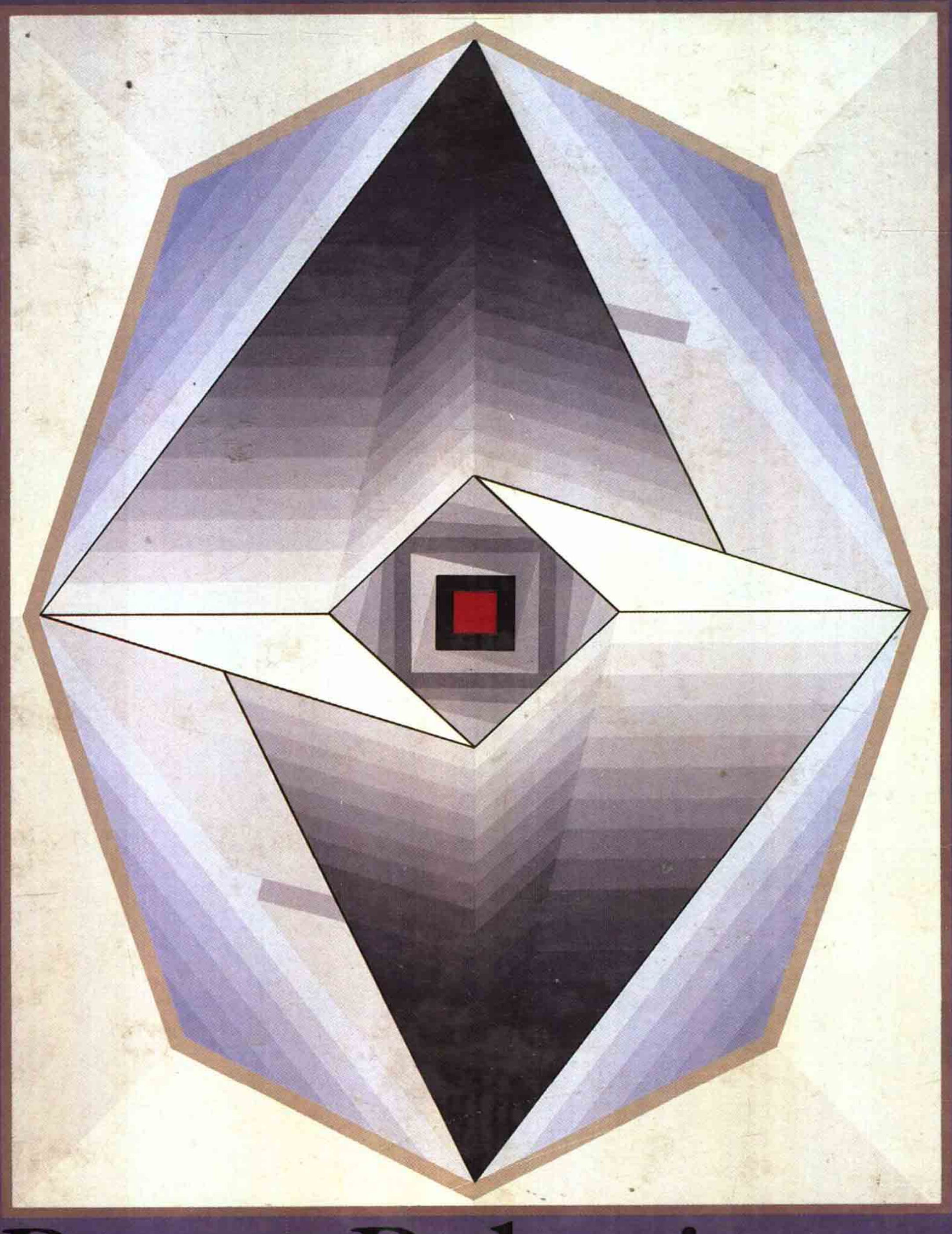

Buyer Behavior

A Decision-Making Approach

Raymond L. Horton

Charles E. Merrill Publishing Company
A Bell & Howell Company
Columbus Toronto London Sydney

Buyer Behavior: A Decision-Making Approach

Raymond L. Horton
Lehigh University

To Patricia
Incisive critic, principal advisor, and dedicated wife.

Published by Charles E. Merrill Publishing Company
A Bell & Howell Company
Columbus, Ohio 43216

Production Editor: Gnomi Schrift Gouldin
Cover Design: Tony Faiola
Cover Painting: Sonny Zoback
This book was set in Garamond

Library of Congress Catalog Card Number: 83-62447
International Standard Book Number: 0-675-20105-5

1 2 3 4 5 6 7 8 9—91 90 89 88 87 86 85 84
Printed in the United States of America

Preface

The mass prosperity in the United States that followed World War II ushered in a Consumer Era which was, and continues to be, a truly unique period in the history of the world. The general prosperity that has characterized this period was accompanied by an extraordinary increase in the variety and complexity of available goods and services and heretofore unknown opportunities for buyers to express their individual needs in the marketplace.

From the perspective of marketers, the behavior of buyers in the post-World War II era became more complex and less predictable. Quite suddenly the need for a more precise and detailed understanding of buyer behavior increased dramatically. Fortunately, the theories, methods, and researchers needed to produce this understanding were also becoming increasingly available at this time.

The "demand" for more buyer behavior knowledge resulted in a "supply" of buyer behavior research that has increased at a seemingly exponential rate in the last three decades. During this time much has been learned. Still, the field is very new and to a large extent unsettled. This situation presents many challenges to authors of textbooks on buyer behavior; especially books, such as this one, which attempt to present a review of buyer behavior theory and research that is current, theoretically and methodogically precise, and complete while remaining textbooks rather than research monographs.

This book attempts to meet these challenges in a number of ways. Our analysis of buyer behavior is firmly and directly based upon extensive research. Despite the extensive research base, our review is, of necessity, selective. While it is neither possible nor desirable to entirely avoid questions and controversies, the selection of topics and the depth of coverage has been heavily weighted in favor of knowledge that is well established and of managerial relevance. Finally, in contrast with most consumer and buyer behavior textbooks, this book focuses initially on those aspects of behavior common to all buyers and leaves the discussion of the myriad individual differences among buyers to later chapters. This organizational scheme is intended to keep the reader from initially becoming lost in a sea of individual differences in buying behavior, which tend to vary widely over types of products as well as types of buyers and are rarely organized into general explanatory theories or classification systems.

The theories, concepts, and research findings discussed in this book are organized into seven major sections. Part I provides a general introduction to the field of buyer behavior from several different perspectives. When a buyer recognizes the need to make a purchasing decision, that person will be in one of three decision-making states, generally referred to as routinized response behavior, limited problem solving, and extensive problem solving. The next three parts examine each of these states. The first four parts of the book emphasize the elements of buyers' decision making processes most common to all buyers.

Part V is devoted to a general, and largely illustrative, discussion of the myriad ways in which individual buyers differ in their buying behavior, and the managerial consequences of these differences. Part VI broadens the discussion by examining the special characteristics of buying decisions conducted or experienced on a collective basis by families and organizational buyers. In this section we shall argue that consumer and organizational buying show considerable similarity. For this reason the title chosen for this book is the comprehensive *Buyer Behavior*, rather than the more popular Consumer Behavior or Consumer and Organizational Buying Behavior. Part VII concludes the book with a discussion of how buyer behavior theory and research can facilitate the making of effective and efficient public policy.

ACKNOWLEDGEMENTS

Like all large scale efforts, the writing of this book has benefited from the general knowledge, critical evaluations, and occasionally brilliant insights of a number of persons. Professors Nora Ganim Barnes (Boston College), Joseph Belch (San Diego State University), Edward Riordan (Wayne State University), and Terrell Williams (Utah State University) provided initial reviews that were very useful in rigorously defining the basic concepts which underlie this book. Professors Gary Klein (California State University, Long Beach), Michael K. Mills (University of Southern California), and Charles M. Schaninger (SUNY at Albany) provided insightful reviews and many useful suggestions for revising individual chapters. I am especially indebted to Professor Robert Pitts (University of Mississippi) who served as reviewer and advisor throughout the entire writing of the book. Last, but not least, Professors Robert Eckles (University of Wyoming, Cheyenne) and Carol Scott (UCLA) provided final reviews of the entire manuscript that were of great value in pulling the many diverse themes in the manuscript into a more coordinated and cohesive statement of our current knowledge of buyer behavior.

Among my colleagues at Lehigh University, four deserve special mention. Professors Martin Richter and George Shortess provided expert reviews of the chapters on learning and perception, respectively, and kept me from the common errors that nonexperts frequently make in discussions of these topics. Professor Hugh Daubek, a colleague in marketing, provided a number of general suggestions regarding the strengths and weaknesses of many of my preliminary ideas. I am most indebted to Professor Michael Kolchin who prepared the initial draft of Chapter 16 on Organizational Buying Behavior and who provided consistently detailed and insightful reviews of the initial drafts of many chapters.

Finally, Mrs. Jan Bonge, Mrs. Joyce Chiz, Mrs. Jean Gorman, Ms. Sharon Ruhf, and Mrs. Janice Schaeffer skillfully provided the many secretarial services that intervene between the initial gleam in an author's eyes and the final printed book. I am especially indebted to Mrs. Schaeffer who typed the majority of the manuscript and efficiently and effectively handled the barrage of activities which inevitably arise as the final due date approaches.

Raymond L. Horton
Bath, Pennsylvania

Introduction: The Organization of This Text

One consequence of the mass prosperity that followed World War II is that the behavior of buyers in the United States has become more complex and varied, as have the available goods and services. Thus, marketers have required greater knowledge and deeper understanding of the behavior of buyers, which has led to a dramatic increase in the research on buyer behavior. This book examines the theory and research on buyer behavior and the results of that labor.

Part I opens the text with an overview of buyer behavior. Chapter 1 reviews the development of buyer behavior as an area of study. It discusses the orientation of past research, the characteristics of currently dominant theories, and the research trends that are emerging. Chapter 2 examines four comprehensive models of buyer behavior and their view of buyers' decision-making processes. Variations among buyers' decision making processes in different situations is the subject of Chapter 3.

Parts II–IV are organized around the idea that when a buyer recognizes the need to purchase that buyer will be in *one* of three decision-making states: generally referred to as routinized response behavior, limited problem solving, and extensive problem solving. These three states are distinguished by the buyer's knowledge of the product class and associated brand concepts necessary for efficient and effective decision making.

Part II is devoted to an analysis of the behavior of buyers when their knowledge of the product class and alternative brands within it is sufficient to implement their buying decisions in a routine way. Chapter 4 discusses the characteristics of routinized response behavior. An important consequence of the routinized response behavior of buyers is their tendency toward a high degree of brand loyalty. Developing brand loyalty is a key managerial objective and Chapter 5 is devoted to this topic.

Often, however, buyers will regard their knowledge of the relevant product class as adequate but feel they need more information about the specific brands from which they will make their ultimate choice. This decision-making situation is known as limited problem solving, because the problem is limited to learning about alternative brands. For example, the basic *concept* of many durable goods remains quite stable over long periods of time, while the characteristics of specific brands often change sufficiently that a buyer will need to form new brand concepts *before* a satisfactory purchase can be made. This will require us to deal with how buyers learn a brand concept. To this end, Part III investigates motivation, learning and memory, and attitudes and attitude change.

Occasionally, buyers face the need to evaluate a product with which they are largely or entirely unfamiliar. This decision-making situation is known as extensive problem solving, reflecting the need to learn the characteristics of the basic product class as well as brands within that class. Solar heat, home video recorders, time-sharing resorts, and personal computers are current examples of such new products. New products typically place relatively large information acquisition and evaluation demands upon potential buyers. How buyers cope with these demands is the topic of Part IV.

Because information from other people is so important in extensive problem solving, Part IV begins, in Chapter 9, with an analysis of social influence processes. Chapter 10 addresses the topic of what constitutes a "new" product or innovation and the factors involved in the acceptance of new products. Chapter 11 deals with the very difficult and subtle issues of how perceptions of raw stimuli, such as light or sound waves, are transformed into meaningful information. Although relevant to virtually every aspect of our analysis of buyer behavior, it is precisely under conditions of new and unfamiliar stimuli that the questions addressed in Chapter 11 become most obvious and insistent.

The primary advantage of the organizational scheme of this text is that it allows the reader to focus on what is common to the behavior of all buyers before examining the often bewildering array of specific differences among different types of buyers. However, when a specific company develops marketing *strategies* for a specific product, such differences are critical because it will often be desirable to develop different strategies for different types of buyers. Part V addresses this issue by focusing on the implications of developing so-called segmented marketing strategies. Chapters 12, 13, and 14, respectively, investigate demographic and socioeconomic, value, and social group membership differences among buyers. Collectively, these variables are generally referred to as exogenous variables.

The first fourteen chapters of this text reflect the prevailing perspective of most buyer behavior researchers; that is, they focus on the behavior of the individual buyer. Part VI enhances this perspective by focusing on buyer behavior conducted, or experienced, on a collective basis; specifically, family and organizational buying behavior. Chapter 15 argues that consumer and organizational buying behavior have more in common than might be initially suspected. Thus, the title chosen for this book is the comprehensive *Buyer Behavior* rather than the more popular Consumer Behavior or Consumer and Organizational Buying Behavior. With the exception of the few situations where an explicit distinction is made between organizational *buyers* and ultimate *consumers*, the two terms are used interchangeably. Although the main focus is on collective behavior, the marketing implications of differences among families and organizations is also discussed. In this sense, Chapters 15 and 16 also represent a continuation of the implications of individual differences for the development of segmented marketing strategies.

Throughout this book the primary orientation will be that of a manager trying to understand the behavior of buyers in order to accomplish managerial objectives. Usually there is at least a rough fit between managerial and consumer objectives, for the manager maximizes profits primarily by satisfying consumers. For many reasons, however, the free market mechanism may not work with complete efficiency. Therefore, Part VII, Chapter 17 considers how knowledge of consumer behavior can facilitate public policy in the proper regulation of business practices.

Contents

An Introduction to Buyer Behavior Theory and Research

I

The three chapters of which Part I is comprised are designed to present a broad overview of buyer behavior. Chapter 1 is a brief historical overview of the development of buyer behavior as an area of study. It discusses briefly the major characteristics of the currently dominant information processing approach to the study of buyer behavior, and examines several emerging trends in buyer behavior research. Chapter 2 presents four comprehensive models of buyer behavior. A principle value of such comprehensive models is their overview of the concepts central to the study of buyer behavior and their suggestion of the interrelationships among these concepts. All of these comprehensive models tend to share a common view of the basic nature of buyers' decision-making processes. However, it has become clear in recent years that buyers' decision-making processes are different in different buying situations. Chapter 3 is devoted to the differences in the way buyers approach different types of buying situations.

A Brief History of Buyer Behavior Theory and Research

1

How far back scholarly interest in the buyer or consumer is traced depends on one's perspective and the reasons for such study. Aristotle was keenly interested in man's "consumption" of various forms of leisure and its effect on the individual and society. Similarly, the "invisible hand," which Adam Smith insisted would guide the market to an optimal allocation of resources, was partially based on his observations and presumptions about the behavior of individual buyers.

As a separate and organized area of inquiry, however, consumer behavior is approximately two decades old. The first university courses devoted exclusively to this topic appeared in the mid-1960s; and the first textbook on consumer behavior, by James Engel, David Kollat, and Roger Blackwell, was published in 1968. Soon after, in 1969, the Association for Consumer Research was formed. The *Journal of Consumer Research*, which began in 1974, is the first journal *both* to be exclusively devoted to research on the behavior of the individual consumer and to bring together a large number of academic groups,[1] each of which has some scholarly interest in the consumer. The *Journal of Consumer Research* thus gives explicit recognition to the inherent interdisciplinary nature of consumer behavior research.

Of course, the explosion of interest in the consumer during the 1960s and 1970s did not occur in a vacuum. In fact, systematic interest in, and research into, consumer behavior can be traced back almost a century to the so-called Neoclassical theory of Economic or "Rational" Man that students encounter, often painfully, in their first microeconomics course. The main task of this chapter, therefore, is to briefly trace the history of consumer behavior research and to discuss the current status of consumer behavior theory and research. Due to the broad interdisciplinary nature of consumer behavior, other issues will naturally arise as concepts and methods are borrowed from other academic disciplines.

EVOLVING PERSPECTIVES ON BUYER BEHAVIOR

A complete review of buyer behavior research over the past hundred years would be an enormous undertaking and not especially useful for the present purposes. What is needed, therefore, is a method to extract the essence of the major trends by means of a thread, which runs continuously through past research. Specifically, that thread is the degree to which the consumer has been regarded as rational.

Stated more completely, the argument is that at any point in time, researchers are guided by a specific viewpoint or perspective that includes both assumptions, made explicitly, and presumptions, made implicitly, about the basic nature of

[1]Specifically, these groups are
American Anthropological Association
American Association for Public Opinion Research
American Council on Consumer Interests
American Economic Association
American Home Economics Association
American Marketing Association
American Psychological Association (Div. 8 and Div. 23)
American Sociological Association
American Statistical Association
Association for Consumer Research
International Communication Association
The Institute of Management Sciences

consumer behavior. By reconstructing the evolving perspectives in terms of the consumer's presumed rationality, the consumer will be seen to be viewed until quite recently as increasingly *less* rational. In a direct reversal of this trend, the current perspective not only tends to view the consumer as more rational, but also redefines rationality in a way that increases its value in consumer behavior research.

In this overview of research and theory several objectives should be kept carefully in mind. First, all theory is based on a priori assumptions. That is, at any point in time a number of presumptions regarding the behavior of consumers are so widely shared that they are rarely explicitly stated, although most researchers would acknowledge them if asked. Second, and more important, the knowledge of consumer behavior is constantly evolving. The current perspective is different from what it has been and the perspective will change again as knowledge increases. Sensitizing the reader to this truism is, therefore, a major objective of this section. Finally, although the dominant perspective and focus change over time, each perspective discussed has left lasting contributions to the knowledge of consumer behavior.

Economic Rational Man

Although several scholars independently and almost simultaneously developed its foundations, the pure theory of demand is due primarily to Alfred Marshall's synthesis of various distinct economic theories into demand-supply analysis during the late nineteenth century. Our interest, of course, is only on the demand side of the market, with emphasis on how a "rational" consumer decides how much to demand of different products.

The economic analysis of demand proceeds as follows: First, the consumer, it is assumed, derives satisfaction from the consumption of goods, a satisfaction measured in theoretical units of utility. More utility is better. Second, the economist postulates rationality on the part of the consumer. Simply, and somewhat loosely, this means the consumer will try to achieve the maximum utility, or satisfaction, possible given his or her resource limitations: budget, time, etc. More precisely, rational behavior is equivalent to the following statements (Henderson and Quandt 1958, p. 7):

1. for all possible pairs of alternatives A and B the consumer knows whether he prefers A to B or B to A, or whether he is indifferent between them;
2. only one of the three possibilities is true for any pair of alternatives;
3. if the consumer prefers A to B and B to C, he will prefer A to C.

The last statement, referred to as transitivity, means that the consumer's choices are consistent. That is, if a consumer prefers roast beef to pork chops, and pork chops to fish, then that consumer *should* prefer roast beef to fish. To do otherwise would be logically inconsistent and, therefore, not rational.

The preceding statements constitute a complete definition of economic rationality. A major limitation of this definition, however, is that it provides no basis for determining if a specific consumer is behaving rationally: a rational consumer is simply a consumer who maximizes his or her utility or satisfaction. Rationality, as Gary Becker (1962) noted, must be *presumed* because measures of utility are never completely independent and there is no way of empirically separating rational from irrational behavior. Despite this limitation the economic definition of rationality has much value.

Economists developed their models of consumption for the purpose of studying the behavior of markets rather than *individual* consumers. Here, of course, a "law of large numbers" applies where the average consumer, as expressed in the behavior of the market, appears to act rationally even if no single consumer behaves in a strictly rational way. Such a situation is likely to occur if deviations from rational behavior are essentially random thereby canceling one another. When the market behaves as if each consumer is rational, and it usually does, a number of useful predictions can be made: e.g., if a competitor lowers his price sales of my product will fall. By careful statistical analysis it is often possible to develop a demand equation that can predict the magnitude of changes in sales resulting from changing prices (cf. Parsons and Schultz 1976). The reader is referred to Kotler (1965) for an interesting discussion of some other marketing applications of this model.

Second, consumer behavior researchers can, and have, made use of the concept of economic rationality to predict how individual consumers or small aggregations of consumers will behave while making different types of decisions. For example, the rational consumer will search for information regarding brands within a product class until the anticipated costs associated with additional search exceed the expected gains. Such a model of search allows for a large number of interesting hypotheses regarding consumer behavior. For example, the greater the spread of prices in a market, the greater should be consumer search effort. Similarly, two-income families might be expected to be more brand loyal because their time is very valuable and thus the cost of search is higher.

Third, and most relevant to the discussion of evolving perspectives on buyer behavior, the economic definition of rationality provides both a starting point from which buyer behavior research has evolved and a rigorous, formal definition of rationality to serve as a benchmark against which alternative definitions of rationality and alternative models of behavior can be evaluated.

Conspicuous Consumption and Social Motives

The first individuals to closely investigate what have come to be regarded as marketing phenomena were primarily trained as orthodox economists. Generally, these individuals turned their attention to a specific aspect of the demand-supply model and found that model lacking in one or more respects. In terms of the present discussion, the work of Thorstein Veblen is especially important.

Although trained as an economist, Veblen evolved into a radical social thinker. In his *Theory of the Leisure Class*, published in 1899, Veblen developed the concept and social implications of conspicuous consumption. He argued that much consumption is motivated by a desire to impress others with one's position and importance through the extravagant consumption of clothes, jewelry, houses, and similar goods. These goods are conspicuous consumption in the sense that other people can easily observe their use or consumption and vary widely in price, thereby providing the potential for great extravagance. The summer homes built by the wealthy at the turn of the century in Long Island, New York, and Bar Harbor, Maine, are outstanding examples of conspicious consumption. Quaintly