

Consumer Behaviour

Applications in Marketing

Second Edition

Robert East, Malcolm Wright and Marc Vanhuele



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Consumer Behaviour

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55 City Road
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SAGE Publications India Pvt Ltd
B 1/I 1 Mohan Cooperative Industrial Area
Mathura Road
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SAGE Publications Asia-Pacific Pte Ltd
3 Church Street
#10-04 Samsung Hub
Singapore 049483

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Editorial assistant:
Production editor: Vanessa Harwood
Marketing manager: Alison Borg
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Praise for the previous edition

This book provides a wonderful (and very unusual) balance between areas of marketing that are often at odds with each other (or, worse yet, unaware of each other) [...] I recommend it to any student, researcher, or manager in marketing.

*Peter Fader, Frances and Pei-Yuan Chia Professor, and Professor of Marketing,
Wharton School, University of Pennsylvania, USA*

This textbook is exceptional for the amount of relevant research that is presented and explained. Students who have read and understood this text are likely to be much more of use to industry.

Fergus Hampton, Managing Director, Millward Brown Precise, London, UK

A serious, thoughtful consumer behaviour text, that focuses on substance rather than what's fashionable in academic circles.

Professor Byron Sharp, Ehrenberg-Bass Institute, University of South Australia

About the Authors

Robert East is professor of consumer behaviour in the marketing department of Kingston Business School, London and adjunct professor at the Ehrenberg-Bass Institute of the University of South Australia. He trained as a social psychologist and is a postgraduate of London Business School. His research has mainly focused on word-of-mouth patterns, where his new evidence has shown that some widely held beliefs are mistaken. As a teacher of consumer behaviour, he has been keen to deliver knowledge that is useful to students while not over-simplifying the subject. This book reflects both his iconoclastic research and his commitment to a curriculum that is both intellectual and useful.

Malcolm Wright is professor of marketing at Massey University, New Zealand, and adjunct professor at the Ehrenberg-Bass Institute of the University of South Australia. He applies empirical principles to marketing problems and has made interrelated discoveries about brand loyalty, the use of probability scales, new product forecasting and optimizing the advertising budget. He has also published many articles critically examining the foundations of popular marketing knowledge.

Marc Vanhuele holds a PhD from UCLA and is associate professor of marketing at HEC Paris. He has taught in MBA, Master of Science, executive and doctoral programmes on the topics of market orientation, consumer behaviour, pricing and communication. He also serves as consultant to consumer goods and market research companies. His research focuses on two different areas: how consumers deal with price information, and how a new use of marketing metrics can help managers to make better decisions.

Preface

Readership and Scope

We have designed this book to support courses in consumer behaviour at master's level. It is also suited to more advanced teaching at first-degree level. Our intended audience is those who see consumer behaviour as a research-based discipline that addresses problems raised by marketing and consumer policy. The problems we explore are found in all advanced and emerging economies and, for this reason, we believe that the book will be useful throughout the world.

This new edition continues the themes of the 2008 edition and, in addition, has one new chapter on Consumer Group Differences (Chapter 6). This covers cross-cultural comparisons and some segmentation issues. The remaining chapters have been updated with additional material, reflecting changes in the field in recent years, but their structure remains essentially as before. The book is selective in the research it covers, dealing in some detail with the areas chosen. As before, the chapters are quite short and are intended to support students who will also be reading original research papers. In updating and revising the book, we have found that we can often simplify and clarify the text and occasionally omit some elements that no longer seem so relevant. The result is a book that is easier to read and no longer than the previous edition.

Consumer Behaviour: Applications in Marketing stresses well-researched aspects of consumer behaviour that are of widespread importance. Following the Introduction, we describe the patterns of customer purchasing that are usually observed in market economies and the way these patterns can be explained and applied in marketing. We then look at research that has illuminated our understanding of consumer decision-making and show how this understanding can be used by marketers and public policy-makers. The last section of the book deals with the observed consumer response to market intervention and covers research findings on price, promotion, word of mouth and advertising.

Approach

Most textbooks in consumer behaviour are extensive and well illustrated, but may present the subject in a rather uncritical manner. Often, the treatment illustrates fashionable topics rather than providing evidence that helps us understand long-standing marketing problems. Such books do not make sufficient call on the expanding research in our field and, when they do cite research, may give limited attention to the uncertainties or opposing views that persist in our discipline. In practice, there are competing findings and explanations in all areas of

consumer behaviour and marketing, and we have tried to recognize these and discuss their relative merits.

This touches on a problem familiar to those who teach business students. Some of these students find arguments from evidence to be quite unfamiliar and may instead provide accounts of current business practice as though these were conclusive. Our approach opposes such uncritical thinking. We believe that those who learn to use evidence as students acquire a technique that will serve them well as practitioners.

One hazard of research-based texts is the sheer weight of evidence. We have tried to emphasize the most recent work and key papers on topics while also acknowledging those early researchers who first identified problems in consumer behaviour – problems that are usually still current. We therefore make no apology for some of the more ancient citations in this book, as these help to describe the origin of current thinking.

As subjects become more fragmented, textbooks acquire importance as integrators of different perspectives. In scientific consumer behaviour, we can discern two rather different approaches to research and application. On the one hand, there is the tradition that dominates in the large conferences of the *Association for Consumer Research*. Put baldly, this endorses theorizing and hypothesis-testing, often within experimental designs, and tends to emphasize explanations in terms of the beliefs, preferences and the culture of consumers – a cognitive orientation. In contrast to this is the approach of those who belong to the *marketing science* grouping, who place emphasis on behaviour, measures rather than concepts, generalization from an accumulation of findings, and on the use of mathematical models rather than psychological theories for explanation. Textbooks have generally emphasized the cognitive tradition. We give more space than usual to the marketing science orientation; in particular, we emphasize behavioural explanations, the role of habit and the modelling of market patterns and market change. However, we also provide a full treatment of the techniques and theory that underlie the cognitive approach to consumer behaviour.

Consumer behaviour is a changing field. New research is giving answers to questions of major importance and, in due course, will give rise to a new breed of professional marketer. All three authors are active researchers and use their own research in this book; we hope that, in doing so, we manage to convey the excitement that new discoveries arouse.

Exercises

Good education gives students the confidence to use and criticize ideas. We try to enlarge this confidence through practical exercises that help the reader to apply and reflect on ideas about consumer behaviour. The exercises require self-appraisal, calculation, observation, measurement of attitudes and the use of computer programs. In many cases, they are quickly done and the reader will benefit by doing them as they occur.

Plan of the Book

The book is divided into four Parts. Part 1 (Chapter 1) introduces the reader to explanations for the different forms of consumer purchase. Part 2 (Chapters 2, 3, 4, 5 and 6) focuses

on patterns of purchase; we cover customer loyalty and brand equity, the recurrent features of mature and changing markets, and relevant differences between cultures and consumer segments. Part 3 (Chapters 7, 8 and 9) focuses on decision-making; we deal with methods for predicting and explaining decisions, the way that decisions can be biased and the post-decision effects relating to satisfaction and quality. Part 4 (Chapters 10, 11, 12 and 13) focuses on the responses of consumers to conditions that affect consumption. These are price, the retail environment, social influence and advertising.

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- Notes for Lecturers
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- Software Notes
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For students:

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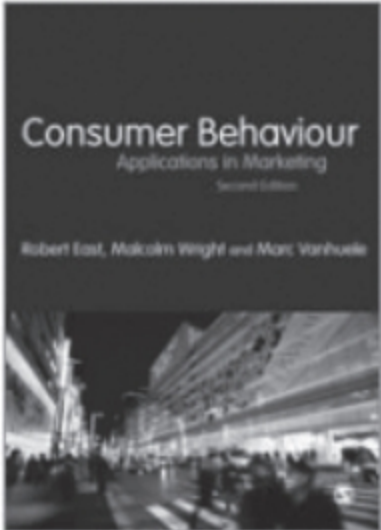
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Second Edition



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About the Book

"A thought-provoking text that challenges readers to consider consumer behaviour in new and refreshing ways. The approach is distinctive. Readers are encouraged to reflect on their own experiences, as well as appreciate the insights provided by scholarship in psychology, sociology and marketing science. The authors not only discuss complex, one-off decisions, but also help us to understand routine behaviours that occupy so much of daily life – buying brands, patronising stores, watching adverts, making recommendations."

Professor Mark Uncles, Deputy Dean, Australian School of Business, University of New South Wales, Sydney

"A serious, thoughtful consumer behaviour text, that focuses on substance rather than what's fashionable in academic circles."

Professor Byron Sharp, Ehrenberg-Bass Institute, University of South Australia.

What's the best day to advertise groceries? Does a lookalike damage the brand it mimics? Do your long-term customers recommend you more than others? How damaging is negative word of mouth? Should retailers use 9-ending prices? These are some of the fascinating questions you will explore in *this text*.

The text is written by respected marketing academics across the globe with a strong focus on the use of research to help higher-level students develop analytical and evidence-based thinking in marketing. It extends beyond a psychological approach to provide an empirical understanding of the subject for success in industry roles or further research in the field, and takes into consideration not just the individual but the market environment.

New to this second edition:

- Increased accessibility for a truly international readership
- Fully updated with contemporary, global examples and case studies
- Further coverage of cross-cultural comparison, including a new chapter on Consumer Differences which also incorporates age and gender differences

This textbook is essential reading for postgraduate students (MA, MSc, MBA) taking courses in consumer behaviour and undergraduate students specialising in consumer behaviour.

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Part 1

Introduction



1

Ideas and Explanations in Consumer Research

LEARNING OBJECTIVES

When you have completed this chapter, you should be able to:

- 1 Explain why it is important to study consumer behaviour.
- 2 Discuss the limitations of a common-sense approach to consumer behaviour.
- 3 Compare and contrast different approaches to decision-making by consumers.
- 4 Discuss the effects of the consumer environment on choice.
- 5 Explain how markets are usually classified.

OVERVIEW

In this chapter, we show that findings about the way in which consumers behave when they buy and use products and services can be quite unexpected and that research is needed if we are to answer the questions posed by marketers and regulators. Then we describe three ways in which consumer choice can occur. Following this, we introduce some classifications that are commonly used to describe different types of marketing and consumer research.

SECTION 1: THE SCOPE OF CONSUMER BEHAVIOUR

How do people buy and use goods and services? How do they react to prices, advertising and store interiors? What underlying mechanisms operate to produce these responses? If marketers have answers to such questions, they can make better managerial decisions. If regulators have answers, they can design better policy. It is the role of consumer behaviour research to provide these answers.

In this book, we provide an up-to-date account of the main issues studied by consumer behaviour researchers, our current understanding based on these research findings, and show how our understanding can be applied to marketing problems. Knowledge has grown rapidly in some areas, and we have reflected these advances by describing some work in more depth. In such cases, we explain why an issue is important, how it is investigated and what the findings are. This approach culminates in *empirical generalizations*. These are general findings, based on evidence, that have stood the test of repeated investigation. Such general findings summarize the state of our knowledge and are useful to practitioners and researchers alike. All too often, popular pronouncements on marketing issues contain little evidence of this sort and it is our purpose to reverse this approach.

Where our knowledge is still sketchy, we have tried to indicate doubts about the evidence or its interpretation. Such uncertainty propels research and, as a result, creates new knowledge. Though not always welcome to students, doubt is part of good education. Students who see the uncertainties in consumer research should be more sceptical of unsupported opinions and may be better placed to interpret and adapt to new findings when these emerge. Each of the authors is an active researcher and has struggled to understand the complexities of consumer behaviour over many decades. We hope that this sharpens the account that we give. Inevitably, we have omitted some fields of knowledge; in particular, we have left out some topics that are well covered in more introductory consumer behaviour texts.

In this chapter we introduce some general ideas about consumer behaviour and marketing, which are explored further in following chapters. In Section 1, we look at the sort of *question* raised by marketing and the *answers* that are provided by consumer behaviour research. Section 2 of this chapter will discuss models that provide descriptions of *consumer decision processes* and Section 3 will focus on some of the *classifications* and *explanations* that we use to describe different types of consumer research.

Questions and Answers

There is a close affinity between marketing and consumer behaviour. In a sense, marketing is a customer of consumer research. Marketers want answers to a number of problems raised by their practices, and consumer researchers can provide these answers. Examples of marketing practices are:

- the use of price incentives
- the use of particular colours, music and aromas in the retail environment
- launching new products using existing brand names (brand extension).

Often, the direction of an effect fits common sense; for example, consumers buy more when the price is dropped. However, the benefit of a discount depends on the *amount* of extra sales generated by, say, a 10 per cent price cut and here common sense does not supply an answer. For informed action, we need to conduct systematic research, which allows

us to measure the size of any effect. Evidence is gathered using the methods of market research, psychology and the social sciences. Using such methods, we seek answers to questions such as:

- How much do sales change when the price of a product is cut by 10 per cent? What happens to sales after a discount has ended? Why do these effects occur?
- How much do colours, music and aromas affect consumers' behaviour in a store? What underlying mechanisms explain any effects we see?
- When a new product is launched under an old brand name, how much does the old name affect purchase of the new product?

Another set of questions comes from legislators and regulators, who have to set rules that affect marketing. Examples of their questions are:

- How do consumers react to product benefits such as increased energy efficiency or high nutritional value? What explains their behaviour?
- Do childproof packs save lives? How are such packs used?

Sometimes, marketers give little attention to the explanation for an effect. An example is the identification of specific groups who are very heavy buyers of a product. If such people can be identified, they can be selectively targeted. This type of empirical approach can work well but explanation still helps. If we know *why* some groups buy a product much more than other groups, we may be able to design communications that capitalize on this and also predict other products that these groups will want.

In any applied subject, practitioners need to use their judgement when evidence is lacking. Those who have to take decisions cannot delay action until problems have been fully researched. However, it is important that practitioners do accept new evidence when this becomes available. Some apparently sensible practices may need to be adjusted because of new findings. For example, it has been assumed that the childproof packs for medicines decrease accidental poisoning, but this may be illusory. Viscusi (1984) found evidence that child-resistant bottle caps were associated with an *increase* in child poisoning, possibly because parents left medicines accessible when they thought that a cap was childproof, or because the child-proof closure was so much trouble for adults that they left the container open. Viscusi's work suggests that packs should carry more specific advice about use and possibly be redesigned so that they are less likely to be left open. More generally, this type of work reminds us that common sense does not replace empirical tests.

SECTION 2: CONSUMER DECISION MODELS

The traditional approach to problems in consumer behaviour employed a comprehensive model of the purchase decision process. Such models were often the centrepiece of

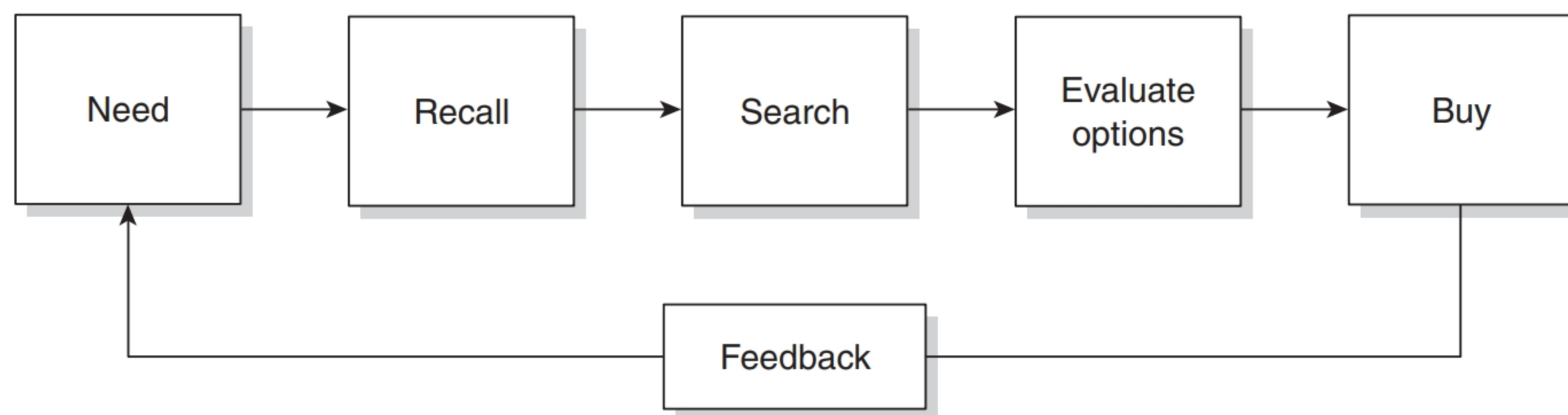


Figure 1.1 Is this how you choose?

undergraduate consumer behaviour texts and were expressed with boxes and arrows representing all the components and connections of an elaborate rational decision. In these models, the consumer is supposed to attend to product information and process it into their memory. The consumer retrieves the memory when a need emerges and, after further search and evaluation of all relevant alternatives, a purchase is made. After this, post-purchase evaluation may create satisfaction or dissatisfaction with the chosen product and this can result in a review of needs for later decisions. Figure 1.1 shows the basic form of such a model.

These days, there is less enthusiasm for such models. One problem has always been that they are hard to test because it is difficult to find satisfactory measures for all the components (Ehrenberg, 1988). Another problem with comprehensive models is that they overstate the rationality of how consumers choose. If there is plenty of time and the decision is important, then *sometimes* people will discover all the alternatives, evaluate them and select the one that seems to be the best, but we know from our own experience that we often simplify the process. Sometimes, we choose first and justify our behaviour afterwards, if we justify it at all. Thus, although rational decision models might suggest what people *ought to do* (normative), they are a poor guide to what people *actually do* (descriptive). In practice, managers want to know what people actually do since it is this behaviour that they seek to influence.

Textbooks now give more attention to ‘partial decision models’ where the rationality of the process is incomplete; also, it is accepted that much repeat purchase occurs automatically as a habit. Often, this range of decision making from rational to automatic is related to the degree of *involvement* with the product. People are likely to be more involved and give more thought to the choice when they are buying something for the first time and it has important outcomes. To explain decision-making in more detail, we focus on three models of consumer decision, which have different implications for managers (see Box 1.1). The models are:

- 1 **Cognitive**, treating purchase as the outcome of rational decision-making processes.
- 2 **Reinforcement**, treating purchase as behaviour which is learned and modified in response to the opportunities, rewards and costs present in the consumer’s environment.
- 3 **Habit**, treating purchase as already learned behaviour, which is elicited by particular stimuli in the consumer’s environment.

Box 1.1

Models of consumer choice

The cognitive model. This assumes rationality. The decision rests on beliefs about alternatives, which are investigated and compared. Marketers can influence cognitive decision-making by providing information that leads the consumer to prefer or reject alternatives.

The reinforcement model. Choice is controlled by factors in the environment that reward and facilitate some alternatives more than others.

Marketing influence is achieved by changing the consumer's situation. However, what is rewarding to some persons may not be so to others and this limits influence.

The habit model. Choice is controlled by managing stimuli (brand name, logo, pack features, etc.) that have become associated with a product as a result of past purchases. Sometimes this is called stimulus control.

The Cognitive Model

When consumers make an important purchase for the first time, they may reflect on alternatives and discuss pros and cons with others with the intention of securing benefits and avoiding costs. This model, sometimes called *extended problem-solving*, has always had its critics. Olshavsky and Granbois (1979: 98–99) noted:

for many purchases a decision never occurs, not even on the first purchase ... even when purchase behaviour is preceded by a choice process, it is likely to be very limited. It typically involves the evaluation of few alternatives, little external search, few evaluative criteria, and simple evaluation process models.

It is quite hard to find behaviour that fits the elaborate sequence of extended problem-solving. Beatty and Smith (1987) found that people did not search much before the purchase of durables and Beales et al. (1981) found that few people in the USA consulted *Consumer Reports*. Carefully thought-out decision-making is only likely for first purchases but these are quite rare, even in consumer durable markets, since most purchasers are either buying a replacement for an existing product or making an additional purchase. In a study of white goods purchases in the USA, Wilkie and Dickson (1985) found that two-thirds of the purchasers had bought the category before and Bayus (1991), quoting US industry sources, found that 88 per cent of refrigerators and 78 per cent of washing machines were replacements. In these circumstances, a carefully thought-out comparison of brands is likely to be the exception rather than the rule.

But, when it does occur, is a carefully thought-out decision likely to result in the best choice? When people attempt to be rational about a first-time choice, they may make mistakes because they lack experience. However, they are likely to make a better choice than those who abandon any rational processing and plump for an alternative (see Box 1.2).