The theory of consumer behaviour in fast food marketing: strategies for competitive advantage

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Abstract: - Economists believe that consumers behave rationally and given the chance they will chose the best alternative with their level of income and preference. This paper examines the consumer behaviour theory and its relevance in the marketing practices of fast food firms. The aim is to bring out the interrelationship between the consumer behaviour theory as explained by Alfred Marshall and the marketing aspects of fast food chains. The paper provides a comprehensive analysis of some conceptual and theoretical tools in consumer behaviour that contributes immensely to the development and implementation of viable marketing strategies in the fast food industry. Hence, the marketing aspects of fast food firms are analyzed within the framework of the concept of consumer behaviour. the paper concludes that although the consumer behaviour theory proposes the rationality of consumers and their desire to optimize utility with their scarce income, given the monopolistic nature of the fast food industry all over the world, marketing variables like advertising and other sale promotions (marketing communication) that are adopted by firms tend to affect the rational proposition of the consumer behaviour theory. These variables enable the firm to maximize their revenue, increase their competitiveness and consequently increase their share of the market.

Key-Words: - fast food, competitive, consumer behaviour, marketing

1 Introduction

The fast food market all over the world is made up of different companies offering closely related products and services but under different brand names. These firms are constantly engaged in competition to attract consumers who themselves are much diversified in their demands. According to Schiffman and Kanuk (1997) consumer behaviour is *"the behaviour that consumers display in searching for purchasing, using, evaluating and disposing of products, services and ideas."* Consumers all over the world exhibit varied taste and preferences for food, hence, it behoves on firms to understand the behaviour of consumers to enable them strategize to respond to the demands of the market and stay competitive. As indicated by Hamansu (2008), *'the main objective of the study of consumer behaviour is to provide marketers with the knowledge and skills that are necessary to carry out detailed consumer analyses which could be used for understanding markets and developing marketing strategies'.*

There are several factors that impacts on the decision making process of consumers. These factors are either internal or external. Also, the factors are sometimes determined by the short-term or long-term emotional concerns of the consumer [5]. The decisions making process of consumers are essential for the development of viable marketing strategies. When firms are able to understand the factors that dominate the decision making processes of consumers when purchasing, they are able to proactively evaluate the impact and efficacy of their marketing strategies in a given market. In the fast food industry, the behaviour of consumers (positive or negative) towards the menu items of a specific fast food firm eventually affects the cost, profit and revenue of the firm. Research into consumer behaviour is relevant to marketers because it enables them to understand why people buy, so that they can effectively develop appropriate strategies that will to a large extent predict consumer buying behaviour in the marketplace. The knowledge the firm obtains from studying the behaviour of consumers enables them to be aware of issues such as why consumers buy particular products, when, where, how they buy it, how often they buy it, and also how they consume it as well as dispose it [1].

The aim of this study is to bring out the interrelationship between the consumer behaviour theory as explained by Alfred Marshall and the

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marketing aspects of fast food enterprises. The paper provides a comprehensive analysis of some conceptual and theoretical tools in consumer behaviour that contributes immensely to the development and implementation of viable marketing strategies in the international fast food industry.

2 The consumer behaviour model

Consumer behaviour focuses on the factors that solitarily or combines to influence the decision making process of consumers. The consumer behaviour theory makes the assumption that consumers are rational and they have perfect information about the market. Also the theory indicates that consumers are fully aware of their needs and desires and have complete knowledge of how they can satisfy them in the best possible way. It also states that, when consumers are presented with certain conditions, they tend to behave in similar fashion and their buying decision follows a logical process that has the ultimate aim of obtaining optimum value for their money. Here, the price they have to pay becomes the strongest decisive factor. The theory focuses on the impact of price and income on buyers.

From the Marshallian consumer behaviour model, it can be deduced that, buyers tend to spend their income on food items that offer them the maximum satisfaction. Their purchasing decision is influenced by their taste and the prices of other related items. This results in the income and substitution effect of the consumer behaviour theory. The Marshallian theory provides the cardinal output of the marshallian utility function. This is represented as:

$$U = AB \qquad (1)$$

In the equation (1), A and B indicates the quantities of two fast food items. The consumer obtains satisfaction from consuming both fast food brand A and fast food brand B as compliments, in increasing quantities. The consumer s utility gets to the peak when he or she is able to get an infinite quantity of both A and B [2].

Furthermore, if the consumer is keen on exchanging a unit of money for λ units of utility, then, clearly, λ is the marginal utility (MU) of money. In the equilibrium position, the MU of money must be equivalent to the MU of expenditure. The Marshall's ideology of maximum net satisfaction of the consumer's decision problem can be presented as:

$$z = u(x) - \lambda p'x \qquad (2)$$

In the equation (2), z indicates the maximum level of satisfaction, x indicates the consumption vector, p represents the price vectors and λ indicates the marginal utility of money. In the equation, the values of λ and p are known.

An important aspect of the analyses of "consumer behaviour" is the interaction between changes in price and consumer demand. The fast food industry in many countries is not a monopoly-controlled market where one firm dominates; rather, there are other firms' who compete on a regular basis for a share of consumer's income. Apart from the fast food chains that are internationally recognized, there are local fast food outlets that are scattered on the streets and neighbourhoods of many busy cities in different countries. Hence, the food items that are produced by fast food firms' are close substitutes which satisfy the same consumer need. Often, the ingredients that makes up the food are the same or identical. The only distinguishing feature is the brand names of the different producers. From basic economics, it is seen that, a reduction in the price of one fast food brand will cause an increase in the quantity of the fast food brand that will be demanded by the market, ceteris paribus. However, the increase in the quantity of fast food items demanded is as a result of total price effect, which is divided into the substitution effect (where both goods are substitutes) as in the case of fast food items offered by firms and the income effect (the money the consumer is willing to spend).

The extra purchase of the fast food product with a fall in price, relatively cheaper than other close substitutes is known as the *substitution effect*. On the other hand, a rise in real income (purchasing power) due to the lowering of the price of one fast food product within the bundle of products purchased by the consumer is known as the *income effect*. The additional real income that is made available to the consumer can be used to buy more of other products, including the fast food product that has experienced a decrease in price [6]. This is indicated in the equation (3):

$$\text{Substitution effect} + \text{Income effect} = \text{Total price effect} \qquad (3)$$

Consumers constantly are confronted with situations that require the making of trade-offs whenever they have to make purchasing decisions. The reason is that, with their scarce resources, they will have to make a choice from numerous fast food product options. They will have to combine budget constraints (what they can afford), and preferences (what they would like to consume) in order to make a choice [2]. The budget constraint refers to the quantity of food items the consumer can buy given his or her level of income. The slope of the budget constraint determines how the consumer can substitute a food item of one fast food brand for that of another brand and the price differentials between the two items. The budget constraint is represented by the disposable income of the consumers and the relative prices of fast food items [2].

Assuming a consumer prefers two sets of fast food products; say fast food A and B, then the consumer is indifferent between the two bundles [1]. This is because; the consumer will get the same satisfaction (utility) from consuming either bundle. The indifference curve as portrayed by the consumer will show the various fast food brands that the consumer equally prefers, or the ones that yields the same level of satisfaction or utility. The rate at which consumers are willing to change one food brand for another –also known as the marginal rate of substitution (MRS) is indicated by the slope of the indifference curve. When there is a perfect substitute, the indifference is indicated by a straight-line. This indicates that, as consumers get more of the fast food item, they trade off with the alternative fast food brand at a constant rate; hence the consumer is indifferent between them (example fast food A and B). In general, the better substitutes goods are, the straighter the indifference curve. In the fast food industry, consumers have lots of differentiated product options (particularly products of small scale enterprises) with minimal variations in taste.

The comparison between what consumers can obtain (budget constraint) and the preferences (indifference curve) is essential in consumer behaviour studies. The highest point on the indifference curve provides the optimum that is within the budget constraints. The optimum usually occurs at the point at which the indifference curve is tangential to budget constraint. At the point of optimum, MRS = relative prices of goods. This is because the MRS = the slope of indifference curve, whiles the relative price = slope of budget constraint. The MRS indicates the rate at which a consumer is eager to trade-off, and is equal to rate at which they can trade [6]. When there is a change in income, it without doubt affects the optimal choice. Therefore, the budget constraint shifts and becomes parallel to the original - downwards for a reduction in income and upwards for an addition in income [2]. A new equilibrium will occur on a higher indifference curve when there is a higher income. Consequently, because income is higher, consumers who were unable to buy more of fast food could now do so due to a rise in their disposable income. For a normal commodity like fast food, when there is an increase in income, more of it will be preferred. But the same cannot be said of inferior commodity, where less of it will be bought with increasing income, all other things being equal. Price changes results in changes in the slope of the curve. When there is a fall in price, the budget constraints will be rotated outwards and vice versa [7]. Thus, when there is a price change, both the relative prices of the two fast food products and the quantity that be bought will also change, ceteris paribus (income) [6].

3 Do consumers behave rationally?

There are divergent approaches and views on consumer behaviour from researchers in the field of marketing, psychology and economics. However, marketers see the theory of consumer behaviour as a modern advancement of economics. Marketers approach the consumer behaviour theory by embracing a more cognitive psychological approach while as the same time abandoning the rigid maxims of the economic model of consumer behaviour so as to give a vivid and realistic explanation of the behaviour of consumers [10]. Although consumer taste and preferences cannot be observed and measured; the microeconomic model of consumer behaviour tends to elaborate on them rather than looking at those factors like constraints and opportunities, which can be measured. It is difficult to observe and predict taste and preferences; therefore they are treated as remaining constant during the period that the behaviour of consumers are measured – although this does not adequately reflect reality, as use of constancy leads to a simplification of assumptions. The description of the structure of preferences according to the theory of consumer behaviour is normative. This is because instead of describing how consumers *actually* behave; it describes how they *ought* to behave [8]. It is therefore essential for the development of a structure of preferences that predicts adequately the consumers changing choices when faced with multiple alternating opportunities and constraints.

Although the consumer behaviour theory emphasizes the rationality of the consumer and his or her desire to spend his or her income on products and services that provides them with the greatest level of utility or satisfaction, the impacts of marketing activities tend to affect the presumed rationality paradigm that has been out forward by the economist. Consumers in their quest to satisfy their emotional needs or taste and preference avoid engaging in *rational behaviour;* hence they *behave randomly* depending on the stimulus that they are confronted with. The stronger the effect or influence of the stimulus the greater the randomness that is exhibited by the buyers and vice versa. This relationship occurs because of the influence that advertising and sales promotion appeal to consumers which eventually triggers spontaneous purchasing decisions without elaborate mental deliberations of all the available alternatives before a purchase is made. Lately, consumers face alternative product and service options, although from the same product category, hence, the consumer faces difficulty in differentiating product option in order to make a choice. Furthermore, on a daily basis, consumers are exposed to a lot of muddle communication messages that are difficult to interpret in order to get the relevant information in the message [8]. Also, as indicated by Poiesz (1993) buyers face less perceived risk when buying products, therefore, they do not have to undergo extensive decision making in order to reduce the risk connected with purchasing specific products and services.

4 Marketing implications of the theory of consumer behaviour

The importance of the economic theory of consumer behaviour in marketing can be seen from different perspectives [3]. The marshallian consumer behaviour model explains that, when the price of fast food brand A is lower, there will be greater sales - ceteris paribus. On the other hand, if the price of fast food brand B, which is a close substitute brand falls, in comparison with A, there will be greater sales for fast food brand B – all other things being equal. Furthermore, a higher real income will cause the sales of the fast food brand to be higher [1]. However, if is not an inferior product, then; there will be greater volumes of sales if there is an increase in expenditure on promotion - ceteris paribus [7]. Also, it is possible for the firm to marginally influence their share of the market through the regulation of the price they charge for their products.

Consumers play an important role in the economy since they spend most of their incomes on goods and services produced by firms. It is important for firms to understand the ultimate objective of the consumer. While enterprises are assumed to have a profit maximizing motive, consumers are on the other hand making efforts to maximize their utility or satisfaction when they consume more goods and services [6]. Nonetheless, consumers, like business enterprises face constraints. The major constraints are their consumption patterns and the limitation of the number of choices by certain factors, notable among them is their disposable income [1]. The choice to consume is described by economists within a theoretical framework usually termed as the theory of demand. A consumer's demand for a particular product is dependent on four significant factors. They are:

a. The price of the product impacts greatly on the quantity a consumer will buy - when other factors remain constant. When there is a lower price for a product, consumers are likely to buy more of it and vice versa
b. The disposable income of the consumer determines the quality of a product they will buy – when all other factors remain constant. Generally, there is likelihood for a consumer to buy more of a product if their disposable income is higher.
c. The price of other goods that are considered to be close substitute also impacts on the consumer's demand for a particular product.
d. Lastly, the taste and preference of the consumer also affects demand.

The law of demand states that, as price of a product increase, quantity demanded falls, all other things being equal. Enterprises in the fast food industry have some level of control over the price they charge for their products since the market follows a monopolistic structure [6]. The most viable way of influencing the taste and preferences of consumers is through marketing communication, especially advertising. The sum of all demand by individual consumers gives the market demand. The market demand is relevant because it shapes the strategies and decisions of enterprises. More importantly, the market demand enables enterprises to set the market price for their products. The market price eventually determines the firm's revenue and profit margins from producing the fast food product. The quantity of fast items that appears on each firms menu is dependent on the individual firm's product and cost considerations. This is because firm's products at the output that will enable them maximize their profits. The market supply represents the total production of all the fast food firms operating in the market. If the price of the fast food item increases, there will be a resulting increase in the quantity that will be supplied by fast food firms - ceteris paribus. The interaction between aggregate demand curve and aggregate supply curve will determine the market price or the equilibrium price.

The marketing significance of consumer behaviour theory is that, it results in a market situation where each fast food firm has to employ marketing communication (advertising and promotion) in their operations in order to stay competitive. Fast food firms must strive to include brand naming as a form of creating differences of their product from that of competitors. The brand name provides a reference point for consumers and enables them to easily identify and differentiate the product of tone firm from the other. Furthermore, it important for the firm to also engage in rigorous publicity campaigns with the purpose of providing evidence and guarantee of the quality of the food items on their menu. In order for consumers to select their referred brand, the must collect and process information about the available fast food brands. However, the cost (money or time) involved in the information gathering process may exceed the benefits of assessing the food and consuming it. Marketing communication enables consumers to quickly identify various options and weigh the opportunity cost of the various competing brands available in the market.

The use of promotional campaigns like advertising, sales discounts and other sales promotion strategies tend to influence customers into spending their money on impulse on particular fast food items due to the emotional appeal of the information rather than rational factors [1]. It is therefore essential for fast food firms to adopt and implement the integrated marketing communication in their marketing and branding activities in order to increase their market share and stay competitive in the fast food industry. Consumers mostly use information they get from marketing communication not only to assess their preferred brand, but they also such it to deduce the possible availability of other brands in the market. However, the firms that succeeds in differentiating its products and services, is the firm that gains competitive advantage in the market. A firm is able to differentiate itself effective if they are able to manipulate the tenets of the marketing mix namely includes product, price, promotion, place, physical evidence, people and process.

5 Conclusion

In conclusion, the theory of consumer behaviour is significant for international fast food firms mainly because, it contributes to shaping the competitiveness of the firm. Although the consumer behaviour theory proposes the rationality of consumers and their desire to optimize utility with their scarce income, given the monopolistic nature of the fast food industry all over the world, marketing variables like advertising and other sale promotions (marketing communication) that are adopted by firms tend to affect the rational proposition of the consumer behaviour theory. This is true because such aggressive promotional activities tend to influence consumers to buy on impulse and reduce the tendency to engage in mental deliberations before the final purchase is made. There are other factors that equally challenge the rationality of the consumer behaviour theory. Notable among them is the cultural orientation of the consumer. Consumers do not live an isolated life from their cultures. Consequently, because culture is not homogenous, individual’s decision to buy may not be the same in different markets. They may react to the various antecedents of the marketing mix depending on their cultural orientation.

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