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Theoretical Exploration of Consumer Behavior

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Abstract

This article discusses consumer behavior phenomena, its essence and several models and theories. The purpose of the study is to determine consumer behavior patterns, types, necessity and application. In this article we determined a several definitions of consumer behavior. We also studied different theories and models of consumer behavior. The main research question is the following: What are the phenomena of consumer behavior and what kinds of consumer behavior models exist? All data has been collected from the secondary sources, including websites, books, articles, journals and scientific articles. As a result of this work we determined a several definitions of consumer behavior and compared them between each other. In this work we also described models and theories of consumer behavior, determined by different authors. Current knowledge will be implemented in a future works, devoted to the identification of consumer behavior models in e-commerce. Consumer behavior in e-commerce has a lot of differences, rather than consumer behavior in offline sphere. E-commerce includes a lot of pre-purchase and post-purchase factors. We will try to dive in this in our future works. In the end of this work, we will conclude that consumer behavior analysis can positively effect on company's revenue.

Keywords: consumer behavior, decision making process, consumer buying behavior, models of consumer behavior, theory of consumer behavior.

Introduction

The analysis of consumer behavior is a key factor of success of an e-business. The internet penetration through the life of humanity has made it clear that e-commerce and consumer behavior has evolved. In Kazakhstan, the number of Internet users is 84.2% of the total population of 18 million people: these are residents of all 118 cities and 4,235 settlements that have the opportunity to use 3G / 4G network connections (Pokidayev, 2020). The Quarantine in Kazakhstan has positively influenced on online trading and payment transactions. According to Kazpost data, the e-commerce volume reached 435 billion tenge (US\$1.05 billion), 9.4 percent of total retail, in the first half of 2020 (Yergaliyeva, 2020). Due to the increasing e-commerce volumes it is necessary to analyze consumer behavior patterns of Kazakhstani users. Understanding patterns of consumer behavior for e-business is crucial in terms of sales, revenue and competition. Importance of consumer behavior analysis is undeniable. Obtaining detailed information on consumer behavioral factors can significantly improve service of an organization. Behavioral analysis can also be a key to creation of interesting value propositions for consumers, identification of their needs and increasing business conversions. Kotler and Keller spotlight the significance of understanding consumer behavior and the ways how customers select their goods and services can be critically important for companies as this gives them a competitive advantage over its competitors in a variety range of aspects (Kotler & Keller, 2011). Huseynov & Yildirim have found that understanding the motives and factors of online consumers for online shopping leads to a successful determination and implementation of a marketing strategy on the Internet (Huseynov & Yildirim, 2016). As we can see and analyze there is a huge need to identify consumer's needs on e-market. But before get to study consumer behavior in e-commerce, we need to research from the very beginning. In this article we will study consumer behavior in its nature: definitions,

terms, models and theories. The research question is “What are the phenomena of consumer behavior and what kinds of consumer behavior models exist?”

Literature Review

The literature review of this work contains everything related to the study of consumer behavior. This work focuses on finding relevant book, articles, journals and other materials that have scientific impact on studying consumer behavior. Such materials include everything related to consumer behavior, models of consumer behavior, competitive advantage of analysis of consumer behavior and its essence. Description of researched material will be presented in a section below. Using described material, we will try to understand the main definition of consumer behavior.

Methodology

It is widely recognized that customer centricity is a fundamental source of competitive advantage and improved business performance (Shah et al., 2006). It states that companies should understand their customers. But this requires a deep analysis of all factors that influencing consumers buying behavior and their preferences. Customer-centric companies must focus on customer satisfaction and in order to meet customer needs, must identify the target markets they focus on with all their dynamics and details. Defining the characteristics of the target market is one of the ways to understand consumer’s behavior and increase satisfaction level. Consumer buying behavior plays one of main roles in achieving a company’s objectives. Commercial success of companies depends upon the relationship between marketing strategies and understanding of consumer buying behavior. Consumer buying behavior and their decisions on purchase indicate how good organization’s marketing strategy fits the demand of the market. Thereby, marketing of company begins with the consumer and ends with the consumer.

According to Armstrong, study of customer behavior is based on consumer buying behavior. In this study customer plays three distinct roles: payer, user and buyer (Armstrong, 1991). This research shows that consumer behavior is not an easy thing to deal with. Consumer behavior is hard to predict, even for experts in the field.

According to Blackwell, 'consumer behavior is the actions and decision processes of people who purchase goods and services for personal consumption' (Blackwell et al., 2006). Solomon states that consumer buying behavior is a process of choosing, purchasing, using and disposing of goods and services by the individuals and groups in order to satisfy their needs and wants (Solomon, 1995). Consumer buying behavior described by Stallworth as a set of activities which involves the purchase and use of goods and services which resulted from the customers' emotional and mental needs and behavioral responses (Stallworth, 2008). The definitions which are given above simple in consumer behavior, but actually contains seven key points:

1. Consumer behavior is stimulated: In general, this means that consumer behavior is motivated to achieve a specific purpose. Behavior is a means to achieve the goal (satisfying needed).
2. Consumer behavior encompasses many activities: The basic features from the proposed definitions of consumer behavior focus on activities.
3. Consumer behavior is a process: Topics of selection, purchase, consumption and withdrawal of goods implies processing consumer behavior. Consuming process involves three steps: activities before purchase, purchasing activities and the post purchase activities.
4. Consumer behavior is different in terms of time and complexity: The order of complexity is the "number of activities" and "hard" of a decision. Take time and complexity associated together: it means by fixing the other factors, whatever the decision is more complex, will be spent more time.

5. Consumer behavior includes various roles: In any particular situation, a consumer can play combine these roles. Also, for any specific purchase may be more than one person involved in one or more roles.
6. Consumer behavior is also influenced by external factors: Basically, this concept reflects that consumer behavior has adaptive nature. Consumers are compatible with their surrounding environment and their decisions are largely influenced by external forces. Some of these factors can include culture, social class, family, reference groups, and so on.
7. Different people have different behavior: Obviously, different people regarding different preferences divulge the different consumer behavior and this is due to individual differences and personal preferences or interests. Marketers turn into market segmentation for different people (Hampa, 2007).

Consumer buying behavior researches attempt to reveal the buying decision-making process. It researches consumer characteristics such as behavioral variables and demographics in an attempt to understand people's wants and needs. Thus, such a research allows forecasting concerning not only the subject of purchases but also its motives and purchase frequency (Schiffman & Kanuk, 2012).

The process of decision-making. Before the actual purchase, consumer goes through five stages of decision-making process. Passing these stages, consumer recognizes his or her need, gathers information about solutions, evaluates alternatives and finally makes the purchase decision. After making purchase comes post purchase behavior, where consumer evaluates the satisfaction level received (Kotler & Armstrong, 2009). New customers of the company go through all these stages. However, experienced customers may skip a few stages during a routine purchase. Decision-making process is shown in Figure 1.



Figure 1. A Buyer's decision-making process (Riley, 2012)

Situation in online sphere is a bit different. Nowadays every offline retailer strives to enter the e-commerce market by creating online store with social media or a website. Online store allows businesses reduce expenditure costs and to advertise and sell goods or services over the Internet (Kim et al., 2018). When customers deal with e-commerce it refers to a participation in online transactions (Paylou, 2003). Consumer online buying behavior is a set of steps that a customer goes to buy a good or a service (Anderson & Golden, 1984). Such steps include the following: recognition of a need, selection of ways to solve that need, making decisions on a purchase, gathering information and interpretation, planning and implementation. This process enables organizations to understand how customers make decisions on a purchase and what factors affect the buying decision process.

Consumer behavior model is a formalized description of the relationship between human actions (fact of purchasing a product or services), the motives that determine these actions, as well as properties of the consumer's personality and the state of the external environment in which these actions are performed. A model is simply a mean of describing a concept, its effects and causes (Berkman, 1997).

The first development of consumer behavior models appeared in the 1960 in the works of R. Blackwell, G. Katona, J. Engel, Ph. Kotler (Engel et al., 2007). At the moment there are three main approaches to the formation of consumer behavior models:

1. an economic model, which is based on the assumption that consumers behave rationally in the process of consumer behavior, when making a purchase decision. They are guided by pragmatic considerations in accordance with personal ideas about the maximum usefulness and profitability;
2. the sociologic model is based on the assumption that the main factors determining consumer behavior belong to the area of the external macroenvironment: culture, social classes, reference groups, family, roles, statuses, etc.;

3. the psychological model takes into account the priority influence of the individual's intrapersonal factors on consumer behavior: type personality, self-perception and perception of the external world, life experience, attitudes, beliefs, etc.

It is quite natural that there is no single model of consumer behavior that would allow to consider all components of his or her actions when purchasing any kind of goods or services. That's why it becomes an important task to adapt the existing models of consumer behavior for a specific situation. We will study several models and theories of consumer behavior.

Engel Kollat Blackwell Model. This model refers to 4 stages, that includes decision process stage, information input stage, information processing and variables influencing the decision process (Madhavan & Kaliyaperumal, 2015).

Nicosia Model. This model focus on relationships between the company and its potential customers. It suggests an interactive design where the company tries to influence consumers and vice versa (Nicosia, 1966).

B. Howard – Sheth Model. The earliest and most famous model representing consumer behavior in the market is the Howard-Sheth model. This model attempts to reflect the holistic process of decision-making by the consumers in the market. This model identifies three levels (states) of consumer knowledge that determine consumer decision-making process:

1. a wide field of activity should lead to a solution to the problem when the consumer's knowledge about a given product or brand is very limited or absent; in this situation the consumer does not have separate preferences for the brand of the product, and he is actively looking for information related to alternative brands of products;
2. a limited field of activity associated with solving the problem, when the knowledge of the consumer and his preferences for the brand are partially determined. The consumer cannot fully see the difference between the individual brands, by which preferences are established. The consumer is

looking for more information, which could establish the criteria for making a decision;

3. routine behavior, when the knowledge of the consumer, his preferences of the brand, the choices about products are familiar to him; the consumer is therefore convinced of the purchase of one particular stamps (Howard, 1969).

Stimulus-Response Model of consumer behavior. Buyer's Black Box is a certain choice or purchase response on marketing and other stimuli. For marketers there is a necessity to understand what is hidden beneath Buyers "Black Box" and how stimuli are changed to responses. Black Box Model reveals how stimuli, decision processes, consumer characteristics and consumer responses interact. There are two types of stimuli. First one is called interpersonal stimuli (between people), second one is intrapersonal stimuli (within people). Black Box model refers to black box theory of behaviorism, where the focus is concentrated on the relationship between the stimuli and consumer responses, showed in Table 1.

Table 1. The Black Box model of consumer behavior elaborated on a basis of Meena Madhavan, Dr. K. Chandrasekar (Mdhavan & Chandrasekar, 2015).

Environmental factors		Buyer's Black Box		Buyer's Response
Marketing Stimuli	Environmental Stimuli	Buyer Characteristics	Decision Process	
Product	Economic	Attitude	Problem recognition	Product choice
Price	Technology	Motivation	Information	Brand choice
Place	Political	Perception	Search	Dealer choice
Promotion	Demographical	Personality	Alternative evaluation	Time amount
	Natural	Lifestyle	Purchase decision	
	Cultural	Knowledge	Post-purchase evaluation	

In order to understand consumer buying behavior there is a need to focus on the factors that determine the buyer's characteristics in this so-called "Black Box" model.

The work of the Hauser and Wernerfelt states that there are two-stage process of consumer choice where a consideration set is first formed from a larger set of alternatives, followed by a purchase / consumption decision in the second stage. In this paper, the key aspects in both stages are the trade-offs a consumer faces with respect to the cost of evaluative search and the expected incremental benefits of including an alternative in the consideration set, and incremental benefits expected at the consumption stage relative to the expected incremental decision costs (Hauser & Wernerfelt, 1990).

Findings and Discussion

This research is theoretical in its nature. It examines the main theories, concepts and phenomena of consumer buying behavior. All the secondary data has been collected from different databases, books, journals and websites. This research answers the following questions: What theories of consumer behavior already exists? What is the essence of consumer behavior and why it is necessary to study? This work would help to formulate future hypotheses, based on the difference between new occurring problems and existing theories and models. According to the several articles that we have studied, we conclude a following table with definition of consumer behavior shown in Table 2.

Table 2. Comparison of consumer behavior definition

Author	Definition
Armstrong J.S., 1991	Study of customer behavior is based on consumer buying behavior. In this study customer plays three distinct roles: payer, user and buyer.
Blackwell R., 2006	Consumer behavior is the actions and decision processes of people who purchase goods and services for personal consumption.

Solomon M., 1995	Consumer buying behavior is a process of choosing, purchasing, using and disposing of goods and services by the individuals and groups in order to satisfy their needs and wants.
Stallworth P., 2008	<p>The definitions which are given above simple in consumer behavior, but actually contains seven key points:</p> <ul style="list-style-type: none"> • Consumer behavior is stimulated • Consumer behavior encompasses many activities • Consumer behavior is a process • Consumer behavior is different in terms of time • Consumer behavior includes various roles • Consumer behavior is also influenced by external factors • Different people have different behavior

Conclusion

This is a review on models, theories concepts related to studying consumer behavior. We understood that consumer behavior relies on a psychological process which include several steps: recognition of a need, finding solutions to solve this need, making purchase decisions, interpreting gathered information, making plans and finally implementing these plans. During the research we have determined a several definitions of consumer behavior. We analyzed decision making process. This work also describes the various consumer behavior models and theories, such as R. Blackwell, G. Katona, J. Engel, Ph. Kotler, Nicosia Model, B. Howard – Sheth Model and Black Box model. For marketers understanding such factors is crucial. Understanding of what is hidden in the deep mind of a consumer when he is selecting a product will help to develop a right marketing strategy that will affect company’s revenue. Consumer behavior research is a necessity for a company that want to develop new or existing products, developing communications with customers, distribution strategies and etc. In general, revealing the truth of how your consumer behave will always lead to the increase of revenue and more effective strategy implementations. According to the results of this work, we will try to implement some of the described models in our company called “Innoforce Group”

(Innoforce, n.d.). The main product of the company is Avtobys. Avtobys is e-ticket and fare payment system using a mobile application and transport cards. There are several payment methods in the application, which are in demand and popular among the population of such cities as Atyrau, Aktobe, Semey and Pavlodar (Zhubatkhan et al., 2020). Company receiving a lot of information about consumer actions in a Databases but there is no analysis. In a future works we will work with data from Avtobys. We will also implement theories described in this article, make an analysis and try to answer on the following research question: What economical effect can be achieved using data analysis to identify consumer behavior? In order to answer this research question in our future works we will use Google Analytics instrument.

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