumers attach to the acquisition, consumption, and disposition of a good, a service, or and idea (Mowen & Minor 1998).

The Low-Involvement Decision Process

Marketers try to create consumer involvement with their products because an involved consumer is more likely to become brand loyal and resist to purchase competitive brands. Marketers try to create involvement by differentiating their brands and equating advertising appeals to consumer needs.

The hair shampoo category itself is distinctly low-involvement in that it is unlikely to involve the ego. Therefore, the decision process will be much simpler and quite different from that used in the high-involvement situation.

Why is a product such as hair shampoo low-involvement for most people? The answer is simple – it just doesn't have personal relevance in the sense that there is little perceived risk that a wrong decision will be made, a weak sense of

relationship between the product purchased and one's self-concept, or little anxiety about the outcome. So the product doesn't quite perform as expected, so what? Probably only one or two attributes are even considered, with a wide latitude of acceptance when the evaluation is made. There will be no extensive problem solving involving search and alternative evaluation, making use of non-compensatory evaluation styles (Engel & Blackwell 1982). The stages of the low involvement type are described below.

Problem recognition is likely to be quite noncomplex. It may be as simple as desiring an easy way to clean hair. There is not motivated search for information. The costs of searching for information are likely to outweigh the benefits. Rather, internal search will suffice. In effect, the consumer proceeds on the basis of what he or she already knows. In terms of choice, if there is a large display with a clearly marked price reduction. This information will be readily processed, and it is likely to serve as a purchase trigger. Once the brand is tried, then there can be quite an effect on cognitive structure. The individual now has important information upon which to decide whether or not the brand is any good. Does it clean as it says it does? If so, this becomes stored as a belief which, all things being equal, leads to a positive attitude toward the act of purchasing that brand next time around, and an intention to do so. In this situation, action precedes formation of belief and attitude. In terms of repeat purchase behavior, loyalty is likely to be low and propensity for brand switching high. The choice of brand is of low personal relevance, and the differences between alternatives are not great. Assuming that each has about an equal level

of awareness, a brand switch could be stimulated by a free trial, coupon, or other direct-action incentive.

Pre-Choice Influences on the Low-Involvement Decision Process

Advertising, of course, is one way to reach the consumer, but the strategy used under low-involvement may differ. The emphasis here must be on registering brand name so that it will be recognized later. Another method the marketer can use is some form of product sampling (Engel & Blackwell 1982).

Previous Research

Chong (1996) carried out a study to identify the selection criteria made up of product attributes considered important by the female regular and non-regular buyers of lipstick and face powder. Buyers of both products rated absence of side effect, quality, nice colors, fine texture and durability/lasting as the five most important selection criteria. Comparatively, the regular buyers of lipstick are more brands conscious; emphasize more on the information given on the lipstick package, durability and easy availability of lipstick. The face powder buyers are more serious towards the information given on the face powder package and the brand name, prefer lasting face powder and more price conscious.

Heng (1996) conducted a study of consumer search behavior for the purchase of electrical appliances found that retail displays followed by advertisements were the main information sources used for the purchase of electrical appliances. However, the advertisements were less favorable in terms

of the usefulness. Analysis on product feature importance revealed that quality, durability and warranty were the most important attributes influencing the purchase decision.

In a study by Md. Nor and Ong (1995) on ownership and usage patterns of electrical appliances, they have revealed that the five most popular electrical appliances owned by urban Malaysians are fan, television, iron, refrigerator and radio. They also conclude that Malaysians, in general, own and use a variety of electrical appliances. The type of electrical appliances owned by Malaysians can be said to be comparable to those owned by people in most developed countries, such as the United States, Japan, Britain, and Germany.

Tan (1994) conducted a study of brand preference on Razor Blades in Malaysia. This study found that the most important features are twin blades and flexible head, while the most important attribute was that of pricing and product quality. Further, this study found that consumers awareness of the main brand of razor blades is derived directly from advertising. The most effective media found in this study is the television. This study also found that location of purchase was not an important criterion in customer choice of brands. As a conclusion, this study has found that the majority of consumers do not have any brand preference. They will change their regular brand if prevailing marketing conditions change.

Tay (1994) showed that the survey results indicated that apparel attributes such as comfort, good fit, aesthetic appeal, fabric quality and color were considered most important when purchasing clothes whereas brand name, price

and fashion were comparatively less important. Friends and colleagues followed by the print media and shop displays were the main information sources influencing apparel purchase decisions.

Ng (1991) found that there is a close relationship between brand preference and brand purchase not only for the individual respondent but also for the entire group. Although preference is a fairly good predictor of relative brand purchase, the last purchase made and purchase intentions were even better predictors of relative brand purchase. These findings are similar to those obtained by Banks (1950) and are of particular importance in relation to marketing strategies of brand products. The study also provides an insight into consumers' perception of various brands with respect to the attributes. It was found that in toothpaste, only one brand, that is Colgate, has been perceived favorably with respect to all the attributes, thus explaining the popularity of Colgate in today's market of toothpaste. In soap, no single brand stands out. Lux is perceived favorably with respect to being reasonable priced and having lots of lather. Johnson is perceived favorably with respect to being gentle to the skin, a testimony to the success of its advertisement. Rejoice was perceived favorably with respect to hair softening and fragrance.

An exploratory preliminary study was carried out by Chee (1990) on consumer behavior in petrol consumption to elicit a list of decision criteria. Petrol is a technically complex product, but to the consumer, it is an uncomplicated, easy to use, readily available and convenient product. The study reveals that convenience is the primary concern of most consumers in their selection of petrol

stations and brands. This study uncovered the perceived importance of the determinants of petrol station selection but also served as an advice for petrol station operators to concentrate more of their efforts on the real determinant attributes instead of the non-determinant attributes such as petrol cards and comprehensive stores.

Chu (1990) in her study on husband-wife interaction on home purchasing decisions concluded that specific forms of husband-wife role structure are not only dependent on the types of product under study, but also upon the stages of the decision making process.

Chua (1989) conducted a study on factors influencing bank selection decisions by consumers in Petaling Jaya found that consumers are interested in evaluating the total offerings of their banking alternatives: the financial services offered, personnel and social influences and convenience dimensions. In addition, it is also apparent from this study that what bankers perceive to be consumers needs are significantly different from consumers' real needs.

Tan (1987) carried out a research on preference of petrol stations in Singapore rated consumers perceptions of different petrol stations on each of their offerings, namely clean and well kept stations, situated at convenient locations, more pumps, shorter queues and other motor services. It then corrected this perception into consumers purchasing decisions. From an overall regression for the entire sample, Tan concluded that convenient location was the single most significant factor in brand choice decisions.