

Psychology of consumer behaviour

Executive summary of the report produced for
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1 EXECUTIVE SUMMARY

Background

1.1 Influencing the ways that people act in their daily consumption lives is a concern for researchers in a number of disciplinary areas, including consumer behaviour psychology, sociology, health research and marketing. The particular context of the low-income consumer is one that is starting to emerge in the consumer and marketing policy literature as one of importance, particularly in terms of ensuring that these consumers get their basic needs met in their marketplace interactions. However, there is still limited knowledge about the consumer behaviour patterns of low income consumers, and in particular there are very few studies that have examined attempts to influence or modify low-income consumers' behaviour. This report pulls together current thinking about consumer behaviour within this context and provides some suggestions of practical lessons for the Office of Fair Trading (OFT) that may enable it to develop effective consumer education solutions for this group.

2 Key lessons about consumer behaviour in the low income context

2.1 Consumer decision making

- Consumers devote more time and effort to gathering and processing information for decisions that are important to them.
- There is a limited range of situations in which consumers engage in EPS.
- Extensive choice can be detrimental when it creates information overload and inhibits rational decision making.
- Consumer choice is not always rational, it is often emotion-driven.
- Consumers rely on established attitudes as decision heuristics (short cuts), particularly for more habitual or routine decisions.
- Established patterns of behaviour can be resistant to change, but they are more subject to change at junctures in people's

lives when particular routines are challenged by new circumstances.

- Behaviour change does not always follow attitude change.
- Consumer behaviour is influenced by features of the social and physical environment and individual psychology.
- A diverse range of consumer goals motivate consumer behaviour alongside self-image, situational or enduring involvement and feeling states.

2.2 Ways to influence consumer behaviour

- Educational and persuasive communications can change consumers' behaviour directly or through third parties.
- The Theory of Planned Behaviour suggests that consumer behaviour can be influenced by changing important beliefs about behaviour, perceptions of norms/motivation to comply with norms or perceptions of control over behaviour.
- The Elaboration Likelihood Model proposes that the amount of effort that consumers put into processing new information depends on the perceived personal relevance of the communication.
- The Stage of Change model outlines stages of readiness to change that affect consumers' receptiveness to new information.
- Theories of consumer socialization outline how individuals learn consumer-related skills, knowledge and attitudes from their social networks.
- Socio-cognitive theories of choice highlight that consumers within social networks tend to develop 'shared attitudes' by sharing arguments about an issue, object or behaviour in everyday conversation.

2.3 Low income consumer behaviour and consumer detriment

- Low income consumers exhibit weaknesses and biases similar to other consumers, but the exchange restrictions that they face can result in more pronounced manifestations of this behaviour and worse outcomes.
- It is well established that the 'poor pay more'.

- Exchange restrictions that disadvantage low income consumers include financial, physical, social and psychological factors.
- Low income consumers face additional risk factors including physical and mental health problems and low literacy and numeracy skills.
- Vulnerability to consumer detriment is relatively high for low income groups.
- Consumer responses to disadvantage and detriment include problem-focused and emotion-focused strategies (which encompass the main responses to dissatisfaction/recognised detriment) and reliance on social support.

2.4 Ways to influence low income consumers

- The interventions that have been examined are typically more intensive consumer education programmes such as behavioural counselling, self-administered video lessons, educational messages tailored to consumers' individual attitudes and practices and group-based cognitive-behavioural education programmes.
- Tailored message
 - More effective interventions recognise differences in information needs and readiness to change across individuals and consumer segments.
- Nature of support
 - Importance of providing support on the socio-psychological aspects of behavioural change, in particular help in dealing with the constraints faced and improving confidence in ability to make behaviour change.
 - Importance of support through well-trained staff.
 - Group-based support can be also be very useful.
 - Multiple channels for helping consumers to make positive behavioural changes can work (video, web-based, face-to-face, etc). However, some social interaction with participants (telephone or face-to-face contact) appears to be beneficial to achieve positive results.