

Unit 2

Understanding Consumer Behavior

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CONTENT

2.1. Notion of consumer behavior	3
2.2. Determinants of consumer behavior.....	6
2.3. Consumer decision-making process and types of consumer decisions	11
2.4. Consumer risks and dilemmas on market.....	14
Answers and Comments to Tests	19
Unit 2 Assessment.....	20
References for Unit 2	21

Learning Objectives for Unit 2

Objectives for Unit 2

Learning this Unit, you will be able to

- Understand the notion of consumer behavior
- Understand the determinants of consumer behavior
- Understand the consumer decision making-process
- Describe the consumer risks and dilemmas on market

ABSTRACT

With the development of new technologies, the consumption gains on importance. Consumers are used to an unlimited number of goods and services, and probably do not imagine living without them. This kind of dependence makes the consumers vulnerable and creates a need of consumer protection. In order to protect the consumer, first of all the term of consumer behavior must be explained and the related notions must be clarified.

This chapter is aimed at explaining the phenomena of consumer behavior and contains four subchapters. In the first one the notions of consumer and consumer behavior are explained, including the rational consumer behavior. The second subchapter presents a broad classification of determinants of consumer behavior. The third subchapter treats about consumer decision-making process and the roles it can take.

The last subchapter presents the consumer risks and dilemmas, including irrational behavior, moral hazard, unethical consumer behavior and consumer misbehavior.

Keywords: Consumer Behavior, Rational Consumer Behavior, Determinants of Consumer Behavior, Pathologies in Consumer Behavior

2.1. Notion of consumer behavior

Characteristics of consumer behavior

Consumer can be considered as an individual who has consumption needs and tend to satisfy them. In order to satisfy these needs the individuals use goods and services purchased on the market or produced by its own household, or received from other sources (Kieźel, 2003: 20).

Changes in life conditions and generally process of civilization result in new consumer characteristics. Consumers change their approach to what they can find on the market and get more rational in their choices, as a result it is possible that in the future, they will not anymore be so likely to express loyalty to one product or brand (Mazurek-Łopacińska, 2003: 26).

Consumers appreciate the value of building social connections and this network is getting new meaning, different from the traditional communities. New social bonds are more and more likely to focus on groups of friends and other kinds of relations satisfying the need of belonging. As a result, consumers value the products that simplify the social interactions (Mazurek-Łopacińska, 2003: 28).

Another new consumer characteristic is his multicultural dimension, as an effect of his multicultural environment. On one hand there is a strong tendency to follow the globalization and global strategies of the brands, on another however, consumers are likely to protect their cultural identity and attach to their traditions (Mazurek-Łopacińska, 2003: 28).

Next contemporary phenomena is the increased consumer mobility. With the general development consumers have more possibilities to travel and to move on field of social life as well (Mazurek-Łopacińska, 2003: 29).

Also, the nature and its connection with humans recently gets a new dimension. Consumers show more attention to the environmental problems, want to be “greener” and to consume “green products” (Mazurek-Łopacińska, 2003: 29).

Understanding and analyzing consumer behavior seem to be crucial for the long run marketing program. It is necessary in analysis of market-opportunity, selection of target market and creating a company’s market strategy.

Definitions of consumer behavior

Consumer behavior can be considered as all the activities connected with obtaining and using products and services, as well as disposing them and decisions before and after these activities. Therefore, the consumer behavior has two possible reactions: purchase and consumption (Engel, 1993: 4).

Another definition describes consumer behavior as all activities and perceptions of consumer, connected with preparation to product choice decision-making, making choice over the particular product and the consumption. Consumer behavior consist then on three types of reactions: communication, purchase, consumption (Hansen: 1972: 15).

Some approaches treat consumer behavior as caused by individual needs of consumer and all the activities that appear during the preparation to make a decision, as well as during the consumption itself. This approach explains consumer behavior as an attitude of the consumer during the process of buying and consuming intention creation, and therefore during changing the need into demand and satisfying this need (Rudnicki: 2000: 15).

In a similar way, M. Pohorille treats consumer behavior as a manner of putting the

needs into a hierarchy, choosing goods and services necessary to satisfy them and using the products that consumer possesses (Rudnicki: 2000: 15).

Majority of definitions are similar and treat the term of consumer behavior as the process of obtaining the resources and consuming them in order to satisfy the consumer's needs (Rudnicki: 2000: 16).

Reflection Theme 2.1



Please explain in your own words the notion of consumer behavior.

[Use the space below to answer.]

Consumer behavior – market vs. household

The consumer behaviors may be divided according to the institutional arrangement – market and household. Behavior on the market – consumer behavior consists of all the activities connected with the decision-making process over the purchase and results in decision assessment and information exchange. The decisions taken by consumers include choice of goods or services, quality features and purchase conditions. The consumers' decisions then are the effects of consumption preferences (Kieźel, 2003: 20).

The behaviors on the field of household are connected mostly with using goods and services, however the household itself also can produce some products. The activities on this field include physical modification of some products to gain new consumption qualities, repetitive acts of single use of goods and services, using the durable goods and using the dwelling space (Kieźel, 2003: 24).

Consumer behavior – intended vs. unintended

Consumer behaviors on the market are very diversified. The general classification divides behavior into intended and unintended. Intended behaviors are always reasonable and acted consciously, whereas unintended behaviors are usually under the influence of an impulse, not always reasonable, very often do not reflect nor the attitudes, neither the needs of consumers (Rudnicki: 2000: 32-33).

Consumer behavior –

Both intended and unintended behaviors may be voluntary or compulsory. In the first case consumer acts according to his own needs, in contrast to compulsory behavior where it comes from a necessity. The further classification divides

voluntary vs. compulsory

voluntary and compulsory behavior into rational and irrational. It should be underlined that usually the forced behaviors are more likely to be irrational (Rudnicki: 2000: 33).

Rationality of consumer behavior

Rational behavior consists of such activities which allow an individual to maximize its satisfaction. In other words, consumer acts rationally when with a particular level of income, he tends to buy such amount of goods and services that will give him the possible highest level of satisfaction. Such behavior is based on three assumptions (Rudnicki: 2000: 33):

- ✓ consumer is conscious of his preferences and is able, to some extent, to describe his needs;
- ✓ consumer is able to classify his needs according to their intensity;
- ✓ consumer is making choices in order to maximize his satisfaction.

Irrational behavior is internally incoherent or stays in conflict with consumer's interest, of what the consumer is aware from the moment of acting in such way. Sometimes the irrationality is defined as being extremely connected with someone's needs and attitudes even when there is a clear evidence that they are harmful or wrong. The irrational behavior of consumer comes from lack of proper consideration, imitating, snobbism, impulses and motives originated from consumer's subconscious (Rudnicki: 2000: 33).

The extend of the rationality, according to J. O'Shaughnessy depends on (Kiežel, 2004: 22-23):

- ✓ rationality of a need itself;
- ✓ whether among the considered brands or products there is the best purchase of the consumer;
- ✓ whether the consumer has all information needed to make a choice;
- ✓ rationality of information possessed by the consumer.

The border between rationality and irrationality of consumer behavior is blurred. Consumer behavior is however usually rational because consumers can explain their choices of goods and services, their decisions on the market and in their households on (Kiežel, 2004: 23).

Consumer may be considered as the most important person on the market since according to his needs companies design and produce goods and services, both tangible and intangible. Understanding consumer and his behavior becomes then crucial and for companies, in the fact proper management of consumer behavior become the factor decisive for the companies' future.

Test 2.1



Provide synthetic examples to irrational consumer behavior.

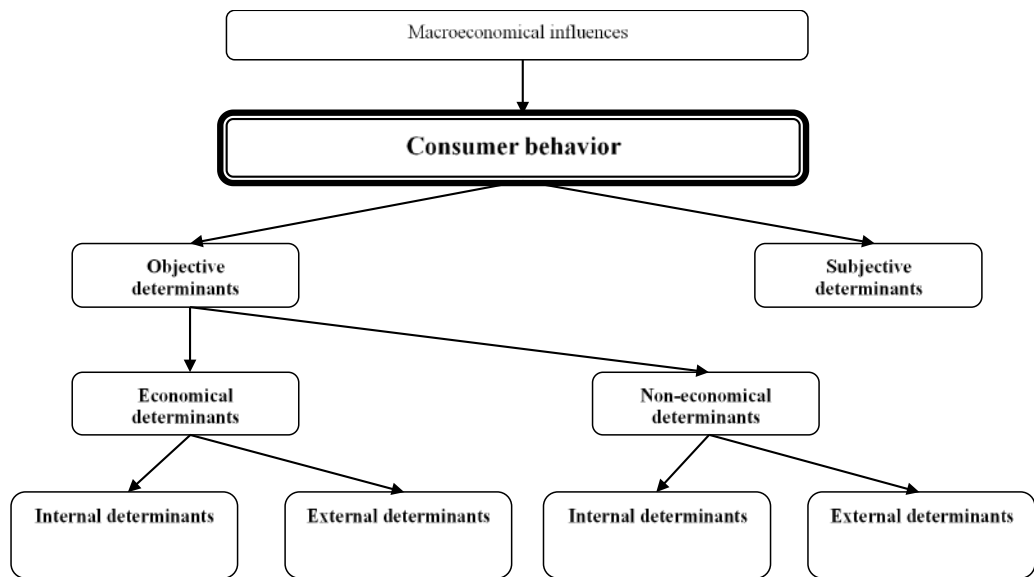
[Use the space below to answer.]

2.2. Determinants of consumer behavior

Consumer behavior is very complex phenomena and is influenced by various variables. Although it is difficult to find every determinants of consumer behavior some variables have been identified.

Figure 1 Determinants of consumer behavior

**Determinants
of consumer
behavior**



Source: (Kieźel, 1999)

Macroeconomic determinants are often neglected, however such determinants like level of national income, its changes, disposition, economic transformation, inflation, European integration are a kind of background for consumer behavior and its other determinants, influencing them in an indirect way (Kiezel: 1999: 106-107).

All other determinants are divided into two main groups in terms of their dependency on the attitudes toward them or some other factors. In this way consumer behavior determinants are classified into objective and subjective ones. Objective determinants are not under the influence of consumer's approach, opinion, however the subjective ones may be interpreted in many ways according to individuals currently assessing them (Kiezel: 1999: 106).

Moreover, on the field of objective determinants, the further classification distinguishes two groups – economic and noneconomic determinants – in terms of their connection with economics. Both groups are divided again into two classes – internal and external – according to the dependency on consumers' will (Kiezel: 1999: 106).

Reflection Theme 2.2



Identify 5 determinants that shape your consumer behavior.

[Use the space below to answer.]

Internal economic factors include the income of consumers, credits, savings, level of natural consumption, house equipment, prior level of consumption and its structure. External factors in this group are a supply, prices, economical infrastructure, system of information and sales politics (Kiezel: 1999: 107).

Income

In the fact the level of income is the most important determinant shaping the consumption, especially in medium and long term. Incomes of consumers usually fluctuate according to the season, within years or over a lifetime. The expected average level of income in the future shapes consumption habits, however the size of this influence varies for particular goods. Goods may therefore be divided into two classes, where the first one contains products and services that people buy when their income is on the satisfying level, however, will give up its consumption in poorer times. The second class includes goods that consumers consider as not worth of the financial or psychological cost of giving them up in the future, despite pleasure of temporarily higher level of its consumption. Consumers are affected also by their previous level of income. Consumers may be

attached to some goods bought in higher income period and will not be likely to change this consumption even when their financial situation is getting worse. This behavior may be rational, connected with higher quality of this product, or irrational, when the particular consumption habit should be abandoned.

Income influences the consumption before the price does, what is more, enables the demand and consumption analyze in terms of many additional characteristics of consumer groups, finally explains the changes of other factors, like prices or demographic phenomena (Kieźel: 1999: 116). Level of income influences also the level of savings and as a matter of fact, the level and structure of further consumption.

The increase in incomes of consumers results in increase in demand for all sorts of goods. The type of the goods is determined by the affluence of the consumer. The buyer with lower incomes will increase the demand for basic goods, while the increase in higher incomes results in increase in demand for luxury goods (Roszkowska-Hołyśz, 2013: 336).

Family income

An important issue is also the family income. Family income refers to the aggregate income of all the members of a family. Family income influences the buying behavior of the family. The surplus family income, remaining after the expenditure on the basic needs of the family, is made available for buying shopping goods, durables and luxuries (Ramya & Ali, 2016: 79).

Marshall law

According to the Marshall law, the demand for a particular product increases with the decrease in its price, which is another important determinant of consumer behavior. However, the correlation between these two variables is not proportional and depends on such determinants like available substitutes and the purchasing power of consumers. The sensitivity of the connection between price and demand is higher when the income is low, and as a result when the level of income increases, consumers become less dependent on price (Kieźel: 1999: 126).

The amount and diversity of products enable more ways of satisfying of needs, on another hand then limited supply may restrict the consumption and lead even to the absolute elimination of consuming some kinds of goods. The supply allows consumers to satisfy their needs but in the same time these needs are determined by the consumers can find on the market. The supply can create some new needs and motivate the consumers to take actions to buy new goods (Kieźel: 1999: 130).

Marketing instruments

Next considered economic factor are the marketing instruments, which frequently are able to change the role of income and price as well as the rationality of consumer behavior (Kieźel: 1999: 138). Marketing communication including sales, advertising, public relations, direct marketing and promotions may influence the consumer's desire for some products. All the marketing instruments provide persuasive information and imaginary (Bennett, 2010: 122).

Demographical factors

Internal non-economic factors consist on demographical factors like age, gender or household size, socio-professional determinants like education or profession, and finally social factors like family, reference group or opinion leader. External noneconomic factors distinguish such determinants like cultural, geographical and social life organizational determinants (Kieźel: 1999: 107).

Age

Consumer very often are segmented according to their age. This approach is logical since the same age groups share some common needs, attitudes, feeling and other characteristics. Age therefore determines what consumers need, what is

their role in the decision-making process, it influences also reasons of purchasing, in the case of teenagers for example purchase often is connected with socializing. Age influences also the reactions of consumers on advertising and messages disseminated by the companies (Hoyer & Macinnis, 2009: 303).

**Marital status
and household
size**

The marital status and household size also have a huge impact on the consumption. Single individuals are more likely to make decisions according to their own preferences on contrary to the family members who put the family needs on the first place. Singles have more free time to spend on pleasure, on another hand however they cannot share the in-home responsibilities and it is more possible that they will spend more money for some facilities, like meals in restaurants or laundry (Kieźel: 1999: 144).

Gender

Gender refers to the biological characteristics which define a consumer as female or male. Consumption activities are gendered and gender itself may be considered as a filter through which people experience their social world (Parsons & Maclaren, 2009: 105). Gender of consumers determines not only their needs but influence also the perception of some products and services (Kieźel: 1999: 145).

Such determinants like location, climate, environment, pollution may play an important role in consumer behavior. There is for example a huge differences in the consumption patterns in villages and cities, what is influenced by level of infrastructure development. The pollution on another hand may influence the consumption of some detergents in places where its level is high (Kieźel: 1999: 145-146).

Environment

Environment may be considered in two dimensions. The first dimension includes the physical environment, which includes weather, geography and time. Some seasonal influences may shape then the consumption of some products, like snowboards during winter. Technological environment has impact on how consumers behave and what are their purchases. Some technological innovations are even able to make the life easier, more productive and healthier life which consumer look for (Bennett, 2010: 121).

**Education and
profession**

Socio-professional determinants like level and type of education and profession have also a huge impact on consumer behavior. Education generally shapes some needs of consumers, with level of education also rises need of cultural experiences, transportation or personal care goods. Level of education also change the consumption structure and habits, housewives with higher education are more likely to involve other family's members in meals preparation. Professional life influences the welfare of consumers and their households and of course shapes the particular needs, like need of uniform or monthly tickets (Kieźel: 1999: 146).

Culture

Next noneconomic determinant is culture. Culture is the most fundamental determinant of a person's wants and behavior and it may be defined as all human creation, tangible and intangible, values and behavior patterns accepted in a community. The presence of culture satisfies some needs of the society as well as needs of particular individuals, culture establishes what is good and important and, in this way, introduces an order, which is a basis of the society. It is passed on from one group member to another, and in particular is usually passed down from one generation to the next; it is learned and is therefore both subjective and arbitrary. Culture can change over a period of time, although such changes tend to be slow, since culture is deeply built into people's behavior. Culture influences the preferences concerning consumption of some goods, especially food. Every

nation has its own cuisine and does not accept some products, like pork for Muslims. Culture influences also the purchasing itself like using a credit card, bargaining, place and frequency of buying (Ramya & Ali, 2016: 79; Kieźel: 1999: 149).

Social class

Another sociological factor is the social class, division of individuals in the society into a hierarchy of distinct status classes, where members of each class have the same status. Social class may be defined then by the amount of status that its member has in comparison with members of other social classes. Some researches proved that a key ingredient of status is consumer's possessions. Consumers therefore very often compare their material possessions with those possessed by others and through the consumption of particular group try to reach the same level in the hierarchy (Shiffman, Kanuk, Hansen, 2008: 350).

Social groups

Social groups, defined as group of individuals, cooperating during particular time in order to reach some common goals or satisfy some common needs, and may absolutely change behavior of particular consumers, making them follow some behavioral schemas, actual for a group (Kieźel: 1999: 149).

Family

The last social determinant of consumer behavior is family. Consumer usually represents the needs of his family, reflects the family's preferences and attitudes of other members. What is more, it is the family who shapes proper values, attitudes, and determines personality and lifestyle of the youngest members of the family. In the fact, because of family consumers become who they are and leads to some consumption decisions (Kieźel: 1999: 158).

Consumers differ from each other and even when they are in the same situation, under similar economic or noneconomic conditions they will behave in a different way. It is important to consider the subjective determinants as having a significant influence on consumers. This category includes motives, perception, habits, attitudes, customs, learning process, personality, tradition and many other (Kieźel: 1999: 107).

Perception

Perception is a process of selection, organizing and interpretation of stimuli into a meaningful picture of the world. Consumers may be exposed to the same stimuli in the same situation, however how they recognize, select, organize and interpret these stimuli is an individual process based on their needs, values and expectations (Shiffman, Kanuk, Hansen, 2008: 351).

Learning process

Learning process relates to the perception, consumers may learn and make conclusions only because they perceived something. There are two learning theories, according to the behavioral theory, learning process appears as a result of some incentives and relates to a system of rewards and punishments. The cognitive theory on another hand, assumes that the basis for learning is the information processing and motivation (Kieźel: 1999: 168). It is in the modern world that the media, especially the Internet and television, play the essential role in the learning process of consumers and contribute to changes in their behaviors (Roszkowska-Hołyśz, 2013: 344).

Habits

Habits are the effect of learning process and repetition of some behaviors leading to some positives results. The habit is an ability to react in a stable way for particular incentives. Such behaviors are automatic and do not demand concentration. Habits are usually important in case of routine purchases with limited attention of consumers (Kieźel: 1999: 168).

There are many determinants of consumer behavior and every consumer is under the influence of different factors. The intensity of a particular determinant also differs significantly for each individual, however some general trends may be described and help to understand consumer behavior.

Test 2.2



Provide 3 examples of how the culture influences the consumer choices.

[Use the space below to answer.]

2.3. Consumer decision-making process and types of consumer decisions

Models of consumer decision making

There are several consumer-related models of decision making (Matin, 2006: 130):

a) Economic Man Model: Customer is characterized as an Economic Man and he makes rational decision.

b) Passive Man Model: It is opposite to Economic Man model and describes the consumer as impulsive and irrational purchasers. They are ready to yield to the tactics of the consumer. The salesman takes the consumer through the following stages stages (AIDA):

- ✓ Attention;
- ✓ Interest;
- ✓ Desire;
- ✓ Action.

c) Cognitive Man Model: It portrays the consumer as a thinking problem solver. It focusses on the process by which consumers seek and evaluate information on selecting brands and retail outlets. The information seeking is

stopped as soon as sufficient information is received. It develops shortcut decisions. The consumer avoids Information Load i.e., too much information.

An important issue in the case of consumer is his decision-making process and the roles that it can play while making decisions. Decision making process can appear under condition that set of possibilities can be distinguished, the object of decisions is then goods, actions or problem solutions, the subject then is one person or group of decision makers. In the case of consumers, the main decision is whether the purchase is necessary. Next, new questions appear, what to buy, which brand to choose, when and where to buy and who will make a purchase. In the fact, decisions taken by consumers usually focus on needs and ways of satisfying them (Rudnicki, 200: 188-189).

Five stages of consumer decision making

In a simple approach to consumer decision making there are five stages (Matin, 2006: 131-132):

1. Problem recognition: Problem recognition occurs whenever the consumer sees a significant difference between his or her current state of affairs and some desired or ideal state. The consumer perceives there is a problem to be solved, which may be large or small, simple or complex.
2. Information search: Once a problem has been recognized, consumers need adequate information to resolve it. Information search is the process by which the consumer surveys his or her environment for appropriate data to make a reasonable decision.
3. Evaluation and alternatives: A consumer evaluates the products in terms of their ability to fulfil the needs. The alternatives actively considered during a consumer's choice process are his or her evoked set. The evoked set comprises those products already in memory (the retrieval set), plus those prominent in the retail environment.
4. Purchase action: The actual purchase is made from store after consideration of several factors.
5. Post-purchase behavior (followed sequentially): This is how a consumer feels after using the product, i.e., satisfaction or dissatisfaction.

Within the decision-making process consumers can take different roles, mainly:

Roles in consumer decision making

- ✓ initiator,
- ✓ adviser,
- ✓ decider,
- ✓ buyer,
- ✓ user.

Initiator is a person who initiates the idea of making a purchase of goods. Adviser is that individual who helps during making decision, provides information needed to evaluate alternatives and gives opinion about them. Decider is a person who influence all elements of decision about the product or service to be purchased, place of the purchase etc. Buyer is in charge to buy a good chosen by decider whereas user will be a consumer of that particular product or service (Kotler & Keller, 2005: 200)

Consumers do not follow the general decision sequence at all times and the

Types of problem solving

process may vary as per the time available, levels of perceived risk and the degree of involvement a consumer has with the type of product, therefore there are three types of problem solving (Rawal & Upadhayay, 2017: 24):

- ✓ Extended Problem Solving (EPS): Consumers who want to purchase a car or house are ready to spend a lot of time on external search to find a solution that satisfies, to the highest level possible, the evaluative criteria previously set by them. This activity is usually associated with products that are unfamiliar, where getting a direct experience and hence knowledge is weak, and where there is substantial financial risk associated.
- ✓ Limited Problem Solving (LPS): When a consumer has experience of a product, this means that greater use of internal memory-based search routines can be made, and the external search can be limited to getting latest information or ensuring that the finer points of the decision have been investigated.
- ✓ Routinised Response Behavior (RRB): For many products the decision process will consist only of an internal search primarily because the buyer has made a number of purchases before and has got a great deal of experience. Therefore, little time or effort will be spent on external search activities. Low-value items which are habitually purchased come in this category, for example toothpaste, soap, tea leaves, tinned foods and confectionery items.

Test 2.3



Please describe the roles that can be taken by the family members (mother, father, child), when planning holidays.

[Use the space below to answer.]

2.4. Consumer risks and dilemmas on market

Irrational behavior

There are several consumer behaviors that cause consumer risks and dilemmas on market. These behaviors very often are harmful for the consumers themselves, as well as for their environment.

The first consumer risk to be mentioned is an irrational behavior. Irrational behavior is internally inconsistent and contrary to the best interest of the consumer. Irrationality means that the consumer has needs or adopts attitudes in defiance of evidence demonstrating their harmfulness and erroneousness. Consumers act irrationally when they (Zalega, 2015: 138):

- lack clearly defined preferences and, consequently, are not able to sort out all combinations of consumed goods,
- have difficulty identifying their needs,
- are not able to make internally consistent choices to maximize utility drawn from consumption, which in turn means a breach of the assumption of completeness of the preferences.

Nowadays, consumers are becoming less stereotypical, exhibit proactive attitudes, are rebellious and increasingly difficult to satisfy. Emancipated and full of contradictions, a contemporary consumer knowingly takes inconsistent actions with a view to emphasizing his individuality. Frequently, the choices of an irrational consumer are driven by imitation, snobbery, impulses and motives deeply rooted in subconsciousness, which the consumer most often fails to realize, rather than by cool-headed calculation. This proves merely that consumption decisions made by consumers are not always an outcome of acts of informed choice but are often taken under the influence of reflex responses to external stimuli or specific situations (Zalega, 2015: 138).

The examples of irrational consumer behavior can be observed easily during so called Black Fridays. Black Friday shoppers are dedicated - they sacrifice sleep, football games, and other activities, and responsibilities, to make the early bird sales. People are especially vulnerable to irrational tendencies when they are tired and overwhelmed, which is called a depletion state. In a state of depletion, people just do not have enough willpower to resist temptation or the cognitive faculties to make complex decisions. On Black Friday consumers leave their "pain of paying" behind. Many shoppers tend to begin with the purchase of a large ticket item, like a TV or computer. After the big purchase, every \$10 flash stick, \$11 dollar t-shirt, or \$13 kitchen knife, will not lead to the "pain of paying" that keeps people from buying every random thing on aisle during the rest of the year. Moreover, consumers are in a careful "deliberative" mind-set before purchasing an item - carefully weighing the pros and cons. Yet after the first purchase, consumers make purchases more readily. Consumers associate the Black Friday with great deals, they are less likely to notice then that not every sale is a bargain. Finally, as everyone is shopping during the Black Friday, consumers stop to feel guilty while buying useless things (Ariely, 2014).

Moral hazard

Another consumer risk is a moral hazard. This term refers to a situation in which one party gets involved in a risky event with awareness that it is protected against the risk and the other party will incur the cost. An example can be observed on a financial market, where there is a risk that the borrower might engage in activities that are undesirable from the lender's point of view because they decrease the

possibility that the load will be paid back. It occurs when the borrower knows that someone else will pay for the mistake he makes. This in turn encourages him to act in a riskier way (The Economic Times, 2014). Moral hazard is also a term which describes how consumer behavior changes when people are insured against losses, for example in case of car insurance. Consumers are more likely to drive in a more dangerous way when they know that they will not be obliged to fully cover the damages caused (Thoma, 2013).

Unethical consumer behavior

The third behavior which may cause consumer risks and dilemmas is an unethical consumer behavior. According to V. Mitchell et al. the unethical consumer behavior should be defined as direct or indirect actions that cause businesses or other consumers to lose money or reputation. Muncy and Vitell (1992) identified three key factors influencing ethical decision-making, firstly the role played by consumers (for example, whether their behaviors are active or passive), secondly perceived illegality of behavior (for example, deceitful and dishonest actions), third perceived importance of consequences (for example, if a given action can be easily noticed by others) (Mitchell, Balabanis, Schlegelmilch, Cornwell, 2009: 396; Wilkes, Burnett, Howell, 1986: 47-56).

Consumer misbehavior

The last group of consumer risks and dilemmas constitutes the consumer misbehavior. Consumer misbehavior may be defined as behavioral acts by consumers, who violate the generally accepted norms of conduct in consumption situations, and thus disrupt the consumption order. It represents the negative side of the consumer. They are part of people's conduct in their role as consumers within exchange situations, which are a key component of the overall culture of consumption. Negative consumer behavior is a significant phenomenon which affects both companies and consumers (Fullerton & Punj, 2004: 1239).

Reflection Theme 2.4



Identify 4 reasons why moral hazard is harmful.

[Use the space below to answer.]

Types of consumer misbehavior	<p>Consumer misbehavior may be divided into four main groups among which particular behaviors have common reasons and characteristics (Solomon, 2010: 31):</p> <ul style="list-style-type: none"> a) consumer terrorism, b) addictions, c) consumed consumers, d) consumer frauds.
Consumer terrorism	<p>In general sense, the phenomena of consumer terrorism appears when consumers destroy the image of a particular brand. Such behavior can appear as an answer to bad consumer service or dissatisfaction. In this case consumers express their dissatisfaction publicly, among friends, relatives or on blogs and webpages. There are several forms of consumer terrorism, it can refer to a situation when consumers insert some unwanted items or substances to food they are going to consume, just in order to avoid payment or receive a reimbursement from seller. Another form of consumer terrorism is when consumers spread unjustified negative information about, for example, service providers and intentionally harm its image.</p>
Addictions	<p>The another problem on the field of consumer behavior are addictions. Consumer addiction is a physiological or psychological dependency on products or services (Solomon, 2010: 31). Consumers' excessive alcohol consumption in alcohol establishments has negative effects on their social and physical wellbeing. For owners of alcohol service establishments, alcohol-related incidents often generate tremendous costs and if such situations occur on a daily basis, the company's image can be damaged.</p>
Compulsive consumption	<p>Another pathology in consumer behavior is compulsive consumption. This term refers to repetitive shopping, often excessive, as an antidote to tension, anxiety, depression or boredom (Solomon, 2010: 32). This behavior appears frequently as a result of low self – esteem, consumers treat shopping as a way of reaching some social level and respect (Shoham & Makovec Brencic, 2003: 127).</p>
Consumed consumers	<p>Next negative phenomena are “consumed consumers”. Consumed consumer are people who are treated as the commodities and become subjects of businesses (Solomon, 2010: 32). This phenomenon includes prostitution, the trade of organs, blood or any other part of human body or babies for sale.</p>
Consumer frauds	<p>Finally, the consumer theft and fraud must be mentioned. One of the biggest problem on every market is shoplifting (Solomon, 2010: 31). Consumers often decide to steal a product instead of purchasing it. The reasons every time are different, however surprisingly it is not only because of a hard financial situation. Shoplifters are often quite rich people seeking for some excitement. Frequently the stealers are teenagers tending to get the respect among their peers. The problem is common and causes serious loses for the companies. Another type of consumer theft and fraud is illegitimate complaining behavior. This term refers to a deliberate, post-service, attempting to gain monetary reimbursement or reparation without justification through appealing in writing to centralized customer service departments (Harris & Reynolds, 2004: 344).</p>
Reasons of	<p>Some general reasons of misbehavior can be distinguished (cited in Ronald & Girish, 1997):</p> <ul style="list-style-type: none"> • Calculating opportunism – consumer misbehavior is the outcome of a

consumer misbehavior

decision-making process based upon conscious and rational assessment of the expected benefits and related risks (Becker, 1968). The characteristic feature of this situation is the absence of ethical constraints.

- The absence of moral constraints – the level of moral sensitivity varies among the consumers. A few psychologically troubled consumer misbehavers may lack any sense of moral responsibility (DSM-III-R, 1987:342-344).
- The search for thrills - basic motivation for misconduct (Katz, 1988). Misbehavior permits thrilling defiance of legal and moral strictures and of imposing institutions; the risk of being caught only heightens the exquisite tension.
- The frustration caused by unfulfilled aspirations as consumers' desires have become over stimulated to the point where it is difficult to realize all of them (Merton, 1968).
- Differential association - deviant behavior learned in intimate groups, especially those made up of teenagers and adult repeat offenders (Sutherland, 1934).
- Psychological problems and abnormalities - deeply disturbed, abnormal, psyches may erupt in deviant behavior like exhibitionism, brutal treatment of other consumers and marketing employees (DSM-III-R, 1987).
- Provocative situational factors – some external factors, like crowding, unsettling amounts of heat and noise, enticing displays, seeming absence of deterrence may lead to aggressiveness towards other consumers and towards marketers (Moore, 1984).
- Negative attitudes towards exchange institutions - perceived impersonality increases the probability of consumer misbehavior, for example a size of institutions (Kraut, 1976; Moore, 1984).

The most comprehensive classification of consumer misbehavior seem to be the Lovelock's "jaycustomers" (Lovelock, 1994; 2001 cited John & Grove, 2013: 106; Harris & Reynolds, 2004: 342).

Jaycustomers

Table 1 Jaycustomers typology

Type	Description
Thieves	Customers who have no intention to pay for a service.
Cheats	Customers who exploit organizations' goodwill or guarantees by feigning dissatisfaction or in order to avoid payment or other desirable outcomes.
Rule breakers	Customers who violate the directives established by a company to protect customers and/or workers or to facilitate the smooth operations of the service.
Belligerent	Customers who act in an argumentative or aggressive way towards service personnel.
Vandals	Customers who mar or physically abuse the service setting, undermining its aesthetic appeal, operational excellence, and/or safety. They intentionally deface organizational property.
Family frauders	A kind of the belligerents, who quarrel with other customers and family members.

Deadbeats	Customers who become delinquent in their payment for services already provided.
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Source: (Lovelock, 1994; 2001 cited John & Grove, 2013: 106; Harris & Reynolds, 2004: 342)

Another interesting approach is provided by Berry & Seiders, who indicate types of unfair customers (Berry & Seiders, 2008: 31-35).

Unfair customers

Table 2 Unfair customers

Type	Description
Verbal abusers	Individuals who attack employees in an offensive and disrespectful manner whether in face-to-face transactions, over the telephone, or via the Internet.
Blamers	Individuals who blame a company's products, policies, and people at all levels for any perceived shortfall.
Rule breakers	Individuals who readily ignore policies and procedures when they find them to be inconvenient or in conflict with their own goals. They ignore the honor code which other customers follow.
Opportunists	Individuals who look for easy paths to personal financial gain. This customer's modus operandi can be demanding compensation by fabricating or exaggerating problems or defects in a product or service.
Returnaholics	a hybrid, with traits common to rule breakers and opportunists but engaged in only in returning products to stores. Returnaholic never intends to keep the product to begin with.

Source: (Berry & Seiders, 2008: 31-35).

Answers and Comments to Tests

Test 2.1

A correct answer should take into consideration the following:

- ✓ The irrational behavior of consumer comes from lack of proper consideration, imitating, snobbism, impulses and motives originated from consumer's subconscious.
- ✓ Example:
Buying a new TV instead of food, when consumer cannot afford to buy both.

Test 2.2

A correct answer should take into consideration the following:

- ✓ Culture establishes what is good and important.
- ✓ Culture influences the preferences concerning consumption of some goods, especially food.
- ✓ Culture influences also the purchasing itself like using a credit card, bargaining, place and frequency of buying
- ✓ Example:
In countries, where Islam is a dominant religion, the female consumers will be less likely to buy the tank tops to wear them on the street.

Test 2.3

A correct answer should take into consideration the following:

- ✓ There are 5 roles to be considered: initiator, adviser, decider, buyer, user.
- ✓ Example (there are various scenarios, depending on an imagined family model):
initiator: a child asking how the family will spend the holidays this year,
adviser: father, who will find the offers and compare to the family budget,
decider: mother, who will take into consideration the family needs and take a final decision,
buyer: father, who will pay for holidays,
users: the entire family.

Unit 2 Assessment



Mention few changes in consumer behavior that can put the consumer at risk.

Write an essay of maximum 300 words starting from the ideas what are the most serious consumer risks and dilemmas, that may emerge in the future.

[Use the space below to answer.]

CONCLUSION

Consumer behavior is a complex phenomenon, which can be analyzed from various perspectives. It is important however for companies but especially for consumers to understand this concept. Consumers must be aware of their behaviors and the risks and dilemmas they may bring. The companies try to discover consumers' desires and motives in order to manipulate their decisions and only an aware consumer may face this challenge.

Consumer can be considered as an individual who has consumption needs and tend to satisfy them. In order to satisfy these needs the individuals use goods and services purchased on the market or produced by

its own household, or received from other sources, which refers to the consumer behavior. There are various factors influencing consumer behavior, including internal or psychological factors, social factors, cultural factors, economic factors and personal factors. All of these determinants shape consumer choices and lead to a rational or irrational behavior.

The most important part of this chapter seems to be the last one, which is dedicated to consumer risks and dilemmas. In times of raising consumerism, excessive consumption, many people choose to reject moral standards and get engaged in questionable behaviors. There are four groups of the behaviors which may put the consumers at various risks or cause many dilemmas: irrational behavior, moral hazard, unethical consumer behavior and consumer misbehavior. Irrational behavior may cause high financial losses, when consumers decide to perform excessive shopping, not caused by rational evaluation of needs and possible options of satisfying them, but driven by imitation, snobbery and other impulses. Moral hazard on another hand can be even dangerous for consumer's life, especially if taking into consideration the life insurances. Unethical behavior is negative in its nature, it violates what is commonly perceived as good and right. Unethical behaviors tend to harm other individuals and may lead to a strong feel of guilty. Finally, the consumer misbehavior, probably the broader term. Consumer misbehavior should be perceived as a behavior which violates the generally accepted norms, set by the society. These behaviors harm the consumer itself, other consumers, as well as the companies and may take probably unlimited variety of forms.

This chapter was aimed at explaining the term of consumer behavior and the most important issues related to this topic. Consumers should be aware of the treats they may face on the market, as high pressure of globalization and shopping obsession may deform the perception of what is right and wrong.

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