LEARNING OBJECTIVES
After reading this chapter you should be able to:
1. define consumer behaviour
2. explain the sectors that constantly target consumers
3. describe how the sectors research consumers
4. discuss how consumers make decisions
5. debate how marketing activities impact consumers
6. discuss an appropriate framework to study consumer behaviour.
One way or another, you have been a consumer since you were young and have been evolving over the years.

As a baby, you consumed whatever food your parents gave you. You wore nappies, clothes and shoes that your parents chose. As a toddler, you devoured Sesame Street shows on television to learn about the alphabet. You tagged along on supermarket trips, insisted on a lolly, and observed how your mum and other people shopped. You probably pestered your parents to buy Coca-Cola soft drink, McDonald’s french fries and Happy Meals with special film toys.

As you became more knowledgeable in your teens, you exerted more influence. You specified which brands of clothing and footwear that your parents should buy for you, which attire to wear for your high school social, what household items would be good for the home and where to go for family holidays.

You progressed to making your own decisions. You chose which discipline to study, which university to enrol in after consulting friends and parents, whether to study full-time or part-time and whether to go on a study tour or student exchange.

In your current life, you likely watch favourite films on DVD, online or at the cinema, buy music from the iTunes Store, buy your own smartphone, laptop or tablet, create Facebook and email accounts, join a brand community and vote for X-Factor or The Voice contestants. You also choose which pubs to frequent, which celebrities to follow, which political party to support, which sport to participate in, which job to work in, whether to have tattoos or cosmetic surgery, whether to buy fake brands or second-hand goods, whether to rent or buy an apartment or house, and whether to plan for your future by buying insurance policies.

Your life now may also involve deciding whether to donate time or money to a fund-raising appeal, whether to sell your possessions to raise funds for charity or cash for newer goods, whether to opt in to donate your organs when you die, whether to be a responsible consumer (for example, throwing your burger wrapper in the bin instead of on the road) or deviant consumer (such as a shoplifter), whether to buy organic food or environmentally friendly goods, whether to complain about advertisements, whether to participate in product development activities of companies, and whether to engage in masochistic behaviour such as a Tough Mudder event that includes an electroshock therapy.

Welcome to your own wide world of consumer behaviour! And to the organisational world that is constantly engaging you with technology and services. See Figure 1.1 on how Samsung connects your multimedia world through its 3D television.
INTRODUCTION

Consumer behaviour is a central part of your life. It is a changing process where you could be a user, buyer, seller, influencer and an environmentally conscious consumer during different stages of your life. You may be involved in the process individually or collectively. You may buy goods or raffle tickets on impulse. You may buy brands habitually or accept alternatives in an out-of-stock situation. You may take some time deciding on high-priced purchases, rationally evaluating the options.
There are many questions surrounding consumer behaviour: What is consumer behaviour? Which sectors constantly target consumers? How do sectors research consumers to gain insights into their behaviour? How do consumers decide from abundant alternatives? How do marketing activities impact consumers? What is an appropriate framework to study consumer behaviour? This chapter addresses all of these questions.

**WHAT IS CONSUMER BEHAVIOUR?**

Consumer behaviour is about the behaviour of consumers in different situations. However, there are various definitions of the discipline:

1. The behavior that consumers display in searching for, purchasing, using, evaluating and disposing of products, services and ideas.¹
2. A discipline dealing with how and why consumers purchase (or do not purchase) goods and services.²
3. Consumer behaviour can be thought of as the actions, reactions, and consequences that take place as the consumer goes through a decision-making process, reaches a decision, and then puts the product to use.³
4. The dynamic interaction of affect and cognition, behavior, and environmental events by which individuals conduct the exchange aspects of their lives ... the overt actions of consumers.⁴
5. It is the study of the processes involved when individuals or groups select, purchase, use, or dispose of products, services, ideas, or experiences to satisfy needs and desires.⁵
6. Consumer behaviour is defined as (1) the mental and physical acts of (2) individuals, households or other decision-making units concerned with ultimate consumption involving (3) the acquisition, own production, use and, in some cases, the dispossession of products and services.⁶

The definitions reveal two central themes about consumer behaviour:

1. It is a process of actions covering purchase, usage and/or disposal.
2. It involves individual or group consumers in goods, services, ideas and experiences.

Some scholars feel strongly that consumer behaviour must have the three elements of acquisition, usage and disposal.⁷ This seems to be a rigid view of consumer behaviour. Is it not consumer behaviour when you search for information but do not buy; when you buy a gift and do not personally use the purchase; and when you do not dispose of your purchase?

While you would discard many goods such as supermarket perishables and worn-out furniture, would you get rid of an expensive watch or diamond? You may keep such
purchases for life. Some consumers also have a habit of not disposing drinking cups and food wrappers in bins at fast food outlets.

Would disposing be relevant when you buy an idea to donate to a social cause, such as a tsunami appeal? You may continue to donate to different fund appeals, but would this behaviour be considered disposing of one idea to support another idea? Also, would you dispose your wonderful experiences gained through time at the movies or rides at a theme park?

The definitions also seem to cover new and high-price purchases, which would naturally include a more thorough process of searching, evaluating and selecting before the purchase action. In practice, consumers often make routine or impulse purchases of low-price items. For example, you may buy a certain drink out of habit, convenience or availability when you are thirsty (see more discussion under the section ‘How consumers decide’).

Hence, a more suitable definition to cover different consumer situations would be:

Consumer behaviour is about how consumers behave in situations involving goods, services, ideas and experiences.

The situations could cover pre-purchase, purchase and post-purchase. The situations could be for trying something new (for example, a new food item offered by a sales promoter in a supermarket), buying a new purchase (for example, a car), making a repeat purchase (for example, buying the same brand of milk), changing a service provider (for example, your internet or telephone provider), supporting a public service campaign (for example, slowing your driving speed) or considering a purchase but not eventually buying it (for example, travel insurance).

Depending on the situation, you as a consumer would behave differently; for example, buying, using and disposing of a simple item; searching, evaluating and buying as a gift; buying, using and keeping an expensive purchase; evaluating but not buying; and so on. Your consumer behaviour situations are diverse and you may have your own definition of the field after learning more about this complex field of consumer behaviour.

**SECTORS TARGETING CONSUMERS**

The terms ‘private’, ‘public’ and ‘non-profit’ sectors are often used to distinguish commercial, government and not-for-profit organisations that market to consumers. At different times of your human life cycle, you could be buying commercial goods (for example, bread), government services (for example, water) and not-for-profit ideas (for example, donating to an appeal to save endangered animals). This section focuses first on the non-profit, then the public and lastly the private sector.

**Non-profit sector**

**Non-profit institutions** (also known as the voluntary or third sector) organise charitable, cultural, educational, political, recreational, social or sporting activities on a non-profit basis.
A non-profit organisation uses commercial marketing concepts for social change or social marketing purposes. Social marketing has two goals: first, to get consumers to increase support for a social cause (for example, donations or consumer rights); and second, to convince consumers to decrease some behaviour (for example, consumption of drugs or binge drinking—a process described as de-marketing). For example, WWF as the independent conservation organisation works with businesses, communities and governments to help ‘people live in harmony with nature’. WWF initiatives include gaining support for its preservation of the Amazon tropical rainforest and reduction of global carbon emissions (see Figure 1.2).

Another non-profit organisation is Consumers International, which has championed consumer rights since 1960 in 120 countries through 240 member organisations. Its eight principles are that the consumer has the right to satisfaction of basic needs, safety, information, consumer education, healthy environment, choice, to be heard and to redress.
A unique nature of non-profit organisations is that they survive on funding or member support, although they do use private sector organisations to assist from time to time. For example, consulting firm Deloitte, which has a website on ‘Not-for-profit sector insights’, revealed in its 2012 survey the challenge of securing more government funding to service increasing community needs during natural disasters.\(^{13}\)

A research study of non-profit managers in Britain, the USA and Australia found that promotional marketing was the non-profits’ most important activity, with a small percentage acknowledging the importance of market research.\(^{14}\) Another study highlighted that non-profit organisations are organisation-centred rather than consumer-oriented.\(^{15}\)

**Public sector**

The **public sector** provides government services for consumers and organisations, such as education, electricity, health care, gas, public transportation, roads, police, military, water and tourism. Many nations market their cities or countries to attract tourists, residents and investments.\(^{16}\)

In some countries, both the public and private sectors supply household services contemporaneously; for example, electricity in the USA and water in Britain and France.\(^{17}\) Education also can be offered by both the public and private sectors, with the price differential not bothering some parents. For example, an Australian Scholarships Group study revealed that a public education from pre-school to Year 12 in Melbourne, Australia, would cost about $70,000, compared with a private education of $500,000.\(^{18}\)

One study reported that consumers should have access, choice, information, redress and representation concerning public services, especially the health service.\(^{19}\) Another report recommended the need for more consumer engagement to improve the mental health service in Victoria, Australia.\(^{20}\)

The public sector also provides useful consumer protection services. For example:

1 The Australian Bankers Association advises on identity protection.
2 The Australian Department of Communications, through its Stay Smart Online website, advises on securing computers, online interactions and transactions.
3 The tourism program within the Department of Industry helps travellers to maximise their visits to Australia.

The Australian Government has also been running numerous social marketing campaigns to influence behaviour change: for example, on health, anti-smoking, cancer awareness, organ donation, life quality and sexually transmissible infections (see Figure 1.3).\(^{22}\)
Speeding on roads has always been an issue. The Transport Accident Commission (TAC) in Victoria, Australia, started addressing the problem in 1990 with speed cameras and laser speed detectors.

Research provided evidence that reducing the driving speed by five kilometres an hour would make a significant difference to the stopping distance in an emergency situation, and therefore help to prevent fatal accidents. After a series of research testing on advertising concepts, the ‘Wipe off 5, or wipe out lives’ campaign started in 2001.

Over the years, the television campaign (see Figure 1.4) has shown a father guilty of a car crash that killed his daughter; women talking about speed-related trauma and the long-term damage of a serious road crash; a father being held responsible for killing a young female cyclist; the ripple effect of a young man’s death on family, friends and colleagues; Melbourne Victory football players speaking in Arabic, English, Greek, French, Italian and Portuguese about the need for road control; and Australian Rules football players advocating ‘Wipe off 5’.

The integrated campaign has also included the use of posters, stickers, banners and online sites Facebook, Twitter and Instagram to engage people on how to ‘Wipe off 5’.

‘Wipe off 5’ has had a great impact on drivers’ attitudes and behaviour—speeding incidence declined over time from 25 per cent to 11 per cent. Fatalities dropped from fifty-two in 2009 to forty-four in 2013.\textsuperscript{23}
**Private sector**

The **private sector** or business sector is made up of commercial companies marketing goods, services, ideas and experiences to consumers (as well as the private, public and non-profit sectors). It includes commercial research companies collaborating with their global offices and marketers to research consumers for product development, consumer trends and lifestyle changes. It also includes creative services firms in advertising, public relations, marketing communication, media and production who plan and execute integrated campaigns to appeal to consumers. The sector also includes industry associations promoting their product categories, such as beef, milk, fruits and vegetables.

Consumers’ purchases of commercial goods and services can be categorised as follows:

1. **Convenience goods**—non-durables or **fast-moving consumer goods (FMCG)**, such as dairy items.
2. **Convenience services**—such as entertainment, finance, health, news, telephone and travel.
3. **Durables**—such as appliances, cars, furniture and clothes.
4. **Specialty products**—luxury items such as diamonds and premium watches.
5. **Unsought services**—such as blood donations, life insurance and funeral services.

The convenience goods category, naturally, is the most advertised because of its low price, consumption frequency and high volume compared with other categories, which command higher prices but lower purchase incidence. The Nielsen Global AdView Pulse 2013 report (which covered Argentina, Brazil, Croatia, Egypt, France, Greece, Hong Kong, Japan, Kuwait, Lebanon, Mexico, Portugal, Saudi Arabia, Spain, Switzerland and United Arab Emirates) revealed that FMCG had the highest advertising share of 21.3 per cent, with
entertainment at 13 per cent and industry and services at 11.8 per cent. The convenience goods categories of FMCG and services outspent the durables category by about four times (see Table 1.1).²⁵

<table>
<thead>
<tr>
<th>CONSUMER GOODS AND SERVICES CATEGORIES</th>
<th>ADVERTISING SHARE (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FMCG</td>
<td>21.3</td>
</tr>
<tr>
<td>Entertainment</td>
<td>13.0</td>
</tr>
<tr>
<td>Industry and services</td>
<td>11.8</td>
</tr>
<tr>
<td>Auto</td>
<td>9.2</td>
</tr>
<tr>
<td>Media</td>
<td>9.1</td>
</tr>
<tr>
<td>Health care</td>
<td>7.4</td>
</tr>
<tr>
<td>Financial</td>
<td>6.2</td>
</tr>
<tr>
<td>Telecom</td>
<td>5.8</td>
</tr>
<tr>
<td>Durables</td>
<td>5.7</td>
</tr>
<tr>
<td>Distribution</td>
<td>5.5</td>
</tr>
<tr>
<td>Clothing and accessories</td>
<td>3.4</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>1.6</td>
</tr>
</tbody>
</table>

The world’s largest FMCG company, Procter & Gamble (P&G), has billion-dollar brands such as Head & Shoulders, Olay, Oral-B, Pampers and Pantene.²⁶ P&G spends about 11 per cent of sales revenue on advertising, with about US$9 billion advertising on its US$83 billion sales in 2011.²⁷

This quote from P&G aptly sums up the goal of the business sector:

Today we reach a little more than half of the world’s 6.7 billion consumers. We want to reach another billion in the next several years, and much of that growth is going to be in the emerging markets, where most babies are being born and where most families are being formed. We see growth across our entire portfolio.²⁸

One category for P&G growth is the sanitary pad market in India, where 12 per cent of reproductive-age women use sanitary pads and 88 per cent use old fabric, newspapers, dried leaves and grass, husks, ash and sand.²⁹ This has presented P&G the opportunity to work with the public sector to reach 2.5 million girls in 15,000 schools across India with hygiene messages.³⁰

Working with the public and non-profit sectors is a goal of many companies, a concept called corporate social responsibility (CSR) where organisations have responsibilities to their society and consumers.³¹ CSR dimensions cover legal, ethical and philanthropic expectations.³² In Australia, the private sector supports the government’s National Cultural Policy to facilitate consumer enjoyment of Australian-made films, music festivals, museums, arts centres and orchestras.³³ However, one research report cautioned that

...
consumers would dissociate with companies that are insincere in their social initiatives and are not proactively matching the initiatives with corporate mission.\textsuperscript{34}

Unilever, a competitor of Procter & Gamble, has a ‘Private Sector Outreach’ program—in consultation with 300 companies in Brazil, China, Colombo, France, India, Indonesia, Liberia, Mexico, Netherlands, Russia, South Africa, Spain and Britain—to focus on social issues such as education, health and ‘early days’ child nutrition for 1000 days between conception and the second birthday.\textsuperscript{35}

One classic example of private sector collaboration with the non-profit sector is the (Red) campaign. Singer Bono and activist Bobby Shriver started (Red) in 2006 to partner with private companies to develop (Red)-branded goods and services (see Figure 1.5). A percentage of sales turnover goes to its global fund to help HIV/AIDS victims in Ghana, Kenya, Lesotho, Rwanda, South Africa, Swaziland and Zambia. Partners include Apple, Starbucks, Coca-Cola and Live Nation Entertainment. So far, partners have contributed over US$250 million to assist 40 million people in Africa.\textsuperscript{36}

\textbf{FIGURE 1.5}

Apple’s red iPod Nano raises funds to fight AIDS in Africa

Not all private sector companies are in the good books of consumers. A 2014 \textit{Wall Street Journal} article on ‘The 10 most hated companies in America’ included Abercrombie & Fitch because consumers still remember the controversial 2006 statement that the company was only interested in ‘cool kids’ but not overweight customers.\textsuperscript{37} Some companies’ questionable practices were highlighted in award-winning documentary, \textit{The Corporation}, which showed how companies can manipulate marketing, government and the media to achieve their profit focus (see the discussion on dissociative companies in Chapter 4).\textsuperscript{38}

In summary, the private, public and not-for-profit sectors serve consumers by providing goods, services, ideas and experiences. The non-profit sector’s goal is to have consumers support their programs, whether to increase donations or to dissociate with undesirable