

CONSUMER EXPECTANCY THEORY FOR BUSINESS

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Abstract. Consumers were, are and going to be the milestone for business and especially for trade. There are a lot of different theories described in the scientific literature and practical cases about consumer behavior. On the basis of well known expectancy theory the authors have developed consumer expectancy theory what is a novelty in this field. In the article the authors newly developed consumer expectancy model as well as show its practical application by example of Latvian company “Stendera ziepju fabrika Ltd.” The authors approve this theory with research done in October–December 2009. The author employs well-established quantitative and qualitative methods of research: grouping, analysis, statistical method, etc. The theoretical and methodological scientific researches and publications, statistical information from legal institutions as well as information collected by the authors during the survey. The authors conclude that Consumer expectancy theory could help companies, especially SMEs, to perform better in the market.

Keywords: Expectancy theory, consumer behaviour, factors.

1. Introduction

Consumers' behaviour is influenced by succession of factors, including psychological, psychographical, etc. However, it should be marked that consumers' behaviour depends directly on their motivation to act. Scientific and applied literature provides numerous theories and practical advises regarding motivation. Motivation is being considered as a manipulation very often, therefore, a term “motivation” always is not accepted positively. At the same time, in scientific literature, so called, expectation theory, which precisely could be interpreted as the theory of expectations regarding motivation results, is described widely. Mainly this theory is being used in organizational psychology (*organization behavior*), and mostly refers to issues of labour force motivation. However, during analysis of this method, the authors came to a conclusion that the theory can be easily adapted and attributed also to consumers' behaviour in the market. The authors assume that the “expectations theory” can be used to analyze and evaluate consumers' behaviour in the market.

2. Development of Expectancy theory

Comprehension (perception) has the main role in the expectations theory, because it accentuates cognitive abilities to foresee the probable results of behaviour. Principle of hedonism dominates in the expectations theory – people try to maximize their relish and minimize their pain and suffering. If generalized, the expectations theory can be used to foresee people's behaviour in any situation, where they have to choose between two and more alternatives.

Expectancy theory holds that people are motivated to behave in ways that produce desired combinations of expected outcomes. Perception plays a central role in expectancy theory because it emphasizes cognitive ability to anticipate likely consequences of behavior. Embedded in expectancy theory is the principle of hedonism. Hedonistic people strive to maximize their pleasure and minimize their pain. Generally, expectancy theory can be used to predict behavior in any situation in which a choice between two or more alternatives must be made (Kreitner, Kimicki 1998).

Vroom (1964) argued that motivational drives are the result of rational calculations made by people between anticipated rewards, the value of the reward and the costs effort involved in achieving the reward. He called this expectancy theory and it can be applied to almost everything we do in both our working and non-working time (Ray 2006).

Motivation, according to Vroom, boils down to the decision of how much effort to exert in a specific task situation. This choice is based on a two-stage sequence of expectations (effort → performance → outcome).

The theory, therefore, focuses on three relationships (Robbins 2001):

– Effort-performance relationship. The probability perceived by the individual that exerting a given amount of effort will lead to performance.

– Performance- reward relationship. The degree to which the individual believe that performing at a particular level will lead to the attainment of a desired outcome.

– Rewards-personal goals relationship. The degree to which organizational rewards satisfy an individuals personal goals or needs and the attrac-

tiveness of those potential rewards for the individual.

Vrooms Expectancy Theory is based upon the following three beliefs:

- *Valence*. Valence refers to the emotional orientations people hold with respect to outcomes [rewards]. The depth of the want of an employee for extrinsic [money, promotion, time-off, benefits] or intrinsic [satisfaction] rewards. Management must discover what employees' value.

- *Expectancy*. Employees have different expectations and levels of confidence about what they are capable of doing. Management must discover what resources, training, or supervision employees need.

- *Instrumentality*. The perception of employees whether they will actually get what they desire even if it has been promised by a manager. Management must ensure that promises of rewards are fulfilled and that employees are aware of that.

An instrumentality is a performance-outcome perception. It represents a person's belief that a particular outcome is contingent on accomplishing a special level of performance. Performance is instrumental when it leads to something else. For example, passing exams is instrumental to graduating from college.

Instrumentalities range from -1.0 to 1.0. An instrumentality of 1.0 indicates attainment of a particular outcome is totally dependent on task performance. An instrumentality of zero indicates there is no relationship between performance and outcome. Finally, an instrumentality of -1.0 reveals that high performance reduces the chance of obtaining an outcome while low performance increases the chance (Kreitner, Kimicki 1998).

As Vroom used the term, valence refers to the positive or negative value people place on outcomes. In Vrooms expectancy model, outcomes refer to different consequences that are contingent on performance, such as pay, promotions, or recognition. An outcome valence depends on an individual's need and can be measured for research purposes with scales ranging from a negative value to a positive value.

The basic expectancy theory model emerged from the work of Tolman and Lewin. Vroom, however, is generally credited with first applying the theory to motivation in the workplace. The theory attempts to determine how individuals choose among alternative behaviors. The basic premise of expectancy theory is that motivation depends on how much we want something and how likely we think we are getting it.

Most modifications have focused on identifying and measuring outcomes and expectancies. An exception is the variation of expectancy theory developed by Porter and Lawler. These researchers used expectancy theory to develop a novel view of relationship between employee satisfaction and performance. The Porter-Lawler model appears in Fig. 1.

Some of its features are quite different from the original version of expectancy theory. For example, the extended model includes abilities, traits, and role perceptions. At the beginning of the motivation cycle, effort is a function of value of the potential reward for the employee (its valence) and the perceived effort-reward probability expectancy). Effort then combines with abilities, traits, and role perception to determine actual performance.

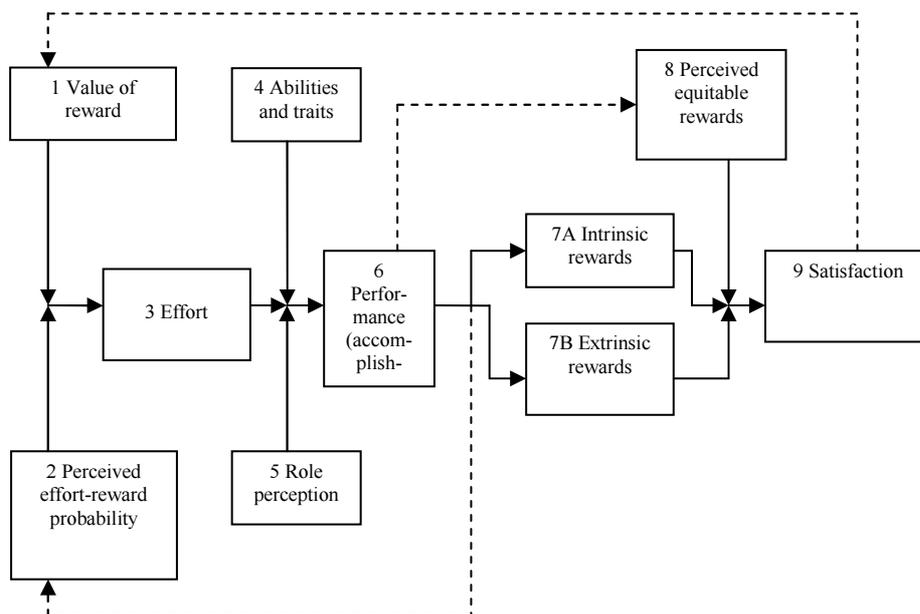


Fig. 1. Porter and Lawler's Expectancy Model

Performance results in two kinds of rewards. Intrinsic rewards are intangible – a feeling of accomplishment, a sense of achievement, and so forth. Extrinsic rewards are tangible outcomes such as pay and promotion. The individual judges the value of his or her performance to the organization and uses social comparison processes to form an impression of the equity of the rewards received. If the rewards are regarded as equitable, the employee feels satisfied. In subsequent cycles, satisfaction with rewards influences the value of the rewards anticipated, and actual performance following effort influences future perceived effort-reward probabilities.

3. Consumer Expectancy Theory

According to the authors' opinion such relations serve also as grounds to consumers' behaviour, and the theory, after slight changes, can be related to consumers' behaviour. Thus, for example, in a relation "effort – accomplishment", a consumer evaluates how much efforts have to be made in order to obtain a product. In a relation "accomplishment – reward", a consumer evaluates possible benefits at the purchase moment. On its turn, a relation "reward – personal aims" determines attractiveness of consumer's benefits according to his/her opinion; benefits adequacy to consumer's social class, etc.

In Porter and Lavler model few features are different from the original version of the expectations theory. For instance, the expanded model includes signification of person's skills, characteristics and comprehension. At the beginning of the motivation process, effort is a function of value of employees' potential rewards and is being perceived as a potential probability (expectations). As a result of the above mentioned, efforts are combined with abilities, characteristics of a person and the role of comprehension, which determines the performance of results.

In order to determine individual values, a social comparison process is being used, for example, a theory of justice. Repeated person's satisfaction with a reward influences expected value of a reward, but person's current behaviour, on its turn, influences a probability of effort – reward in the future.

The Expectancy Model of Porter-Lawler can use in consumer behavior and all 9 components can group in 4 groups or sections (Fig. 2).

Expected consumption value, which usually comprises functional, economical and social benefits, is placed in the first stage. During this stage also probable social value of the purchase is being

determined according certain social class and former experience. This stage can be called "Stage of Expected Result".

During the second stage, a process of obtaining a product is being evaluated – how much one should search for information, how a decision on obtaining a product should be accepted, which roles influence the process of decision-making. This stage corresponds to purchase decision-making theory (model) that is widely spread and described in various literature sources. (Kotler, Armstrong, Praude *et al.*).

During this stage purchasing process takes place. In this process a big role is assigned to the seller, physical contact and other factors influencing a purchasing process. Many world-known marketing specialists have been writing about the factors, which influence purchasing process. The mentioned factors are divided in groups according to their influence sphere. The authors have divided factors into groups and suggest their division into three groups: direct influence, indirect influence and situation factors. Factors of direct influence include marketing mix and communications. Indirect factors include economical, cultural and social ones (part of social factors can be attributed also to the factors of direct influence). Situation factors include psychological and personal ones, and situations (with situation factors certain surrounding environment circumstances or choice criteria are understood) (Andersone, Gaile-Sarkane 2008).

During the third stage a "fight" for "comprehended fair reward" (benefit) takes place in a consumer's mind, where consumer's significant benefits (such benefits as social ones, comfort, prestige, feelings, etc.) and insignificant benefits, such as functional and economic ones, are evaluated. Social benefit is being perceived as a significant reward, and it is a malformation of society's opinion. It has to be concluded that this stage theoretically can be called also as "Stage of Purchase Evaluation".

Consumer's satisfaction appears during the last – fourth, stage. Satisfaction can occur, when a consumer has gone through all the above mentioned stages. During this stage, if a consumer is satisfied with the purchase, loyalty to the brand, product or enterprise is being created. Especially important it is in a case of service. If a consumer is not satisfied with the result, he/she takes a dislike for this certain product, brand, etc. In such a case, expectations of a consumer are not fulfilled. In case of a negative result, a consumer can purposefully spread information about this experience in his/her social group, using *word of mouth* method. Information which is spread like that is of

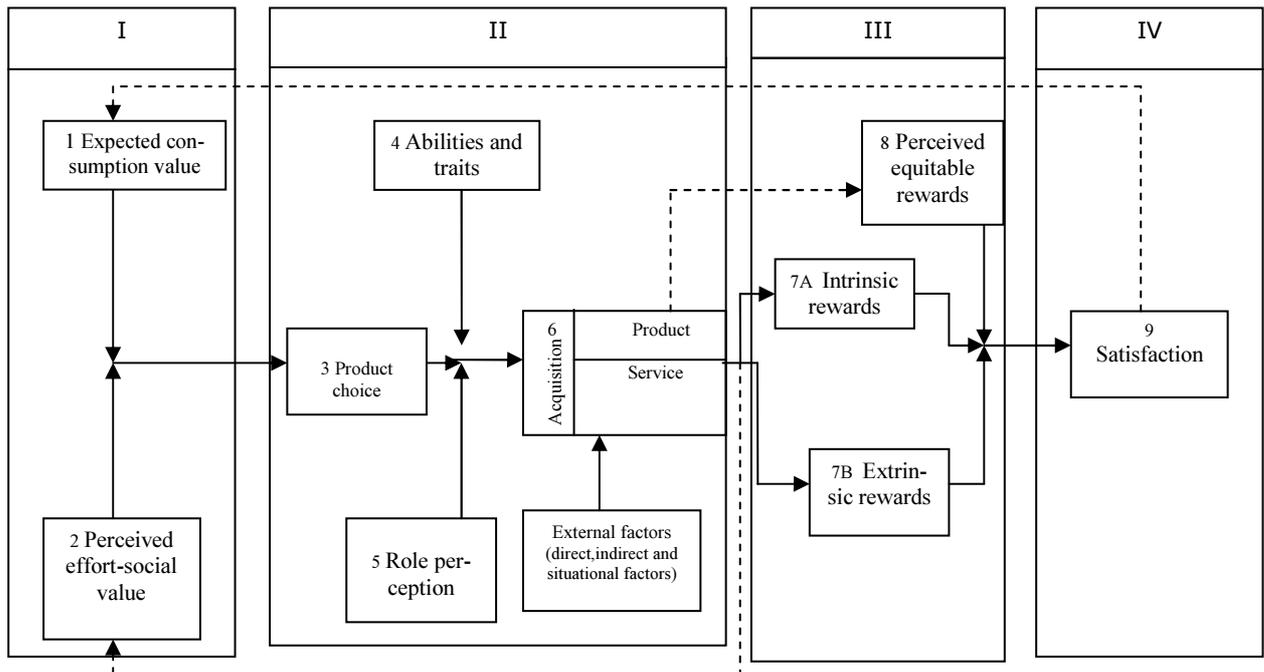


Fig. 2. Consumer Expectancy Model (developed on the basis of Porter and Lawler's Expectancy Model)

very negative influence to further development of the brand and can significantly harm the image of the enterprise. Generalizing the above said, the authors conclude that the fourth stage can be called “Stage of Fulfilling Wishes”.

It has to be marked that getting through all the stages of the model, in case of both positive and negative result, a consumer compares benefits with in advance defined expectations. Afterwards comparison of results and expectations, which proves the authors’ hypothesis on the possibility to attribute the “Expectations theory” to decision-making in purchase process, takes place.

The authors approve this theory with research done in November–December 2009 the respondents were economically active inhabitants of Latvia, in age between 18–5, both genders. The aim of the research was to find out the role of sales person. It gives an overview concerning the basis about purchasing process (third stage of Model) and gives an insight into the variety of relevant characteristics of consumer behaviour. During the research authors clarified where 70 % of respondents think that, sales-person persuade a customer to make a purchase (the one that customer hasn’t planned before) and they buy a product only because it is well placed in the store (big piles of goods displayed on the side of aisles, etc.). Frequently happened the situations when respondents ever bought a product just because of the influence of a sales-person, but when using it, did not gain economical and social satisfaction (to satisfy needs

and social belonging). Conflict situations between customers and a sales-person occur happened sometimes and 40 % of respondents think that conflicts are caused by a customer and 30 % of respondent by a sales- person and 20 % think that conflicts are caused by external factors (time, surroundings, etc.). According to the research results the authors conclude that communication between consumer and sales person plays an important role in consumer behavior.

The worked out model of consumers’ expectations theory has the following restrictions:

- The model is worked out, and it is relevant only in the consumer market.
- The model is directed towards increasing welfare of society and cannot attributed to crisis situation (in circumstances of limited resources).
- In the model emotions are significant and not money.
- The model indicates how to turn negative attitude into the positive one.
- Service is a repeated contact.

Revising the model of consumers’ expectations worked out by the authors, it can be concluded that:

- The worked out model of consumers’ expectations theory can be used to analyze human behaviour in decision-making on the desirable result and the way how a person can be influenced.
- Sales-person has a big role in the selling process (2nd stage of the model). Knowing that, manipulations with a customer can be performed.

– If there is a possibility to measure benefits, it is easier for the enterprise to plan and position its brand in the market, as well as to create enterprise's (product's, service's, brand's) image, etc..

– Economic benefit, using re-worked model of the expectations theory, can indicate ways how to accept precise and grounded decisions.

– Supposition that any producer, trader or service provider can benefit only in case when people are getting involved in the purchasing process ('getting involved' means making intentional and grounded decision), is approved.

– The worked out model of consumers' expectations can be used to analyze programmes of consumers' motivation.

Revising aspects of the theoretical and practical use of the model, the authors conclude that the model of consumers' expectations is subjected to the following risk factors:

– Whilst trading structure, especially when electronic trading develops, is changing, consumers' involvement can decrease, therefore this model should be re-worked in reference to e-commerce.

– It is not possible to measure benefits precisely.

– Work with a client incorrectly or unprofessionally in the second stage can lead to the opposite effect, for instance, a brand can lose its value (sales-persons – clients relations).

In order to prove practically the possibilities of the above mentioned model's use, the authors have chosen "SIA Stenders' Soap Factory (Ltd.)" as an example. Since 2000 it is considered as one of the most successful Latvian enterprises. The initial idea of the enterprise's activities is borrowed in England, where the owners saw soap cut and sold by weight in the streets.

A lot has been written in mass media about the development of the enterprise and its business idea. "In the very beginning, an idea about producing soap did not appear. Initially it was an idea to establish a franchise network and only to sell soap. However, it was impossible to provide the increasing demand and an idea to produce soap ourselves occurred. The first ones were made in a big soup pot in the kitchen of the enterprise owners. In the very beginning, when entrepreneurs started to produce soap, stores were not established yet, but products were sold in small stands – carriages. Then they received offers to open trading spots in the supermarkets. By showing the whole idea to people it was clear in few months that consumers like it and it is worth to develop this business. Initially the enterprise's marketing policy was based on the intuition, because there was no money for

advertising. Entrepreneurs were successful, because they were the first in Latvia with their original idea – and the first always is the first, as intuition has guided them to the right direction (Strautnieks 2005; Zālīte 2006).

Brand "Stenders" is successful both in Latvian and foreign markets already for eight years. The enterprise deals with production, retail sale and wholesale, as well as with export. Currently 170 "Stenders" shops work in 20 different countries all over the world.

"Stenders" makes soap according to old traditions, as well as produces natural, high-quality bath cosmetics and bath accessories. "Stenders" offers more than 70 kinds of hand-made soap and bath balls, bath milk and bath salts of various scents, massage butters, essential and massage oils, salt scrubs, bath extracts and foams, as well as bath and bath-house accessories. "Stenders" was born in the heart of Latvia – Riga. Each piece of soap, each bath ball is made by hand and with love, using high-quality, natural raw materials. Such aromatic, natural, healthy things, created with a personal attitude, are delivered from active master hands directly to "Stenders" shops" (Stenders 2009).

According to Inese Apse-Apsīte (creator of "Stenders" brand) opinion: "One shall know how to add products or services a dream. And how to do it in a way people would want to buy them. The brand "Stenders" is well-known in Latvia, besides we know – if we enter tasteful "Stenders" boutique, we will be served specially, told about the assortment and the purchase will be packed nicely. One should do utmost to present all kind of communications in unified style – language, packaging texts, everything that is spoken by sales-persons and representatives of the enterprise. The main task is to present the world a unified message: dreams exist also nowadays; you can have your little dream. Grounds of success lie in innovative and creative ideas, ability to implement them, ability to take a risk, and to be unlimited in thinking (Rozenbaha 2008).

As the owners of the enterprise say: "We sell not only soap, but also the whole range of feelings, starting from a smile of the sales-person and the shop design till the feeling, which one has when taking a bath where the fragranced bath balls are melted. Exactly because of the fact that a feeling is so significant in this business, it is demanded that the design of shops everywhere is similar to the one in Latvia."

Competitiveness is provided not so much by the product itself, but more by the interesting way it is presented not only in local markets, but also in

foreign ones. It is important to keep up selling quality, which includes service, shop design, cleanness and order. The above mentioned example of Latvian entrepreneurs from “SIA Stenders’ Soap Factory (Ltd.)” shows how the model of consumers’ expectations, elaborated by the authors, works.

According to the example, in the first stage, for instance, the expected consumption value is located. Consumer goes to “Stenders” shops with an aim to obtain functional and economically beneficial purchase (gift), which approves belonging to a certain social layer, symbolizes values and unequivocally is the proof of the former purchasing experience.

The second stage describes the stage of obtaining a product, including the time spent in searching for information to accept a decision etc., where consumers mainly follow their former positive experience, and purchasing process itself.

In the third stage a consumer perceives an attitude of the sales-person, his/her skills to offer a product, to help in choosing it, and to pack it, etc., as the main comprehended fair reward. Insignificant rewards are all kind of communications: language, packaging text, everything that is spoken by sales-persons and representatives of the enterprise, etc. Everything is presented in a unified style, creates a personal attitude and satisfies consumers’ expectations (or creates an attitude, if a customer has come to shop for the first time).

As the key of the enterprise’s success or competitive advantage in the market, a unique way of product’s presentation, is considered, and that is the key factor creating consumers’ attitude towards the enterprise.

Peter Fisk mentions several reasons why marketing communications of “SIA Stenders’ Soap Factory (Ltd.)” have become a subject of his interest. First of all, historical and authentic style appeals consumers more emotionally than a rational creation of wishes. Secondly, by using franchise principle, a brand has rapidly developed in several countries all over the world. “Stenders’ Soap Factory” emotionally creates a feeling that it is a small Latvian local brand, but in fact it has become a rapidly growing global brand, which has developed with help of low risk franchise.

Very often reputation in business has a crucial role – deals are based on relations, but relations, in their turn, on reputation. Thinking about reputation “Stenders” does not invest means in advertising, but gives preference to producing high-value and quality products. Consumers talk about us. Summarizing one can say that qualitative product+qualitative work environment = reputation (Bērziņš 2007).

It has to be concluded that owners of the enterprise successfully use this important stage of communications to satisfy expectations of consumers.

The fourth stage represents satisfaction with a purchase and in this stage loyalty to brand and enterprise is being created. Afterwards a comparison of consumers’ expectations and results, according to which consumer’s attitude towards a product and enterprise is created, follows. Summarizing the above said, the authors conclude that “SIA Stenders’ Soap Factory (Ltd.)” works more on human’s expectational and emotional level than on a rational one.

Also a lay out of the enterprise’s mission confirms the authors’ conclusion. The enterprise’s mission differs from the one of the similar enterprises. It is described rather widely and includes elements of the expectations theory. “Our mission is to fulfill people dreams. We want to show that there is no need for all the world wealth to make some, for a long time cherished, dream coming true. It needs only a bit of fantasy, a bit of atmosphere and a true wish to fulfill this dream. These things overcome all the obstacles in the way to fulfillment of a dream and to the feeling of happiness and accomplishment. Our mission is to stress significance of mutual human relations, to revive warmth and communication traditions of old times. We want to stress the importance of a personal attitude, as we consider it as a key to harmonious lifestyle in this era of rush and superficiality. Our mission is to appeal people to share mutual love, to express feelings openly, and to share the most hidden dreams in order to fulfill them by common efforts. It is a way to harmonization of mutual relations and creation of a positive energy in this gloomy time that is overwhelmed with dullness. Our mission is to offer people a possibility to cognize themselves and to search for respectively relevant values, to search for and find peace and beauty in mutual relations, accepting the diversity of the world and peers. Our mission is to appeal people to be open to see, hear and wish to find out about their own culture and foreign traditions, as well as bring their own culture into the world” (Stenders 2009).

According to its formulation, the mission is to provide people with fulfillment of their dreams, and it refers to the whole customers’ expectation model and the third stage. Significance of people’s mutual relations refers to the second and the third stage. Provision with the possibility letting people to cognize themselves and to search for respectively relevant values refers to the whole model and all the mission refers to the fourth stage, but gaining satisfaction refers from the first till the fourth stages.

4. Conclusions

During research the authors concluded that it is possible and up-to-date apply expectancy theory to the consumer behavior. The authors analyzed most popular expectancy theories and on the basis of Porter and Lawler's Expectancy Model have developed "Consumer expectancy model". This model was approved by testing in trading companies. As an example the Latvian company "SIA Stenders' Soap Factory (Ltd.)" was taken.

The revised example proves the possibilities of using consumers' expectations model that is worked out by the authors. At the same time the authors are aware that for successful use of the model in the future, additional research work has to be carried out and methods to evaluate expectations should be worked out as it is done in Vrum's theory. Authors believe that consumer expectancy theory can help to business better understand customers and their behavior. Accordingly, authors would recommend this theory for trade companies which could benefit from understanding of their customers.

Generalizing results of the research, the authors set the following conclusions:

1. Consumers' expectations model offered by the authors and the above mentioned example of the enterprise show that existing consumers' behaviour theory can be expanded with new theories and models.

2. Enterprises, which will use consumers' expectations theory in their practice, will work more on an emotional than on a rational level, which in the dynamic economic environment of nowadays appears to be a special value to consumers.

Businessmen should use consumers' expectations theory in the circumstances of Latvia more than classical theories, because in small market positive (and also negative) information spreads quickly through *word of mouth* method. It is poss-

ible to develop and expand consumers' expectations theory and similarly as in Vrum's theory, to invent evaluation criteria for expectations, that can be used in practice of entrepreneurship and *in realization* of goods in the market.

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