

INFLUENCE OF FACTORS ON CONSUMER BEHAVIOR

Ieva Andersone¹, Elina Gaile-Sarkane²

Faculty of Engineering Economics, Riga Technical University, 1 Kalku Str., Riga, Latvia,
E-mail: ¹ieva.andersone@rtu.lv; ²elina.gaile-sarkane@rtu.lv

Abstract. This paper analyses the theoretical aspects of consumer behaviour, factors that influences them. The authors present an analysis of definitions described in theory and offers their individual approach in defining consumer behaviour. This research aims a study of theoretical background and analysis of factors influencing consumer behaviour in the context of development of new model. This article helps to understand the particularities of different factors and their role in consumer behaviour.

Keywords: Consumer behavior, factors.

1. Introduction

Fast development of equipment and technologies, the foreign-political interests of countries, economic globalization and many other external circumstances stimulate the changes in management and marketing. We expect many changes in marketing theory and practice. For example, Ph. Kotler describes forecasts what future of the marketing will be based on holistic approach. According to theory written by Phillip Kotler “Holistic marketing grew from the basic marketing principles of business; each action by a company should contribute to the business goals. By approaching marketing, not as an isolated entity but as a synergic member of the company, marketing initiatives are more efficient and cost effective allowing for the highest return on investment.

Holistic marketing - this new paradigm combines the best of traditional marketing with new digital capabilities to build long-term, mutually satisfying relationships and co-prosperity among all key stakeholders” [1].

To many authors point of view the holistic marketing is our future, but even now we can observe a lot of changes and most of them are consequential form consumer behavior.

In the article the authors is going to name factors what influence the consumer behavior, describe them and offer insight in theoretical and practical classification of these factors

The main goal of research is to analyze factors what influences consumer behavior under influence of turbulent external factors. Very special role in presented research is devoted to analysis of consumer behavior in small market with specific particularities (for example Latvia and other Baltic States).

This goal was achieved through the solution of following tasks:

- To analyze different definitions of consumer behavior;
- To analyze factors that are described as influencing consumer behavior in researches and scientific findings of authors worldwide;
- To evaluate factors in local market and to prepare its analysis;
- To offer the authors classification of actors what influences consumer behavior in Latvia and the Baltic States.

Research object is particularities of consumer behavior under impact of various factors.

In the course of the present research by synthesis of theoretical developments and practical experience, the analysis of impact of different external factors on consumer behavior is done. The research helps understand the particularities of consumer behavior in local small market.

In presented research the authors offer new and original definition of consumer behavior as well as indicate and classify all external factors what influences the consumer behavior.

The main ideas that the authors would like to emphasize are that the factors what influences consumer behavior could be divided in three groups – factors of direct influence, indirect influence and situational factors. Also the authors would like to stress that everywhere factors are the same but their intensity of influence varies depending on market. Besides, the consumer profile and individuality plays very important role in reaction on factors. In addition the authors consider that better results in factor analysis are possible to have by using economical and mathematical modeling.

2. Consumer behavior – the author’s appointment

There are a lot of definitions about consumer behavior. A lot of them are very close in meanings. Therefore, the authors collected some of definitions (Table 1) and would like to analyze them.

The American Marketing Association defines consumer behavior as: „The dynamic interaction of affect and cognition, behavior, and environmental events by which human beings conduct the Exchange aspects of their life’s” [2]. Consumer behavior involves interactions between affect (emotions, specific feelings, moods and overall evolutions) and cognitions (interpretation of the environment to create meanings which guide behavior), behavior, and environmental events.

All definitions generally describe responses to products, mental, emotional or physical process, action and thoughts, feelings and experience. These definitions are oriented on buying and consuming process and describe psycho-emotional process. At the same time Post Soviet countries, who became independent just more than 15 years ago are very good example for description of consumer behavior not just from buying perspective.

For example, in the Baltic Region countries the process of privatization was a good example how customers were behaving. In general, consumer behaves with an aim to improve his/her material position and live well- provided life. Consumer even could cheat, bribe, backbite and did other immoral

activities. And motives were the same – got something for well being.

Therefore, after deepened reserches done by authors, they offer to define consumer behavior as: “Reaction of person on influence of external factors, what it is driven by individual psycho-emotional condition, previous experience and resource-availability”.

3. Factors what influence consumer behavior

At the same time consumer behavior has drawn upon theories developed in related fields of study of human behavior such as psychology, sociology, economics, behavioral economics, and anthropology, to develop a theoretical framework for the analysis of the behavior of consumers. For authors it is very important to understand which factors have influence on consumer behavior. Many authors have their own classification of factors. For example, David Jobber recommended such classification – Technical, Economic, Social and Personal [11] (Table 2). Lists four types of choice criteria and gives examples of each. *Technical* criteria are related to the performance of the product or service and include reliability, durability, comfort and convenience. *Economic* criteria concern the cost aspects of purchase and include price, running costs and residual values (e.g. a trade-in value of a car). *Social* criteria concern the impact that the purchase makes on the persons perceived relationships with other people, and the influence of social norms on the person [11]. *Personal* criteria concern how the product or service relates to the individual psycho

Table 1. Definitions of consumer behavior

Frank Kardes	Consumer behavior is the study of human responses to products, services, and the marketing of these products and services [3].
William O.Bearden Thomas N.Ingram Raymond W.Laforge	Consumer behavior can be defined as the mental and emotional processes and the physical activities that people engage in when they select, purchase, use, and dispose of products or services to satisfy particular needs and desire [4].
Ogenyi Omar	Consumer behavior may be defined as the process that underlies an individual’s decisions of what, when, where, how and whom to purchase goods and services [5].
Michale Levy	Buyer’s behavior – the activities customers undertake when purchasing a good or service. Buying process – the stages customers go through t purchase merchandise or services [6].
Thomas C.Kinnear KennethL.Bernhardt Kathleen A.Krentler	Consumer behavior can be defined as the processes involved when individuals or groups select, purchase, use, or dispose of products, services, ideas, or experiences to satisfy needs and desires. The study of consumer behavior is really just the study of human behavior in the marketplace [7].
Geoff Lancaster Paul Reynolds	Consumer behavior can be formally defined as: the acts of individuals directly involved in obtaining and using economic goods and services, including the decision process that precede and determine these acts [8].
William L.Wilkie	Consumer behavior – the mental, emotional and physical activities that people engage in when selecting, purchasing, using, and disposing of products and services so as to satisfy needs and desires [9].
J.Paul Peter Jerry C.Olsen	Consumer behavior involves the thoughts and feelings pele experience and the acetones they perform in consumption processes. It also includes all the things in the environment that influence these thoughts feelings and actions. These include comments from other consumers, advertisements, price information, packaging, product appearance and many others. It is important to recognize from this definition that consumer behavior is dynamic, involves interactions, and involves exchanges. Consumer behavior is dynamic because the thinking, feeling and actions of individual consumers, targeted consumer groups and society at large are constantly changing [10].

logically. Self image is our personal view of ourselves. Some people might view themselves as young, upwardly mobile, successful executives, and wish to buy a product that reflects that conception.

The authors agree with offered classification, but would like to add additional criteria to each group.

Table 2. Choice criteria used when evaluating alternatives [11]

Type of criteria	Example
<i>Technical</i>	Reliability Durability Performance Style/ looks Comfort Delivery Convenience Taste
<i>Economic</i>	Price Value for money Running costs Residual value Life cycle costs
<i>Social</i>	Status Social belonging Convention Fashion
<i>Personal</i>	Self-image Risk reduction Morals Emotions

For example, in technical criteria the authors recommend to add also physical domentions of a product (like size, weight, hardness, density etc.). To economical criteria authors recommend to add overall economical situation in a country, level of household incomes, and other macro economical parameters. In the social criteria authors are confident to recommend include cultural and national particularities what is dominant in decision making process and action in every national group even in a multicultural market. As a very important personal characteristic the authors can name intelligence quotient.

Very well known authors – William O.Bearden, Thomas N.Ingram and Raymond W.Laforge recommended to allocate factors in three groups – Social, Individual and Situational [4] (Fig 1).

Influence of the social environment. A number of external influences affect consumer behavior and purchase decision processes. The social environment directly affects sources of information consumer’s use in decision making and product evaluations. In many instances, personal sources, such as family and friends, may be more credible and influential to consumers than any other source of information.

The most important social influences are culture, subculture, social class, family, and interpersonal or reference group influences. Culture refers to the values, ideas, attitudes, and symbols that people adopt t communicate, interpret, and interact as members of society. In fact, culture describes a society’s way of life. Culture is learned and transmitted from one generation to the next. It includes abstract elements (values, attitudes, ideas, religion), and material elements

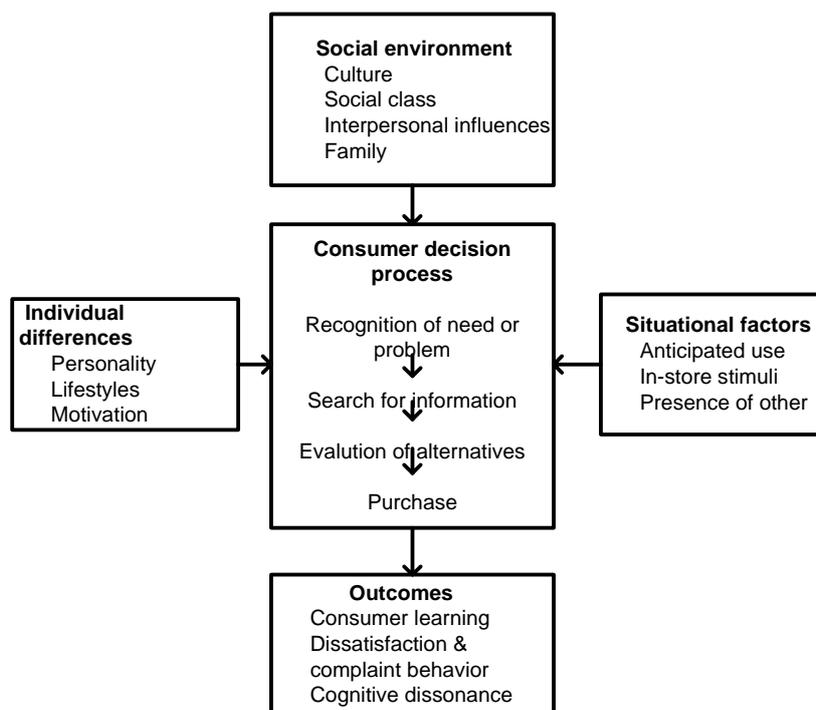


Fig 1. A general model of consumer decision making and influences [4]

(symbols, buildings, products, brands). The process of absorbing a culture is called socialization. It continues throughout one's life and produces many specific preferences for products and services, shopping patterns, and interactions with others. Applied to marketing and consumer behavior, it is referred to as consumer socialization [4].

At the same time according to the author's point of view the global trends are connected with mix of cultures and loss of strict national traditions. Many international events became a part of national celebrations. For example, Halloween day is not Latvian national celebration, but it becomes usual.

The concept of culture has two primary implications for marketing: it determines the most basic values that influence consumer behavior patterns, and it can be used to distinguish subcultures that represent substantial market segments and opportunities.

Individual differences. A vast number of individual differences can influence consumer behavior. Some of the most important include personality, lifestyles and psychographics, and motivation. Personality reflects a person's consistent response to his or her environment. It has been linked to differences in susceptibility to persuasion and social influence and thereby to purchase behavior. General personality traits related to consumer behavior include extroversion, self-esteem, dogmatism and aggressiveness [4].

Lifestyle describes a person's pattern of living as expressed in activities, interests, and opinions. Lifestyle traits are more concrete than personality traits and more directly linked to the acquisition, use, and disposition of goods and services.

In addition to the environment and individual consumer characteristics, situational influences also affect consumer behavior. *Situational influences* can involve purchase for anticipated situations, such as special occasions, and unanticipated occurrences, such as time pressures, unexpected expenses, and changed plans. In-store sales promotions and advertising can exert situational influences on consumers as they often make buying decisions while shopping. A common in-store situational factor is music, long considered an effective means for triggering moods. One study reveals that grocery store sales volume was significantly higher with slow rather than with fast music. Situational determinants of consumer behavior can be summarized as follows:

- Consumers purchase many goods for use in certain situations, and the anticipated use influences choice. Gift giving and social occasions are often important determinants of purchase behavior.
- Situational factors can be inhibitors as well as motivators. Inhibitors that constrain consumer behavior include time or budget constraints.
- The likely influence if situations vary with the product. Consumers buy clothing item, books, and many food products with anticipated uses in mind.

Situational store factors within the retail environment are also important. These store conditions include physical layout, atmospherics, location, the presence of others, the assistance of salespeople, and in-store stimuli [4].

The model offered by William O. Bearden, Thomas N. Ingram and Raymond W. Laforge does not include a lot of very important factors that influence consumer behavior. Unfortunately, there are no economic factors included, therefore authors presume that this model is constructed for market with dominance of middle-class consumers and their incomes are stable in very long period. This model would be difficult to apply directly to the market of Latvia or the Baltic States. But, at the same time, this model is notable, because it contains situational factors that is not mentioned often in scientific elaborations of other authors.

Brassington Frances and Stephen Pettit are grouping all factors in four groups – Individual, Situational, Group influences and Marketing mix [12]. The decision-making process is affected by a number of other more complex influences. Some of these influences relate to the wider marketing environment.

Although marketers try to define groups of potential customers with common attributes or interests, as a useful unit for the formulation of marketing strategies, it should not be forgotten that such groups or market segments are still made of individuals who are different from each other. This section, therefore, looks at aspects that will affect an individual's perceptions and handling of the decision-making process, such as personality, perception, learning, motivation and the impact of attitudes. The authors support idea that personality is very important in consumer behavior. Generally person with her/his individual characteristics, psychological portrait, experience, attitude, perception, motivation etc. is central element in consumer behavior theory. Therefore, authors just can add that in last decade we can observe a lot of new definitions and meanings who describe a person and it individuality, for example, emotional intelligence, intellectual quotient, psycho-emotional level etc. These are subjects for interdisciplinary studies (psychology and marketing, sociology and economics etc.).

As implied above, an attitude is a stance that an individual takes on a subject that predisposes them to react in a certain way to the subject. More formally, an attitude has been defined by Hilgard et.al. (1975) as an orientation towards or away from some object, concept or situation and a readiness to respond in a predetermined manner to these related objects, concepts or situations [12].

Sociocultural influences: the group. Individuals are influenced, to a greater or lesser extent, by the social and cultural climate in which they live. Individuals have membership of many social groups, whether these are formally recognized social units such as the family, or informal intangible groupings

such as reference groups. Social class is a form of stratification that attempts to structure and divide a society. Some argue that egalitarianism has become far more pronounced in the modern Europe, making any attempts at social distinction ill-founded, if not meaningless.

Thomas C.Kinner, Kenneth L.Bernhardt and Kathleen A.Krentler classify factors – Demographic, Marketing mix, Internal/ Psychological, External/Social and Situational [7].

Demographic factors play an important role in the consumer purchase process. Income, age, occupation, and a myriad of other demographics can influence decision making at every step in the process. A very wealthy, retired consumer, for example, might engage in limited problem solving when deciding where to vacation this year. Due to unlimited funds and unlimited time, the consumer might seek only a small number of alternatives, like deciding between a luxury cruise around the world or an extended stay at five-star resort.

Another set of factors that marketers certainly hope will influence consumer behavior is the marketing mix itself. All four components of the marketing mix are planned to promote positive action. The information in an advertisement can affect the information-seeking stage of a consumers purchase decision process. Convenient home delivery may influence a consumer t rate a particular pizzeria high among the evoked set of restaurants he is considering.

An extended warranty may serve to alleviate postpurchase dissonance.

Much of what we know about how consumers behave is based on theories and research from the

field of psychology, the study of individual behavior. When analyzing the process by which consumers make purchase decisions, marketers should understand such psychological factors as motivation, perception, learning, personality, and attitudes because they help explain the *why* of consumer behavior. Psychological factors are sometimes called internal factors, that is, their influence occurs within the individual. Because their influence is internal it cannot be observed, but must be inferred from what people say or do.

Situational factors are all those factors particular to a time and place of observation that do not follow from a knowledge of personal (individual) and stimulus (choice alternative) attributes and that have a demonstrable and systematic effect on current behavior. In other words, these factors are influences on consumer’s behavior that aren’t related to the individual buyer or the alternatives being considered. Such factors may affect communications situation, purchase situation, or usage situation [7].

Authors composed in Table 3 described factors what influence consumer behavior and according to this theory and their own definition offer their opinion about classification and grouping of these factors.

At the same time authors believe that there are a lot of different possibilities to classify factors what influence consumer behavior. Therefore in presented research authors work out their own classification of factors (Table 4) as well as to prove impact of Information and Telecommunication technologies to consumer action in a market.

Table 3. Consumer behavior influence factors [8, 11, 12]

Author	Factor	Samples
Kotler [13]	Cultural	Culture, Subculture, Social class
	Social	Reference groups, Family, Roles and status
	Personal	Age and lifecycle stage, occupation, economic situation, lifestyle, personality and self-concept
	Psychological	Motivation, perception, learning, beliefs and attitudes
Brassington Frances, Stephen Pettit[12]	Individual	Personality, Perception, Motivation, Attitude
	Situational	Sociocultural, Technological, Economic/ Competitive, Political/ Regulatory
	Group influences	Social class, Culture/ subculture, Reference groups, Family
	Marketing mix	Price, Product, Place, Promotion
Thomas C.Kinnear, Kenneth L.Bernhad, Kathleen A.Krentler[7]	Demographic	Age, Education, Income, Race, Material status, Household size, Gender
	Marketing mix	Product, Place, Price, Promotion
	Internal/Psychological	Motivation, Perception, Learning, Personality, Attitudes
	External/ Social	Culture, Social class, Reference groups, Family
	Situational	Physical surroundings, Social surroundings, Temporal perspective, Task definition, Antecedent states

Table 4. Samples of factors what effect consumer behavior

Factor	Indications / examples /
Social	Reference group, Family, Roles and statuses
Personal	Age, lifestyle, personality, education, household size
Economic	Prices, income, value for money, running costs
Situational	In-store stimuli, physical surrounding, purchase reason, time
Cultural	Culture, subculture, social classes
Psychological	Motivation, perception, learning, beliefs, attitudes

According to authors' point of view factors what have influence on consumer behavior are: Social, Personal, Economic, Situational, Cultural, Psychological and Marketing mix communication. Each factor can interact with another (see Fig 2) and create subgroups of new factors or their combination and effect consumers and as a result can change consumer's behavior. Without six groups of factors there are also marketing mix communication, what can seriously impact each of six factors and change consumer behavior.

All factors can be divided in three groups: direct, indirect and situational. Direct factors are marketing mix and communication, indirect factors are economic, cultural and social factors, besides some of social factors could be applied to both – direct and indirect groups. Under the group „situational factors” the authors presume those who depends on the individual - psychological, personal and situational (with situational factors the authors presume environmental factors, impact of the situation, sales personnel etc).

All these factors the authors recommend analyzing by using method of correlation and correlation coefficients. As we know there are a lot of different methods for analysis of correlation among variables, for example analysis of correlation, correlation coefficient, linear regression, analysis of co-variation etc.

It is proved that one person could have a lot of permanent features therefore for one and the same group of people we can set a lot of changing variables, especially under the impact of external factors. The authors recommend group of direct factors indicate with x_i ($i=1, \dots, n$), but situational factors with y_i ($i=1, \dots, n$). According to the theory with y we have to indicate changeable factors and the authors emphasize that situational factors corresponds to this group.

Relations between two consumer behavior features we can establish if changes in one factor group affect factors form another group. Interconnections among factors could be different: thoroughgoing and functional or imperfect. In imperfect interconnections one factor form direct factor's group has impact to two or more situational factors and we can call this situation “imperfect” or correlative. If we can find relationship among those factors, we can easily forecast, for example, what influence the company marketing activities and marketing mix elements will have on consumer behavior.

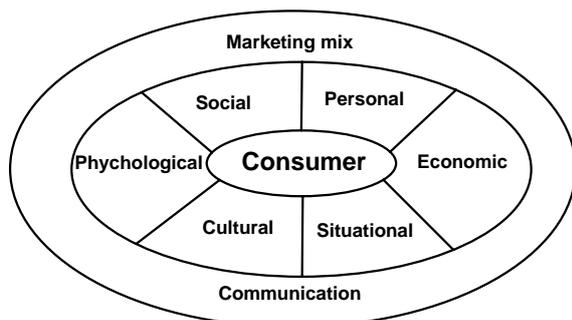


Fig 2. Factors what influence Consumer behavior

The authors recommend for evaluation of correlation among factors in impact on consumer behavior use imperfect linear correlation method what is often described through Pearson correlation coefficient. This coefficient shows how changes in one factor impacts other group of factors. Pearson correlation coefficient is described in formula (1):

$$r = \frac{\sum_{i=1}^n (x_i - \bar{x})(y_i - \bar{y})}{\sqrt{\sum_{i=1}^n (x_i - \bar{x})^2 \sum_{i=1}^n (y_i - \bar{y})^2}} \quad (1)$$

where,

r – Pearson correlation coefficient,

n – Number of factors,

x – Direct influence Factors,

y – Situational factors.

We can set following limitations for this coefficient:

- The coefficient should vary from -1 to +1.
- If $r = \pm 1$, then it means that between two changing parameters we have linear function, but according to the authors point of view, in evaluation of consumer behavior this situation, is rare.
- If $r = 0$, then there are no linear relations among two parameters.
- If $r > 0$, then with low values of x we also can indicate low y values, and to high x values corresponds high y values.
- if $r < 0$, then, for low x values there are high y values and to high x values corresponds low y values.

Also very important question in consumer analysis is methodology applied to the research. According to the authors point of view first of all we have to analyze one factor, forecast its variations and on the basis of values of other changing factor, determine correlation.

But, taking into account that there are more than two changing factors what we have to analyze in consumer behavior, the authors recommends to use computer program SPSS what contains program ANCOVA for analysis of co-variations.

However, the field of research is very wide and this study presents just an insight into the large scope of different questions, which have to be tackled in the consumer behavior research and used correlation methods.

4. Conclusions

The research by applying the method of synthesis of theoretical developments and practical experience has allowed the authors to analyse and evaluate the current situation in consumer behaviour theory and come up with insight in complexity of this question.

The research contributes to better understanding of the specifics of factors what influences consumer behaviour. The research has allowed the author to formulate the following conclusions and proposals:

- There are a lot of potential for further analysis of consumer behaviour. Therefore it is important to develop new methods and techniques for consumer behaviour analysis.
- Very special role in consumer behaviour research should be devoted to consumer profile, its changes and individual specific characteristics of every national market.
- The study done by the authors showed that it is important for researchers, to define clearly the factors what influences consumer behaviour in current market. It will minimize difficulty for companies and individuals to work more efficient in distribution of goods and services.

However, the field of research is very wide and this study presents just an insight into the large scope of different questions, which have to be tackled in the consumer behaviour research.

References

1. Holistic Marketing, [Electronical resource] – Read 14 December 2007 – <http://www.superbrand.net>
2. Dictionary of Marketing Terms. American Marketing Association, [Electronic resource] – Read 25 October 2007. <http://www.marketingpower.com/mg-dictionary-view738.php>
3. KARDES, F. R. Consumer Behaviour and Managerial Decision Making. Pearson Prentice-Hall, 2002. 457 p.
4. BEARDEN, W. O.; INGRAM, T. N.; LAFORGE, R. W. Marketing. Principles and Perspectives. IRWIN, 1995. 631 p.
5. OMAR, O. Retail Marketing. Prentice Hall, Pearson Education, 1999. 448 p.
6. LEVY, M. Retailing Management. McGraw-Hill, IRWIN, 1998. 627 p.
7. KINNEAR, T. C.; BERNHARDT, K. L.; KRENTLER, K. A. Principles of Marketing. Harper Collins Publishers, 1997. 808 p.
8. LANCASTER, G.; REYNOLDS, P. Marketing. Butterworth-Heinemann, Ltd., 1995. 399 p.
9. WILKIE, W. L. Consumer Behaviour. John Wiley & Sons, Inc., 1994. 614 p.
10. PAUL, P. J.; OLSON, J. C. Consumer Behaviour and Marketing Strategy. McGraw-Hill, IRWIN, 2005. 578 p.
11. JOBBER, D. Principles and Practice of Marketing. McGraw-Hill. 1995. 745 p.
12. FRANCES, B.; PETTIT, S. Essentials of marketing. Prentice Hall, Pearson Education, 2007. 545 p.
13. KOTHLER, P. Marketing Management. 11th International edition. Prentice-Hall, 2004. 706 p.