

Chapter 6

A

Budgets, Habits and Behaviour Dynamics

B

6.1 Introduction

This chapter, as its title suggests, is concerned with dynamic aspects of consumer choice. We shall attempt to fill three important gaps in the analysis of decision making and motivation in the previous two chapters. The three areas of concern are as follows.

First, in Chapter 4 the discussion usually proceeded as if choices were being made between rival activities that were fairly similar in nature, selected as being within an acceptable budget range. But we did not discuss in detail how such budget ranges might be determined, or how consumers might decide on the order in which they would devote their attention to rival budget categories. The latter was a rather important omission given that the whole point of budgeting is to break up an otherwise complex problem of resource allocation into a series of manageable subproblems to be investigated sequentially. In section 6.2 we attempt to provide solutions to both of these puzzles. Section 6.3 then considers the policy implications of this analysis.

Second, it could be argued that although the lexicographic theory of decision making proposed in Chapter 4 makes a brave attempt to face up to the fact of bounded rationality, it portrays an approach to choice which is still far more complex than the real life techniques for making decisions that people use in situations where their choices are not of crucial importance. For example, a person shopping in a supermarket may not buy an identical bundle of goods each week but

she does not seem to spend much time worrying about individual items when she finds that prices have changed, new brands have appeared, or some products are out of stock. Sections 6.4 and 6.5 of this chapter will therefore attempt to analyse, respectively, the ways in which the choice process ^{is} gets simplified in such situations, and the ways in which brand managers may attempt to generate or break brand loyalty if they have a knowledge of how such decisions are taken.

Third, the inertia associated with the concept of brand loyalty naturally leads us to the question of how habitual behaviour in general can be reconciled with the notion of the inquiring person, that was proposed in Chapter 5. Section 6.6, which is followed by a brief conclusion, attempts to resolve the apparent inconsistency between the inertia that can frequently be observed, and our suggestion that people wish to improve their abilities to cope with the world and attempt to do this by a process of exploration and hypothesis testing.

To set these discussions in context it is helpful first to consider a central behavioural concept in the study of dynamics, which has been left a somewhat implicit feature in previous chapters. This is the decision cycle. The neoclassical analysis of choice is essentially timeless. There is no mention of the time horizon over which substitutions are made at diminishing marginal rates. With clearly defined preferences and global rationality, choice is a discrete act, not a continuous process. A behavioural economist, by contrast, would emphasise that decision making can often be a lengthy, multi-stage process. We would wish to divide the decision cycle into the following six stages.

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- (1) Problem Recognition. A problem may be perceived as a result of a failure of attainments to match up to aspirations, or as a result of routine scanning to avoid oversights, which suggests that targets are unlikely to be met. Information picked up purely by chance may signal the existence of a problem, but, for the signal to register, the decision maker must have a prior disposition to fit the information into the appropriate context.
- (2) Search. The full set of relevant alternatives may not be given, and may even be impossible to define. The decision maker therefore has to search for courses of action between which to choose, unless she believes she already has some potentially satisfactory options at hand.
- (3) Evaluation. This is the stage in which the decision maker formulates her theories about the possible sequels to particular choices. It is, of course, entirely possible that this activity will reveal further problems and push her back to stage 1.
- (4) Choice.
- (5) Implementation. This is often difficult and only partially accomplished.
- (6) Assessment. Here the decision maker examines whether what has been decided has been achieved, whether or not her theory was correct and the problem thereby solved. If the evidence is in some sense unsatisfactory, and if her cognitive processes cannot rapidly shape it to seem otherwise, she is driven back to stage 1.

Within any particular decision cycle, the six stages may themselves be broken up into sub-stages involving sub-cycles. Budgeting, to which we now turn, may be thought of as part of the search stage of

the decision cycle, but it involves the need to theorise, choose, and so on.

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6.2 Budgeting and Choice

To a certain extent, the analysis of budgeting which we are going to present in this section represents a return to a Marshallian view of consumer choice. Marshall did not **see consumers** choosing by comparing, simultaneously, alternative bundles containing differing amounts of many diverse commodities. The Marshallian consumer decomposes her problem of choice. She compares the marginal utility that she might obtain by spending a little more on a particular kind of commodity with the marginal utility of money (or, in non monetary choices, time) which she would have to forego from other, loosely contrued, uses. She asks herself whether or not she can afford to commit herself to the type of activity in question. Marshall's consumer, as Loasby (1978) has pointed out, wants commodities for the characteristics of which they are composed: Marshall's thinking anticipated that of Lancaster by three quarters of a century. But Marshall implicitly assumed that consumers process information in the manner proposed in expectancy value choice models. To calculate a marginal utility requires some notion of a total utility, i.e. an expected value. Since we have rejected this view of information processing in favour of a lexicographic analysis, we need an alternative way of looking at how people decide what they can afford to do.

Let us consider the case of a person who is trying to decide how much she can afford to spend on 'a car'. She does not consider the merits of particular cars in detail until she has some idea of the

maximum budget that she is prepared to make available, and the minimum expenditure on a car that is likely to be adequate to enable her to meet her motoring goals. A budget is very much in the nature of a device for confining attention, and avoiding wasted effort, when searching. The purchase of a car is an act construed as likely to enable the chooser to meet certain priorities, but it may also threaten to compromise her ability to meet some other goals if the cost exceeds a particular amount. A lexicographic analysis of the determination of an upper limit to the size of the budget leads to the following result: the consumer will be prepared to spend on a car as much as she can make available without compromising her ability to meet goals which occupy a higher ranking in her construct system than those which are served only by her motoring activities.

The act of purchasing a car will be commensurable with other activities in respect of some constructs and non commensurable in respect of others. For example, a car can be thought of in terms of its ability to enable a person to present a particular kind of image to other people, and so, too, can clothing, housing and recreational commodities. However, neither housing nor clothing can permeate the construct 'good versus bad roadholding', while a car cannot permeate the construct 'open fired versus centrally heated'. Where activities are permeable to the same construct they may be either synergistic or positively antagonistic. To spend a particular monthly sum on a house and nothing on a car, or vice versa, for the same expenditure, may result in, say, a failure to achieve one's self-image aspiration, whereas the same sum per month divided up in a particular way between both housing and motoring may enable that aspiration level to be met. On the other hand, however, to

divide the monthly sum up between housing and motoring in a particular way might result in an even greater failure to meet aspirations than would occur if only the house or only the car were purchased (e.g. if the person can only afford a house and a car if both are old and falling to pieces).

After thinking in broad terms (perhaps sometimes using particular bundles of activities as points of reference), the chooser will be able to form theories of the possible expenditure combinations that will enable her to meet her aspirations. Figure 6.1 shows hypothetical combinations of minimum expenditures on cars and other goods (not amounts of cars and other goods) that the chooser presently believes will be sufficient to enable her to meet her aspirations with regard to constructs VV, WW, XX, YY, and ZZ. A locus of satisfactory minimum expenditures that is convex to the origin (such as VV) implies that motoring and other activities permeate the same construct and are

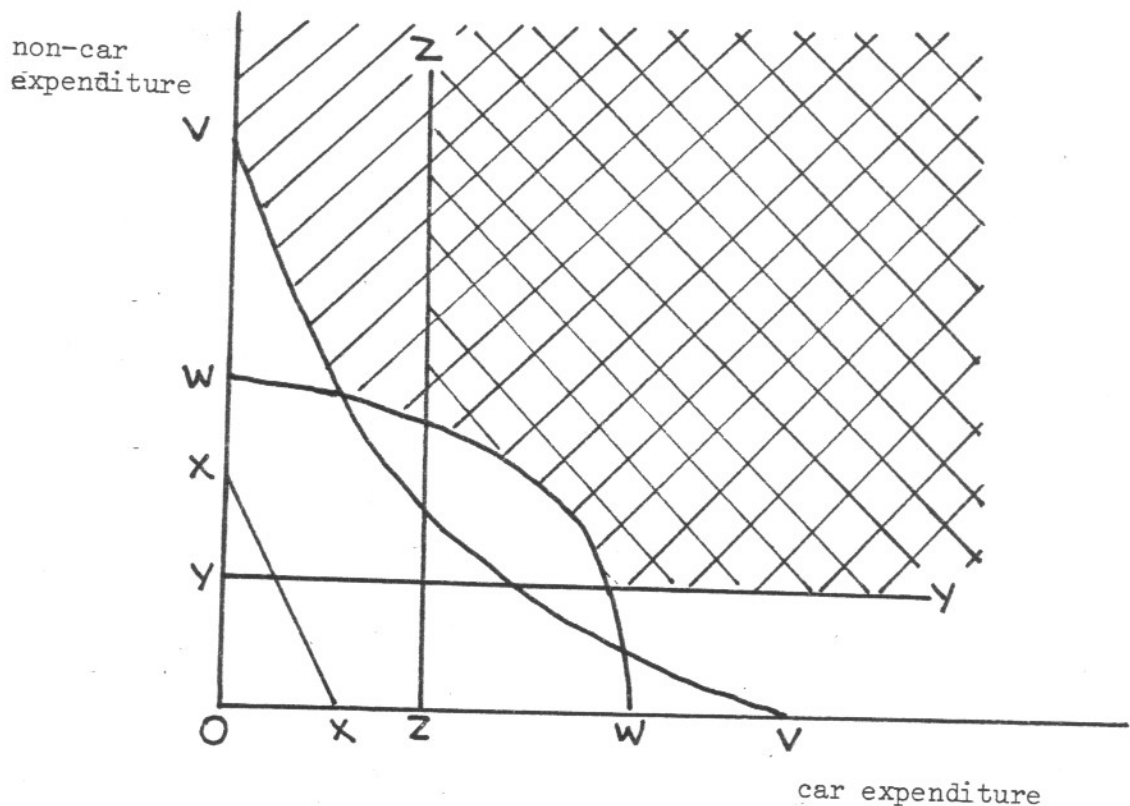


Figure 6.1

synergistic in respect of it; a concave one (such as WW) implies that motoring and other activities permeate the same construct but are positively antagonistic in respect of it. Construct YY is not permeable with respect to motoring. It might refer to, say, nourishment and, if so, the person thinks that in order to be adequately nourished she will need to spend OY per period on activities other than motoring. 'Adequate nourishment' is the sort of aspiration, it must be added, which is likely to incorporate a choice filter of the conjunctive type; i.e. so much fat, so much protein, so much carbohydrate, so much of various vitamins (see further, section 4.3). Construct ZZ is only permeable with respect to motoring, and in order to meet her target in respect of this dimension the person thinks she will need to spend OZ on this activity per period.

If construct YY is ranked higher than construct ZZ, the person will be prepared to spend OY on non-car activities, even if, as a result, she is left with less than OZ to spend on motoring. However, if VV and/or for WW are ranked higher than YY, she may need to spend even more than OY on other activities, which would leave still less available for motoring. In order to meet her aspirations in respect of VV, WW, XX, and YY, she must choose a combination of expenditures in the hatched area on Figure 6.1. If she is to meet her aspiration for ZZ as well, she must choose a combination of expenditure in the doubly-hatched area on Figure 6.1.

In Figure 6.2 the boundary of the hatched area on Figure 6.1 is redrawn, along with ZZ, and the consumer's budget constraint, PP, is added. We are presuming here that the consumer has already committed herself to a particular employment contract in the light of her assessment of the characteristics with which it is associated and

the broad lifestyle it will enable her to attain. There is no guarantee that PP will intersect the frontier of acceptable expenditure combinations at only two places, unless special assumptions are made to exclude the choice of activities that are antagonistic in respect of a particular dimension. In Figure 6.2 the lack of a convex frontier of expenditure patterns satisfying aspirations in respect of VV, WW, XX, and YY means that the consumer has two possible types of expenditure plan that will enable her to meet these aspirations and satisfy her target in respect of ZZ. First, she can choose in the range 'OH non-car/OZ car' to 'OG non-car/OB car'. Second, she can choose in the range 'OF non-car/OC car' to 'OY non-car/OD car'. If she chooses in the range between these two ranges she will fail to meet her aspiration in respect of her construct WW.

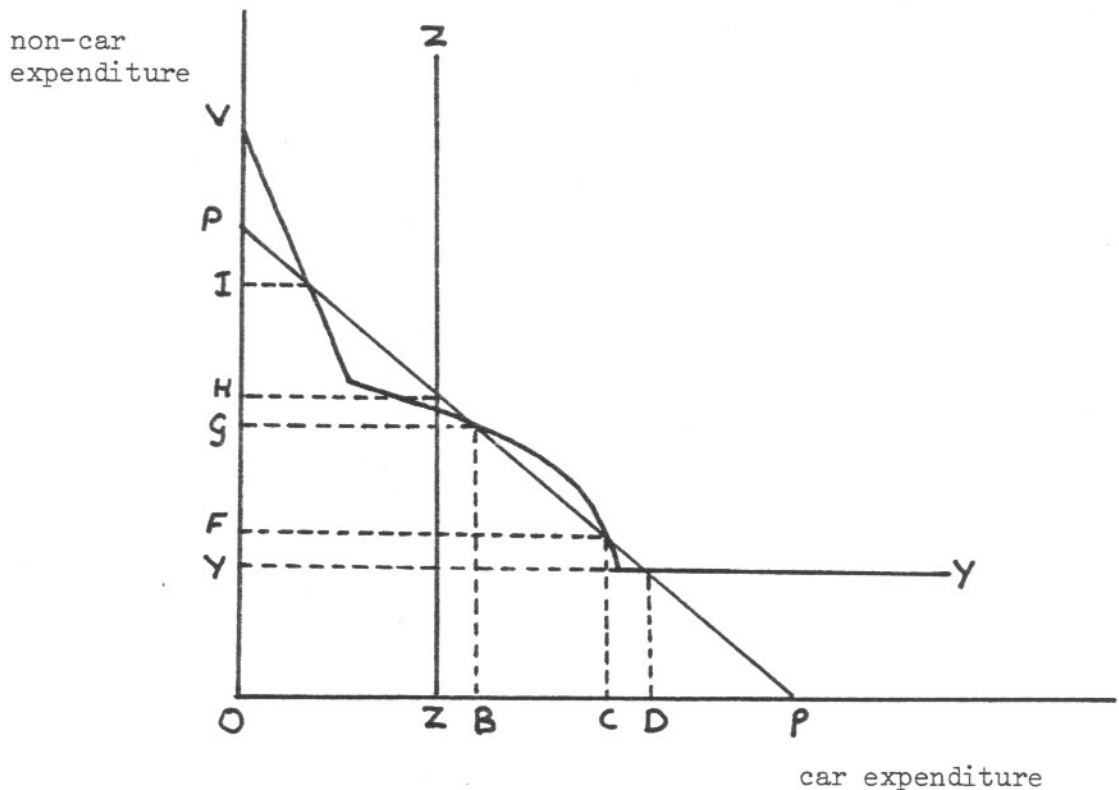


Figure 6.2

There is no reason why a solution involving several possible budget ranges should be a cause for concern. Rather, this solution should be thought of as encapsulating neatly a dilemma concerning the choice of a consumption lifestyle - e.g. big house plus cheap car versus apartment plus exotic car. Which lifestyle ultimately gets chosen will depend on how many constructs of lower priority than ZZ permeate the chooser's system, and the extent to which they require an expenditure on motoring greater than OZ. Once she has chosen her car there may be a residual sum for other types of expenditure. This can then be used to enable her to meet, in order of priority, those of her non-motoring aspirations which are of a lower priority than any aspirations in her 'motoring' subsystem of constructs. Such expenditure may lead to a great over-attainment in respect of higher level aspirations: e.g. she may have the desire to live in an elegant house ranked next after her lowest motoring aspiration and be able only to meet this by using residual funds to finance mortgage payments on a house much bigger than she requires according to her higher level 'shelter' or 'comfort' aspirations.

This analysis of the budgeting process allows the behavioural/ Post Keynesian view on the concept of the 'income effect', discussed earlier in sections 2.2, 2.8 and 4.8, to become more accessible. A rise in money income, with money prices unchanged, causes the budget constraint PP to shift to the right, parallel to its original position. In the example shown in Figure 6.2, such a rise in money income might be sufficient to push PP to the right of the concave portion of the acceptable expenditures frontier, thereby removing the discontinuity in the chooser's budget. To the extent that the chooser previously had unsatisfied motoring aspirations, the rise in

real income may mean she indulges in more motoring expenditure, e.g. she might purchase a more luxurious, high performance car. However, if she is not greatly interested in motoring, she may have relatively few constructs permeable only to motoring, and low aspirations in respect of them. In this case her increased real income will be used to expand budget allocations with a lower priority than motoring; her expenditure on motoring will not rise, for here her wants are saturated.

The effects of a cheapening of goods in the rival budget categories can be analysed similarly. Figure 6.3 shows what happens to the acceptable expenditures frontier when non-car commodities fall in price, with the cost of motoring unchanged. Figure 6.4 shows the converse, the effects of a fall in price only for cars. A cheapening in the cost of non-car activities, which enables aspirations in respect of construct VV more easily to be met, is represented as a shift of the line VV to VV_1 . A cheapening of the cost of meeting the VV target, brought about by a fall in the cost of motoring, is represented as a shift of the line VV to VV_{11} ; and so on for the chooser's other goals. In both figures the bold line represents the new acceptable expenditures frontier with regard only to the constructs VV, WW, XX and YY, but the frontier of expenditures which also satisfies ZZ may easily be inferred in both cases.

The graphical treatment of budgeting that we have presented is quite complicated even only two dimensions. However, since decision makers suffer from bounded rationality, we do not wish to justify a claim that our theory of budgeting can be generalised to cover 'n' budget categories simultaneously. Instead we suggest that bounded rationality forces a decision maker to restrict her attention to

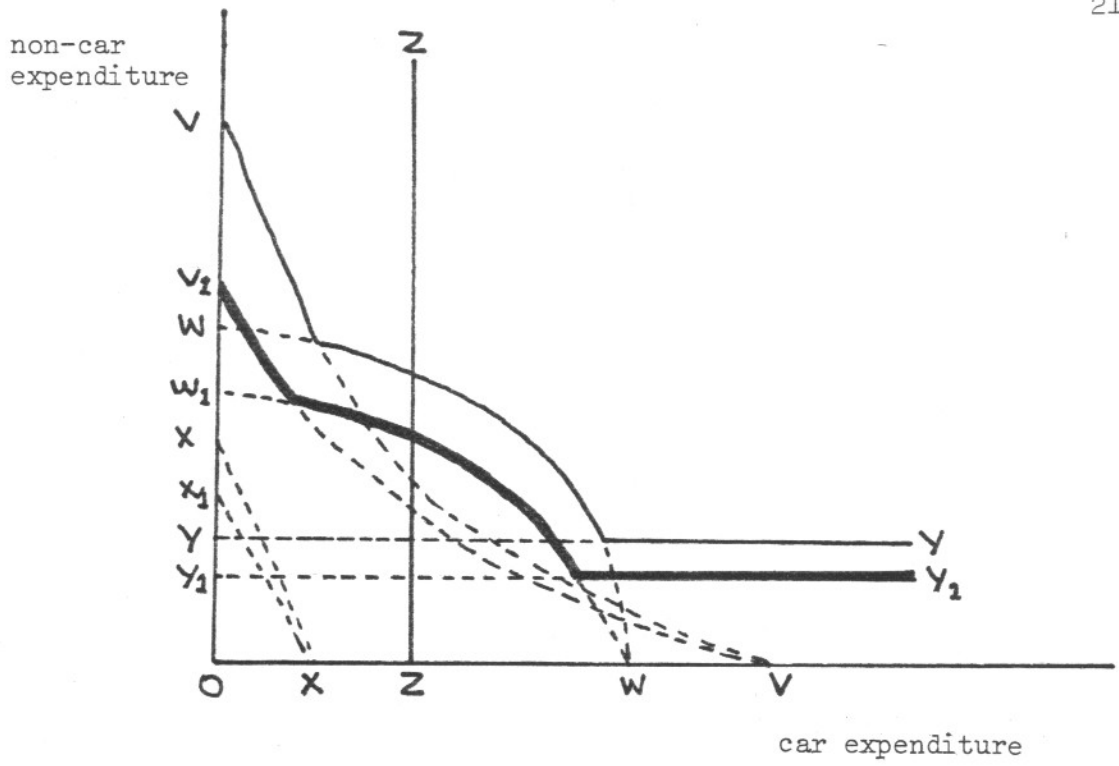


Figure 6.3

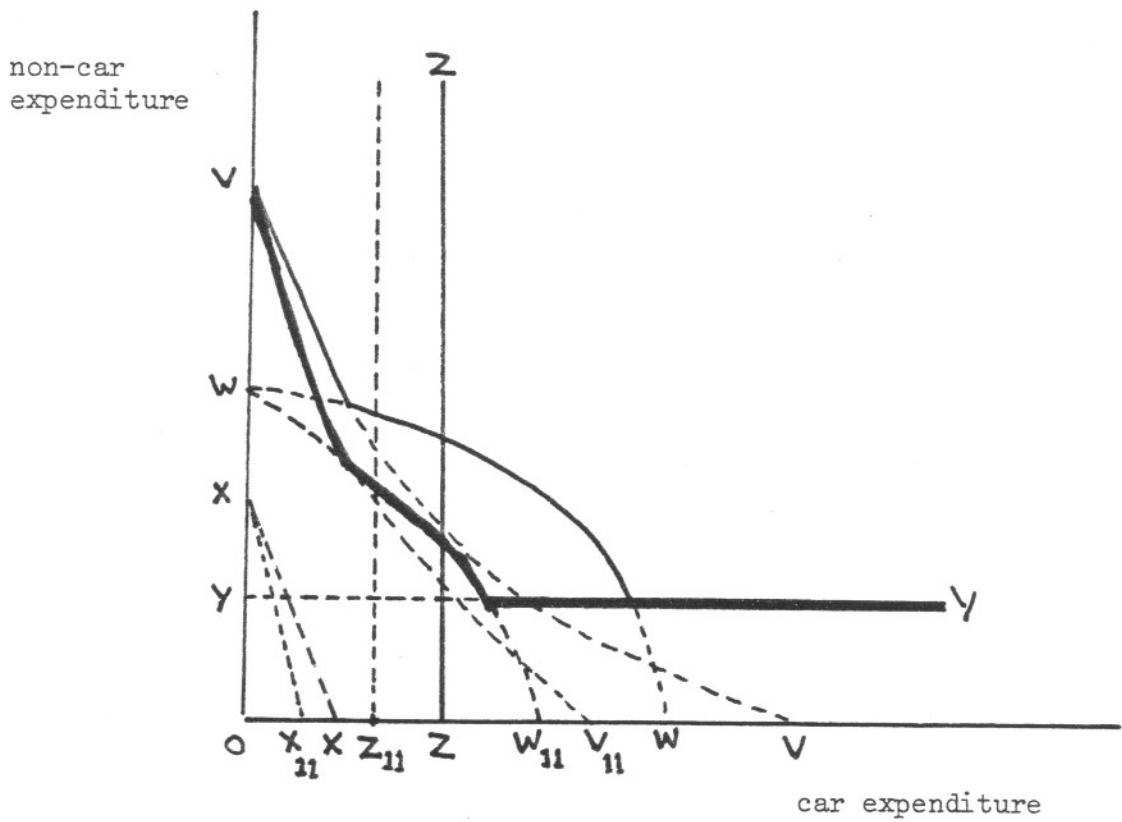


Figure 6.4

images of only two kinds of expenditure category at any one time, and to examine these pairs of image types sequentially in order of priority. For example, when she thinks about how much she can afford to spend on a car she has in mind images of the broad sorts of consumption bundles, that enable her to meet higher level aspirations, which she will have to trim down in order to meet her motoring aspirations. She asks herself 'if I spend £X on motoring, will this compromise my ability to meet my higher priority goals?' When she considers a budget category, say, recreation, with lower priority goals, some of which are not permeable to motoring, she asks herself a similar type of question. This time, however, she includes motoring activities in her image of 'all other types of expenditure'.

6.3 Consumer Budgets and Corporate Policies

Once they have chosen particular budget ranges, consumers will not undertake detailed examinations of products outside them unless given good reason to do so. It is therefore important that firms wishing to engage in volume production should attempt to discover which budget ranges their potential customers commonly have in mind. A priori, behavioural analysis would predict that there will be a tendency for groups of consumers to use similar, 'conventional' budget ranges. Bounded rationality will prevent decision makers from considering all feasible combinations of expenditure as they go about the budgeting process. The 'acceptable expenditures' curves on the figures in section 6.2 are likely to be segmented and discontinuous rather than the smooth features that we depicted. To simplify the task of budgeting, decision makers will look at 'conventional', rounded figures,

e.g. possible car budgets of £5000, £5500, or £6000, rather than, say, £4986, £5487, or £6009 (cf. Andrews (1950), p. 154). They are encouraged to do this by consumer magazines that group products in such 'neat' price ranges in order to facilitate detailed comparisons. Popular products in particular categories, in turn, will be used as image-forming reference points when the budget is being decided upon.

Now, as a result of such a process of thought, it may be the case that, say, most buyers of family cars have in mind a price range of £5000 to £6000. In this situation it may be profitable to add 'extras' to a basic car until its 'normal cost' price is over £5000. Despite the higher price, more cars may be sold, because the car design in question arrives more frequently on potential customers' agendas. If it positions a 'luxury' model 'up-market' in this way, the firm will have to compete with the 'basic' models of larger cars. So long as its own product is adequate in respect of higher level goals that these basic models can enable purchasers to attain (e.g., say, power, or spaciousness), its superiority in terms of minor matters should enable it to survive more stages in the filtering processes of potential customers. The limit on the small car's ability to do this is the extent to which an illusory image of luxuriousness rubs off on to the rival 'basic' models from their more expensive counterparts.

At the other end of the budget range similar considerations apply. It is foolish to keep adding extras to a basic product if, as a result, its 'normal cost' price exceeds the maximum budget, unless that budget is to some extent malleable. The extras may mean that if the upper budget limit is, say, £6200, a car might dominate in the characteristic filtering test if it sells at £6195. However, if the upper budget limit is only £6000, it is not even given the chance to take the test.

If the car is offered at slightly less than £6000 it may sell in much greater quantities, depending on the reactions of other producers. If its success is due to its ability to meet priorities other than price, and price is only used as a 'tie breaking' characteristic, there will be no point in producers of other cars already selling in the £5000 to £6000 price band cutting their prices; they would do better to improve their products in respect of customer priority rankings. Producers of other cars selling at around £6200 will automatically increase sales when the car in question ceases to be sold within their price band. Hence they will only wish to cut their prices if they think it is worth attempting also to enter the lower price band.

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To the extent that consumers tend to use similar budgets when making decisions, markets should ^effectively be regarded as segmented. They will usually be immune from price wars, even if individual firms attempt occasionally to reposition their products in lower price bands as 'outstanding performers'. However, it is important to stress that if a product that has been repositioned acquires too much of a reputation as offering exceptional value for money, the market segmentation will break down. This is because the (literally) out⁷standing product will cause the number of people budgeting in terms of its former price band to shrink substantially. The product will become used as a reference point by people working out the minimum that they need to budget in order to meet their aspirations. As a result, its former 'up-market' rivals will not experience the gain in sales that would deter them from repositioning too. Instead they will feel that a price war has been started.

It may sound as if these arguments about product positioning to

take account of the budgeting phenomenon entail a rejection of the principle of normal cost pricing. They do not. Consumer preferences shape the budget range within which it will be profitable for a firm to confine its attention, unless a marketing strategy can be designed to produce a reordering of what is regarded as an acceptable budget range. But within this range the firm has the task of designing a product that will survive consumer filtering processes better than the offerings of rivals. In the early stages of product development the firm will have several broad designs in mind. But it will be aware that, no matter which one it ultimately opts to produce, it is constrained to set a price so that it only earns a normal rate of return over the product lifecycle as a whole. The firm therefore makes sales projections at normal cost prices. The ^{product} ~~project~~ then chosen is the one which best suits the long run interests of its decision takers (cf. section 2.8). If they discover that this form of pricing would leave them unable to make satisfactory returns on any of the schemes, they will set in motion search for ways of reducing unit costs. That is to say, the position of the firm's cost function will not be invariant with sales projections and the cost positions of rivals. We have a ^{price} 'price-minus theory of cost' (cf. Smyth, (1967)) but one which does not violate the normal cost theory of price. Consumer preferences focus the firm's attention, but the firm does not equate marginal costs and revenues simultaneously to arrive at a price.

The greater the number of consumers that can be persuaded to think in terms of a given budget range, the more a firm can enjoy economies of scale. But how can potential customers be persuaded to change their budgets? We shall try to provide some answers to this question

by taking the case of the car market once again, addressing first the task of pushing people into spending more.

If a firm offers a poorly trimmed 'base' model outside the lower end of the 'conventional' budget range, it will attract the attention of the target group of customers. A large amount of the image of the more luxuriously trimmed models rubs off on to the base model, while it can also be shown to be in a different technological league from other models in the price range. It may, therefore, be given serious investigation. There are then two main means by which a salesperson can attempt favourably to affect the shape of a potential customer's acceptable expenditures frontier. First, she can try to demonstrate that the customer can only refuse to buy a more expensive model on the basis of an unreasonable set of priorities. For example, she may point out that 'The deluxe version has a radio, so it's much safer on long journeys ^{Q.C.} you won't fall asleep at the wheel. I know that better trimmed rival products at the same price as our base model have radios, but this doesn't mean they are safer. Their steering and braking systems are years out of date.' Second, she may attempt to show that although the deluxe model is more expensive it is well worth the extra cost because it has great synergy potential. Hence the customer can spend less on other activities without apparently jeopardising higher priorities. A priori, we would expect appeals to the car's ability to bolster the customer's image to be particularly successful in creating this impression. However, the success of any means aimed at expanding budgets will be constrained by the extent of crucial commitments the consumer has already made in respect of higher level budgeting activities which entail regular financial commitments.

To move customers 'down-market', similar techniques can be used. Firms can suggest that it is unnecessary (i.e. it would be foolish) to spend more than a particular sum to satisfy reasonable needs, and attempt to show that goals which could be met from residual expenditure should be worthy of higher priority than some of those met by 'up-market' examples of the activity in question.

(B)

6.4 Cybernetic Choices

The decision makers that we have been considering do not think through all the possible implications of the problems they are attempting to solve or of the solutions they choose to adopt. Frequently, inexperience and a lack of suitably permeable constructs will mean that they choose after making only a very partial examination of possible options. A consequence of such behaviour may be that problems keep arising; decision takers are continually propelled around the decision cycle. The more problems there are crying out for solutions, the less it will seem possible for a decision maker to step back and make a cool, detached and detailed appraisal of any one of them. Such an investigation might prevent more problems from arising in future, but it might simply have the effect of overloading the decision maker with information, with the result that she is even less confident that the solution she selects will be adequate.

Where decisions have to be taken at speed, the sort of theory forming and filtering activity central to our lexicographic choice model may be precluded. Instead the chooser will resort to using rule-of-thumb, programmed 'recipes' from a menu of possible solutions. She will be on the lookout for particular configurations of a few select variables, and when she sees one of these patterns she will

automatically select a particular recipe and perform its repertory of operations. She will not consider alternative courses of action, nor conceptualise in detail the outcome that ensues. She will perform the operation and then carry on monitoring what happens to the group of variables, drawing other recipes into operation if she observes appropriate 'trigger' sets of signals. This form of behaviour, where simple feedback mechanisms displace deliberative thought, has been labelled cybernetic decision making by Steinbruner (1974).

An obvious example of the cybernetic model in operation is the person driving to and from work in her car. Her use of the accelerator, brakes and gear box is determined by the signals she receives concerning the proximity of other vehicles, from traffic signs, and from the noise of her engine. She does not have time to evaluate in any detail the possible consequences of alternative rates of acceleration and braking, or choice of route. So long as the journey is completed at a satisfactory rate, and the movements of the fuel gauge do not trigger too many trips to the filling station, she will not question her choice of activity. Only a persistent failure to meet her priorities will force her into a detailed search for a new recipe book, a new travel lifestyle (e.g. she may consider the possibility of buying a smaller car, using public transport, or using a less direct but less congested route). If she asked herself each day whether her recipe for getting to work could be improved upon in each of its many dimensions, she could well find herself paralysed in a state of 'hyper-reflexivity'. She might become like the centipede that was called upon to explain how it coped with coordinating so many pairs of legs simultaneously and was never able

to walk again, because, on thinking about the puzzle, it realised it did not know the answer.

Life is impossible to handle if we question everything and keep returning to first principles: we have to presume that, in some areas at least, we have recipes for success. It is only by making frequent use of the cybernetic decision process that we can release time for deliberative thought about puzzles that we presently cannot deal with by using our existing set of recipes.

In section 4.3 we mentioned the disjunctive method of taking decisions, in which a single attribute is used as the criterion for choice. We argued that in situations of genuinely fanatical behaviour it seemed to suffer from a logical contradiction, since a connoisseur would be able to break one attribute up into a variety of subordinate constructs. However, in situations of ignorance or disinterest, the disjunctive approach to choice may seem, in the light of experience, to be an adequate cybernetic choice technique, particularly if the price dimension is used, or if a particular attribute (e.g. a brand name) has been found to serve as a proxy for many others. Two examples may help to illustrate the disjunctive method of choice performing this role. First, a person may not be a connoisseur of margarine and may have as a rule that she will purchase the cheapest 500g tub she can see on her weekly shopping trip, if, and only if, she has no unopened tubs in her refrigerator when she goes out shopping. Second, after selecting her budget for the purchase of a new piece of hi-fi equipment, she may, not being a connoisseur, judge quality by price and purchase the most expensive unit she can afford from the display in a particular (cybernetically chosen) shop. Insofar as her ignorance is due

to the low priority she accords hi-fi equipment, the fact that her cybernetic rule leaves a minimal residual will not concern her over much.

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6.5 Policy Implications of Cybernetic Decision Making

If the rule of thumb procedures that people use for choice lead them not to purchase the products of a particular firm, then that firm must attempt to demonstrate that a superior decision procedure exists, which happens to involve purchasing its product instead of one produced by a rival. For example, suppose that people choose between different brands of washing-up liquid on the basis of the cheapest product per unit volume, and find this rule works satisfactorily.

A firm which has developed ^amore effective, concentrated product must focus its advertising emphasis entirely on the fact that the form of the decision rule is irrational and should be broken. It must demonstrate, without overloading potential customers with information, that its product is the cheapest to use despite its higher price per unit volume. If it can do this successfully it would be a complete waste of advertising resources to emphasise that it is also, say, 'kinder to the user's hands'. Such a characteristic is only worth publicising if there is some doubt that consumers can be convinced that the concentrated product is the cheapest to use.

The purchasing contexts in which cybernetic rules are likely to be used are those where the consumer is too busy to think in terms of many dimensions. Thus, if one programmed decision rule is to replace another (e.g. 'choose Brand X, because it is kindest to its hands', rather than 'choose the cheapest washing up liquid'), the

advertising strategy should concentrate entirely on the relevant dimension, apart from suggesting that other brands are all nearly enough the same in respect of other properties. With such a strategy, the consumer is told that a particular simple criterion is appropriate, that if she did carry out a detailed appraisal of all the brands she could afford (in either lexicographic or compensatory terms) she would come to the same conclusion. The implication is that it is a waste of time ^M a mistake ^M to consider other brands if the impression given by the advertisement is correct. The inquiring person wants to be able to predict and control the world; she therefore wishes to avoid making unnecessary mistakes. Hence, if the advertisement seems credible and she cannot provide a reason why the dominating characteristic should be dismissed, she can only reject the brand on the basis of unreason. If she has no strong presumption as to which properties a particular kind of product should offer ^M no image of the 'ideal' ^M she needs a basis for choice if problem solution requires that one brand or another must be bought, and the advertisement is providing just such a basis.

But the extent of any individual firm's ability to engender the choice of a particular purchasing rule, in situations where consumers do not undertake detailed evaluations of rival brands, is constrained by the marketing activities of its rivals. A mass of conflicting claims may lead the consumer to find that no brand has a more credible case in favour of it; that there is no disjunctive choice criterion which is obviously the best. Even if she has the time available, the consumer cannot apply a detailed lexicographic evaluation procedure if the contradictory suggestions made in different advertisements leave her unable to theorise and form potential surprise curves concerning the

various characteristics offered by rival brands. She can only form theories after some experimentation and comparison, or if she has time to read consumer magazines. If she already has a recipe that seems to be adequate for solving the problem in question, she will have no reason to experiment unless she wishes to become a connoisseur of the solutions to the problem. The resources that firms have used in creating what adds up to a confused image of their rival brands can hardly be said to have been employed to the benefit of the consumer. If she has paid attention to the advertisements she has had her time wasted. Furthermore, the costs of advertising will figure in the rival firms' calculations of entry-forestalling, 'normal cost' prices, so the consumer ends up paying to be bombarded with information that she cannot handle.

B

6.6 Inertia and the Inquiring Person

In situations where cybernetic decision methods are used, the chooser is often taking action to control her environment rather than directly to attain a greater ability to anticipate events. She is not necessarily interested in the 'control tools' for any other reason. For example, she is likely only to be interested in different types of 'Aspirin' insofar as they have different abilities to remove symptoms of colds and headaches. Unless she is a doctor or works for a drugs company she will not be terribly concerned with how Aspirin tablets of any particular brand work. Her inquisitive activities proper will concern more interesting or urgent mysteries of the world. Her reluctance to break with her established cybernetic procedures is thus easy to understand. In other contexts, however, the sources of inertia

are rather more complicated. It is the aim of this section to provide an analysis of this aspect of behaviour dynamics.

We start by noting that an unchanging pattern of action should not necessarily be seen to imply an absence of inquisitive activity. Any scientist will often have to repeat experiments in order to be convinced that she has not observed purely a chance confirmation or refutation of her theories. Empirical evidence is a pattern which is seen to repeat itself. This point is relevant even where an activity has been selected as a kind of investment good because it is construed as likely to present a particular image of the chooser to other people, the aim being to elicit from them a response which clarifies other images. The audience will not always be convinced immediately by the image that has been projected. The person (or firm) attempting to project an image must do so for long enough for a reputation to be acquired. If a person attempts to project different images to several groups of people in quick succession, each group may end up seeing several different images. As a result, she will either lose all credibility (see further Goffman, (1971)) or simply confuse them by presenting an overall image of enigmatic or unstable behaviour. Such an image will hardly be conducive to obtaining a positive response, unless the aim is to make the observers suffer from anxiety and behave defensively.

An example may help to clarify the point that apparent inertia and inquisitive activity are entirely compatible. (Of course, if people could be guaranteed to see patterns immediately there would be no need to offer such an example!) Consider the case of a person at a party who has to decide how fast to circulate amongst the other guests. If she circulates rapidly she can meet a lot of new people

(i.e. she can engage in elaboration). However, if she mixes only with people she already knows, she may improve her ability to anticipate their behaviour by getting to know them better. (Kelly would call this activity 'construct definition'.) But party conversation with people she knows may also enable her to elaborate her perceptual field if she comes during the course of it to hear about hitherto unfamiliar facets of the world. Thus she may find it most interesting to carry on mixing with people she knows, getting to know them better simultaneously with discussing new areas of interest. The payoff from getting to know people she has not met before may be very low if she is unlikely to meet them again.

The explanation of inertia just given may be the sort of explanation that a person would use to justify not talking with unfamiliar party guests. Kelly's theory of personality, however, leads us to suspect that it is only part of the story, and may not even be the real explanation. A new perspective may be gained by considering the role played by emotions. We note first that Kelly defines aggression as 'the active elaboration of one's perceptual field'. An aggressive person is not afraid to find out what happens if she attempts to adopt a particular course of action. She is willing to meet and make challenges and encounter new situations. To mix with unfamiliar people at a party, or to try any new commodity or activity, is to act in an aggressive manner.

An attempt to mix with unfamiliar people is certainly a test of a person's ability to cope with the world. There is the possibility of embarrassment and confusion. Any attempt immediately to start a specialised conversation will be prone to result in blank faces. It is necessary first to build up a pattern of shared expectations by asking

a series of hierarchically-related questions and answers until a fruitful form of discourse comes into focus. To break into an existing conversation between unfamiliar people may be more difficult still. As Garfinkel (1967, p. 40) shows, by comparing transcripts of conversations with reports of what the participants understood them to be about, many conversational expressions are absolutely meaningless unless an auditor knows the previous course of the conversation, and either knows or can assume something about the biographies and intentions of the speakers. A person may be aware that if she mishandles her attempt to be aggressive she may come out of the situation with her self-image shattered. She may be unable to cope with the prospect of appearing to be a fool in everyday situations. If this is the case, it is likely that, by the mechanisms discussed in section 5.6, her cognitive processes will make her existing conversation with people she already knows seem worth pursuing. It will appear to seem less boring than it might otherwise have done.

Kelly would argue that, in the example given, the main barrier to aggressive behaviour is anxiety. In his theory this is defined as 'a person's awareness that the events with which she is confronted lie mostly outside the range of convenience of her construct system'. As Bannister and Fransella (1971, p. 35) put it,

We become anxious when we can only partly construe the events which we encounter and too many of their implications are obscure. Sex for the chaste, adulthood for the adolescent, books for the illiterate, power for the humble and death for nearly all of us tend to provide anxiety. It is the unknown aspects of things that go bump in the night that give them their potency.

set as
quotation

People will thus avoid situations about which they cannot theorise, or which threaten severely to damage their views of the world and themselves. Unless they adopt reclusive and cabbage-like existences, they will have to place themselves in some situations that have the potential to damage their world views. A major part of the activity of budgeting time and money between competing pursuits will be concerned with discovering mixes of activities that keep anxiety within tolerable bounds.

Anxious people, whose construct systems are not very permeable, will only ask vague questions of the world and make vague commitments to the future. In return for their 'cowardice' they will only receive vague evidence, of an incidental and fragmentary nature. They may take a long time to experience anything at all, but the vague questions that they ask usually will not entail the need to ask even stronger ones in consequence.

This analysis of anxiety should enable the reader to see our earlier discussion of consumer lifestyles (section 5.5) in a new light. The types of question which a person will think she can ask of the world, just like the types of question which a pupil might expect to be able to ask a teacher in a classroom without seeming impertinent, or foolish, will depend very much on what she has experienced (willingly or otherwise) in the past. She is not born with a given repertoire of questions to ask. To form theories a person needs to have points of reference against which likenesses and differences may be construed. Children with affluent parents will have less to be afraid of than children from poor backgrounds, for they are more likely to have been subjected to wider experiences at an early age (e.g. they will be more likely to have been to the opera, restaurants, and on foreign holidays).

Their education may have been better and in the course of it they will have encountered people from a wide variety of backgrounds. Middle and upper class children will also tend to use a much more refined language structure than those from working class backgrounds, a point which is significant insofar as their construction processes are dependent on how they speak. They will thus be able to order their thoughts in more complex and individualistic ways and be more adventurous (see further, Bannister and Fransella (1971), pp. 106-8). It should now be clear why education and social class are such important factors in the determination of market segmentation into lifestyle groups, as in Figure 5.1.

Even people who are adept at formulating theories about diverse aspects of the world are deterred from aggressive behaviour by the human tendency towards forgetfulness and the consequent fleeting nature of much experience. The typical person does not have the novelist Marcel Proust's astonishing ability to conjure up in minute detail images of times long since past. Fading images require us to repeat our experiments, and the payoff from a 'refresher course' in a particular area may be much higher than that to aggressive behaviour in new areas. Following the discussions of cognitive processes in section 5.6, however, it is as well to recognise that attempts to recreate past experiences may really be ways of avoiding facing up to the fact that the world has changed in ways that we cannot comprehend, rather than ways of recapturing something we have genuinely forgotten.

Forgetfulness and information overload are usually hard to separate. A piece of music, for example, may remain fascinating because, each time we listen to it, we do not attempt to get to grips

with just a single element: we attempt to experience the whole and the orchestral brilliance, say, is so overwhelming that we fail to recall the themes. If we fail to decompose things in the appropriate way, we experience very little each time we confront ourselves with a particular feature of the world (cf. section 3.4).

We end this discussion of the reasons for repetitive behaviour by considering briefly a source of inertia with more of an economic than a psychological basis. In a world of complexity and uncertainty markets are not costless to use. People who switch between alternative 'interesting' durable goods necessarily have to bear transactions costs and trade-in losses. For example, a person will not be able to experience very many cars or items of hi-fi equipment in any depth greater than that provided by a sales person's demonstration unless she has a very large budget. This is one reason why, at any moment, people will attempt to choose the nearest thing they can find to their 'ideal' means to an end, and avoid experiencing the 'rubbish' events which they can construe in terms of the same dimensions.

(B)

6.7 Conclusion

In this chapter we have been considering how the dynamics of consumer behaviour are affected by bounded rationality. Budgeting and cybernetic, programmed, decision methods enable consumers to avoid unnecessary search and reduce the need to process information. This leaves them with more time for deliberative thought and genuine inquisitive activity. However, even in this context, bounded rationality is still a major barrier affecting the sorts of activities a consumer will choose and her willingness to switch between activities. She cannot think about or remember everything of interest and she cannot perceive patterns instantaneously.

Anxiety is the emotional side of bounded rationality[^] the chooser's feeling that if she puts herself in a particular situation she will be unable adequately to understand what is going on. Anxiety is something that the inquiring person tries to bring within tolerable bounds. If she fails to do so, either by restricting herself to predictable situations or by lowering her aspirations and facing up to the implication that she is less able to cope with the world than she had hoped, she will be in need of clinical attention. In the developed world, rising affluence and the development of the Welfare State have removed many sources of anxiety. As a result, some people can be more adventurous and voluntarily adopt challenging activities without compromising their anxiety-avoidance aspirations (cf. Scitovsky, (1981)). But there are still many people who, despite economic growth, can seem remarkably unadventurous; people who seem to wish to experience little more than what is to be seen on television, or what it is like to own a bigger house or this year's model of a conventional car; people who never do anything different from others or out of the ordinary. To help understand why this may be the case we shall turn, in the final chapter, to consider the social context in which the inquisitive, but anxious, person acts out her life.

End of
Ch. 6