

## **UNDERSTANDING CONSUMER BEHAVIOUR: THEIR CONSUMPTION CHAIN**

**Poh Phaik See**

Universiti Kuala Lumpur, Malaysia

Dr

E-mail: phaikseemy@yahoo.com

### **—Abstract —**

Understanding issues on consumer behaviour is analogous to the tedious finding of a needle in the ocean. It is a never ending task and search for enlightenment by researchers and marketing managers alike. Yet the search has to go on continuously as the knowledge of which is so significant and influential in the art of marketing, it is the epitome of companies' effectiveness in the formulation of marketing strategies. This paper aims to uncover hidden opportunities or to discover points of differentiation in the consumer's consumption chain. It calls for congruency with consumer needs with an "outside-in" approach versus the often used "inside-out" or from the company-focused perspective. In the discovery process, several sub-components have been drawn up to lay the foundation upon which the marketing strategies could be crafted. Interspersed in the discussion, the specific presumed role to "affect, cognitive and experience" (Vakratsas and Ambler, 1999) which are supposedly the three components of consumer behavior were elaborated as explanation. Additionally, some hindsight on the postulated concept to integrate and synthesise the newly gained knowledge on consumer consumption behaviour with purposive marketing activities were illustrated with proven real-life examples. The study integrates the reviews of a random selection of more than twenty published literature on issues on consumer behaviour, conceptual insights gathered from MacMillan and McGrath (1997) and related marketing textbooks. Relevant implications of the study were discussed. The notion of the concept adopted in this paper to implement an "outside-in" approach to 'pull' the consumers by integrating their buying and consumption behavioral needs with matching and purposive marketing strategies and activities.

**Key Words:** *Consumer behavior, Consumption Chain, Purposive Marketing Activities*

**JEL Classification:** M19

## **1. INTRODUCTION**

Marketers have been trying hard to identify, understand consumer behaviour in many aspects so as to differentiate their offerings, to effectively segment their market, to target and position their existing product improvements, new product development and service offerings. The dramatic advancement of the Internet and diffusion of information communication technology is a double-edged sword, it facilitates new and innovative ideas on offerings but it has also enables the fast copying and easy imitation of new offerings in the marketplace. As such, organizations have literally run out of ideas to differentiate; the market is already filled with a proliferation of products which the consumer perceived the differentiation as inconspicuous. This paper serves to discover new points of differentiation by uncovering opportunities hidden in the products' consumption chain from the consumer's perspective and to integrate these needs as far as possible into the marketing activities.

## **2. LITERATURE**

### **2.1. Intention-behaviour discrepancy**

By initiating a crucial test on the Howard-Sheth (1969)'s Model of buyer behavior, Hunt and Pappas (1972) springboard a paradigm change on new behavioural insights. Findings by Wong and Sheth (1985) benefits both ends of the marketing continuum – it enables marketing researchers to reflect on the inevitable effects of systematic forces yet revives a “sense-making” effort of marketing practitioners on the weaknesses of conventional promotional campaigns. The use of behavioral change techniques to attract brand-switching and impulse purchases, such as couponing, point-of-sale display, price dealing, unit pricing, in-store advertising, in-store layout and design and stocking techniques have been proven to be more effective in changing attitudes. Nevertheless, a word of caution here is that the cross-influences of the subject's cultural beliefs and norms have to be duly considered.

### **2.2 Intrinsic aspects of consumer behaviour**

Applying the concept of mass customization rather than mass marketing, marketing practitioners could better and effectively utilise scarce resources by matching the individual product familiarity categorical differences with product promotion and usage tailored to match each segment's needs and motivations (Park and Lessig, 1981). Moreover, the consumption experience is observed as a phenomenon involving the consumer's need for fantasies, feelings and fun (Holbrook and Hirschman, 1982). In retrospect, as the lifestyle and economical aspects of the consumers have been elevated, a natural transformation could be expected in the consumer behavior. As such, re-addressing the often neglected experiential aspects of consumption is necessary.

Consumer mood, involvement level, and the quality of the shopping experience have significant effects on shopping intentions (Swinyard, 1993). A "wholesome" shopping experience upon consumers is important. For example, shoppers may be in good mood to start with but it just needs a bad shopping experience to affect them adversely. As such, courteous and friendly customer-service personnel in the customer-value chain of service providers are critical.

Meanwhile, consumers' values are strongly rooted in history and tradition which coincides with Hofstede (1991)'s studies on intercultural management (Mooij, 2000). Converging incomes would not cause homogenisation of needs; on the contrary, the manifestation of value differences becomes stronger. This phenomenon makes it increasingly important to understand values of national culture and their impact on consumer behaviour.

In a causal relationship between risk perception and purchase behaviour, the former is an important explanatory variable of the latter (Yeung and Morris, 2001). It is not the objectivity of risk that motivates consumer behaviour, but subjective impressions of it, even if consumers could calculate correctly the risk involved (Bauer, 1967). There is reasonable evidence that subsequent consumer behaviour is shaped by this risk perception.

### **2.3 Influence strategies**

In an organisation's perspective, Frazier and Sheth (1985) design an attitude-behaviour framework to instill a need to focus on processes and mechanism of

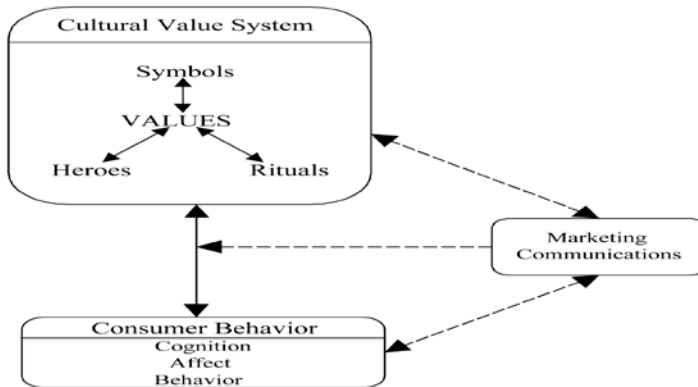
influence in managing and coordinating ongoing channel relationships. Meanwhile, Galloway (1999) proposes that hysteresis can be used as a valid and informative model of a number of aspects of consumer behaviour. In exemplifying his arguments, he uses the order winning criteria which he refers to the value attached to certain characteristics of the product/service package – a function of the relative magnitude of that characteristics. Additionally, he argues that qualifying criteria are characteristics which the products/service must possess at a minimum level to enter or remain in the market, but which do not, with further improvement, stimulate sales. When further improvement is no longer economic or significant to the consumer, the characteristics becomes saturated. There is a constant need to search for new issues to promote, for example, low-energy refrigerators, frost-free freezers, telephone and internet banking.

In a cross-cultural study of influence strategies and satisfaction in marketing channels, Bandyopadhyay and Robicheaux (1998) found the difference in reception of the influence strategies by the US and India includes the bureaucratic administrative system in India, which has proliferated into most aspects of Indian life and could have assimilated into its business culture.

Researchers question the need to differentiate between consumer and organization buyer behaviour (Wilson, 2000). They propose to look for similarities rather than the differences. The individual consumers purchase not only for themselves, in response to their own perceptions and wishes, but also collectively on behalf of others and under many powerful societal (i.e. organisational) influences.

**Figure 1** integrates and reinterprets current research in cross-cultural consumer behavior (Luna and Gupta, 2001). They show the interaction of culture and consumer behavior. It is postulated that by understanding how culture shapes consumer behavior, a marketer entering a foreign country could best identify potential culture-related problems or issues. The authors reiterates that McCracken (1989)'s study explains how advertising can create symbols.

**Figure 1 A model of the interaction of culture and consumer behavior**



Source: Luna and Gupta, 2001.

Watson, Viney, and Schomaker (2002)'s paper draws on consumer behaviour theory to explain the reasons behind the apparent reluctance of customers to change electricity provider, utilising market research data from both the UK and Germany. Besides the fact that consumers require continuous supply, reliable and supplied with sustained frequency and voltage (Steiner, 2000), there is nothing competitors can differentiate the product. The only basis electricity suppliers can compete is price and service. The authors suggest that the decision itself is contingent upon the consumers' attitude and that, once attitudes changes, then costs may be reduced considerably causing behaviour to change. Coincidentally, Kim, Forsythe, Gu, and Moon (2002) segmented female consumers into four groups: quality seekers, frugal aesthetics, and concerned pragmatics. They found that experiential needs were the most important needs that influence apparel purchases of female consumers in both Asian markets.

## 2.4 Ubiquitous reach and interactivity

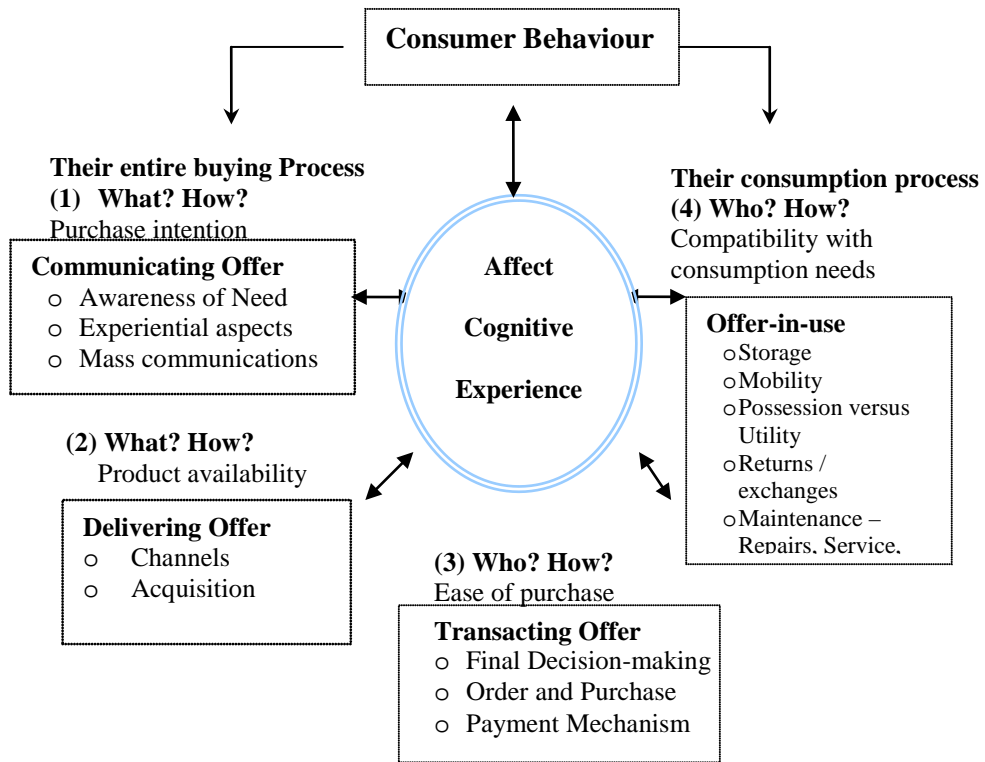
Reardon and McCorkle (2002) concurs with Becker's theory of time allocation to consumer decision making between distribution channels and conclude that the retailer with multi-channel options (e.g. physical store, catalog, Web, and/or wireless) is able to serve and satisfy the needs of consumers better. Coincidentally, Wu (2002) conclude that antecedents of personal characteristics, lifestyle,

perception needs and situations directly affect the degree of consumers' Internet marketing involvement in their purchase decisions.

The notion of having multiple channels is acknowledged as enhancement of service offerings and an end to provide product availability to consumers by most organisations. However, managers need to selectively use to match the marketing tasks, not the entire marketing channels per se as the fundamental building blocks (Moriarty and Moran, 1990). The marketing tools and actors under the control of the e-marketer can influence or shape the online consumer's behavior during the virtual interaction (Constantinides, 2004).

### **3. FINDINGS**

A research framework on "Understanding consumer behaviour: their consumption chain" is shown in **Figure 2**.

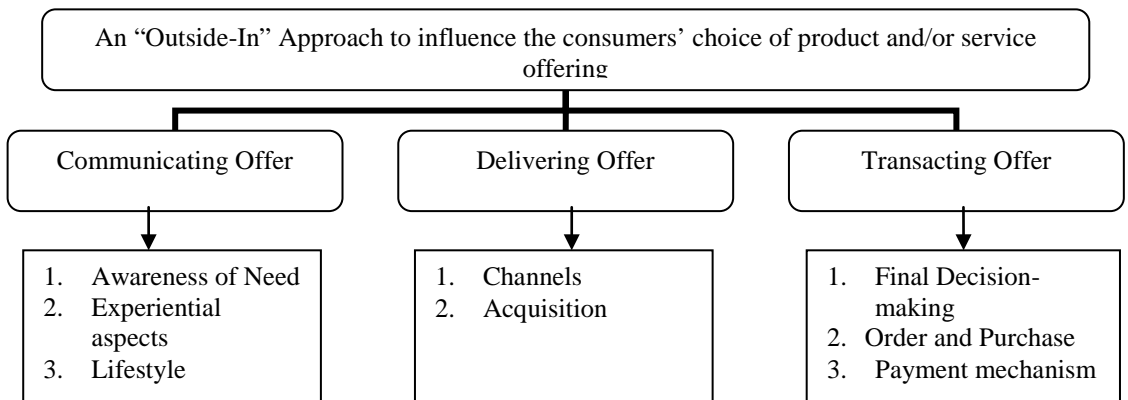


**Figure 2** A research framework on “understanding consumer behavior: their consumption chain

### 3.1 Using an “outside-in” approach to influence the consumers’ choice of product and service information search

Organisations should avoid the fatal mistake of trusting internal perceptions of which attributes drive customers’ choice among the multitude of product and /or service offerings (Leszinski and Marn, 1997) Instead, organisations should try their best to gain a clear understanding of the real attributes driving customer choice and their relative importance using an “outside-in” approach or a “pull” strategy. The authors define customer value as the residual sum of customer perceived benefits minus customer-perceived price. They advise that “softer” non-technical attributes are often as important as or even more important than precisely measurable technical features.

An “outside-in” approach could be implemented by first identifying three key marketing activities: communicating, delivering, and transacting the offer to match the consumer needs gathered from an understanding of their consumption behavior. Each of the activities is then sub-divided into critical issues to reflect a common interpretation as and when they are mentioned and discussed in the paper as shown in **Figure 3** below:



**Figure 3:** An “Outside-In” approach’ to influence the consumers’ choice of product and/or service offerings

In these three marketing activities, the discussion will be focused on how best organisations could address and how could they try to manipulate to interact effectively with the three main components of consumer behavior, namely, affect, cognitive and experience (Vakratsas and Amler, 1999). Examples are quoted to illustrate how the knowledge from the understanding of consumer behaviour in their choice of product and/or service offerings influenced the design of marketing strategies and activities by companies.

### 3.1.1 Communicating Offer to create awareness of need – How to “affect”?

Most consumers continue with their daily activities without much observation or awareness of the need to change or replace their household items, notably low-involvement and frequently purchased items, for example, their tooth brushes. MacMillan and McGrath (2002) exemplify how Oral-B discovered a way to that



is unique and subtle to make consumers aware of a need to replace their toothbrushes and capitalised on the gained knowledge. They introduced a patented blue dye in the centre bristles of its toothbrush. As the toothbrush is used, the dye gradually fades, and when the dye is gone, it is time to change a new toothbrush. The creation was well-received by consumers and target markets, especially the highly influential target market, the dentists - who endorse and recommend it to their patients. Oral-B has therefore turned differentiation into a competitive advantage for the company.

Most other companies have facilitated the creation of awareness of need to the consumers in a subtle manner, for instance, the use of transparent shampoo bottles to create awareness of finishing portion by Mark and Spencer was at a time a differentiation among the many colourful but opaque shampoo bottles in the market. Although it was later easily imitated and therefore lost its competitive edge, the company retains its use until today. Its effectiveness in “affecting” the consumers as a reminder to a repeat purchase persists. Another typical “affect” mechanism is the subscription renewal reminders sent by magazine publishers.

The above differentiation tactics could have affective effects on the “inertia and habits” of consumers as noted by Watson, Viney and Schomaker (2002). They observed that inertia and habit play a dominant role in the decision process in low involvement routine purchase, such as electricity.

Besides converting the oblivious need for repeat purchase into an obvious intention or purchase activity, Kotler (2003:6) suggests that organisations can look beyond current needs to fill a latent demand in the market. He elaborates that “consumers may share a strong need that cannot be satisfied by any existing product”. Some examples include environmentally friendlier products, harmless cigarettes especially to “secondary” smokers, safer neighbourhoods to address the rising crime rates in developing countries, energy optimising household cooking utensils and fuel-efficient cars. Meanwhile, Galloway (1999) calls for a need to search for new issues, such as frost-free freezers, telephone and low-energy refrigerators.

In a similar vein of thought, at an organised talk recently in Multimedia University Malaysia, the speaker, Prof. Ravi, Associate Dean from Tepper School of Business, Carnegie Mellon University, U.S.A spoke of the recent trend to

optimise a commonly occupied leisure activity – to convert the time spent by teenagers in playing computer games into some meaningful purpose, getting them to think of appropriate words to fit the image that pops out in the monitor screen at the shortest time possible and gain points for correct answer. The final outcome is a database which can be converted into a learning system, such as for English language classes for juniors.

A recent innovative approach to sell spectacles to the very poorest, the seamstresses in Guatemala or poor farmers in India by Scojo Vision, an American optical firm seemed unbelievable to most organisations but it has proven to be a success. Why? The rationale is two pronged: 1) their eyes get blurry, they need the spectacles to continue to do their jobs, sewing for the seamstresses and the farmers to identify pests and choose the proper pesticides, as their sight fades so does their income; 2) their condition is treatable with a simple non-prescription reading glasses at a low cost of USD\$3, and the spectacles are easily available even at Unilever and ITC, an Indian tobacco conglomerate – the logic is if “they can spend money to buy cigarette and chewing gum, why not spend that instead on health?” (The Economist, January 13<sup>th</sup> to 19<sup>th</sup>, 2007, pp.60-61).

### **3.2 “Pull” strategies in offerings – affective, cognitive and experiential aspects - the “covert” product attributes**

The consumer’s cognition of the product and/or service offerings could be influenced by their own prior interests, product information search, product trial, product usage including their perceptual category breadth dimension depending on their level of product familiarity (Park and Lessig, 1981), and whether it is high, moderate or low product familiarity. Companies aim to increase the level of familiarity among consumers through person-situation scenarios (Dickson and Ginter, 1987) basically to stimulate consumer’s personal interests in the offerings, to experience the enjoyment, the fun and have fantasies (Holbrook and Hirschman, 1982).

Study by Swinyard (1993) which tested the effects of mood, involvement and quality of store experience on consumers’ shopping intention shows positive results. Their favourable or unfavourable interpretation and opinions on their product and/or service interaction processes would have heavy bearings on their

purchase intention. The example discussed next illustrate how an organisation work to impress or to fulfil the consumers' experiential needs.

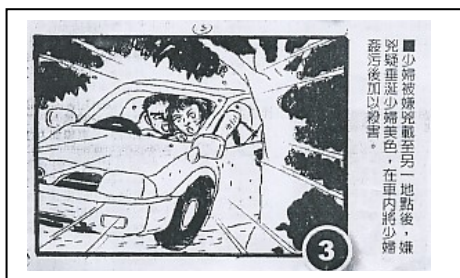
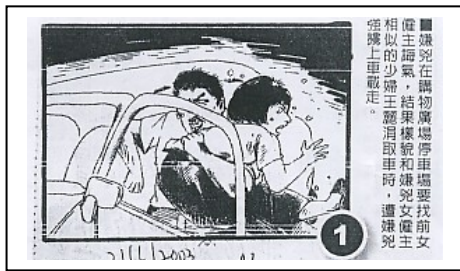
### **3.2.1 The “News Packaging” Experience**

From a reader's or an external party's perspective, they might not realise that the second largest vernacular Chinese daily in Malaysia, “China Press” had invested a lot of effort and taken initiatives unendingly to create a paper just to suit the actual use to its intended use. In an interview with a former Executive Director (Respondent 2) of the company, he remarked that in a paper packaging “all visible and invisible things are important.” (Poh, 2004). He quoted that for example, “in the coverage of a crime story recently, the murder of ‘Canny Ong’, the text itself is ChinaPress's packaging. Most people never realised that the headline, the fonts, the quality of the paper, the colours, the format must blend together to give a distinctive impact to the readers.”

Further checking done on this point revealed that the same story was published on 26 June 2003 by all the Chinese dailies but in “ChinaPress”, a pictorial happening was drawn out as in **Exhibit A** in the next page to enable the readers to visualize the situational episode and simulate the ‘feelings of the victim’ at a glance. This is an example of differentiation in its content packaging building on the experiential aspects.

**Exhibit A** An illustration of differentiation in “China Press”’s reporting approach, a pictorial happening on the story of murdered victim ‘Canny Ong’. This was also observed by Interviewee 1.

Source: ‘ChinaPress’, 21 June 2003



#### 4. CONCLUSION

The research actively discussed and illustrated that the integration of knowledge of consumer consumption behaviour with marketing strategies and activities can be conceptualised as an “outside-in” approach. As a whole, this study concluded that companies have more to win than to lose to grasp the myriad of possibilities and opportunities uncovered from the consumer behaviour in their consumption chain. It is also concluded that using a “outside-in” approach or a “pull” strategy to attract consumers could re-align misdirected and overly ambitious marketing plans towards shared goals and objectives among the planners, implementers, executioners and the consumers. Ultimately, it is concluded that all parties would benefit optimally, firstly, with the proactive stance of the marketers or the companies to re-look and re-examine the effective use of knowledge from indepth understanding of consumer behaviour in marketing strategies based on the proposed concept to leapfrog into greater marketing and financial performance metrics, and secondly, not forgetting the role of the marketing managers to internalise their professionalism to” walk the talk” to propagate the use of “market-sensing” (as in the lessons learned too late by the Malaysian restaurateurs’ investment in China) in their formulation of marketing strategies to enhance on the quality of life for the consumers with products and / service offerings that is economical, quality-driven and environmentally friendly.

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Module Instructor, Professor Piyush Kumar Sinha