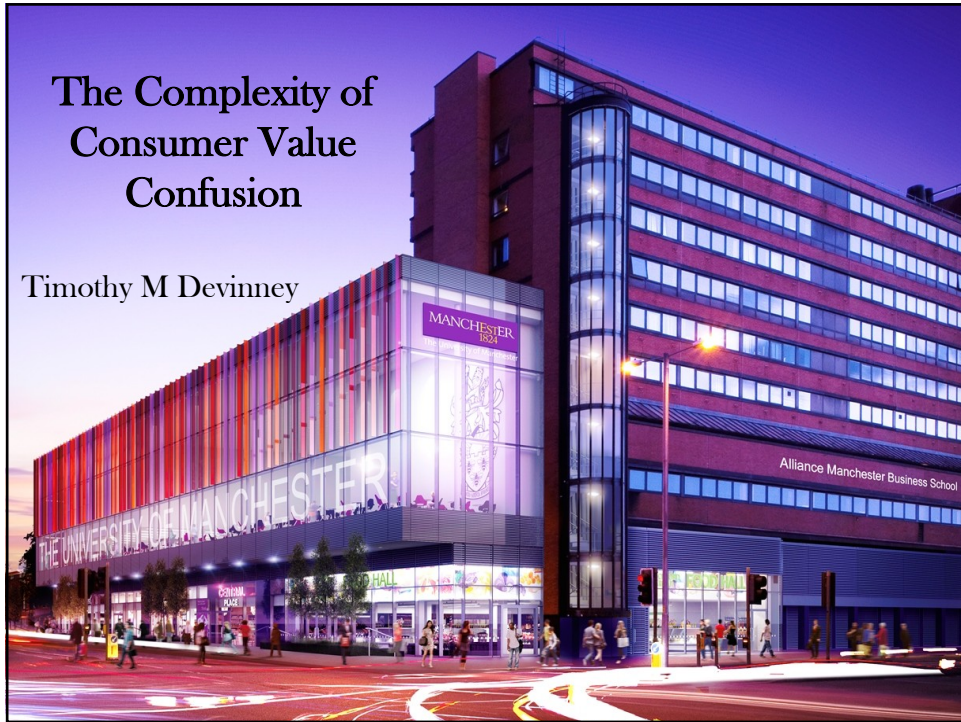


The Complexity of Consumer Value Confusion

Timothy M Devinney



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Consumer: From the Latin 'consumere' or "to use up"

"The problem with people who have no vices is that generally you can be pretty sure they're going to have some pretty annoying virtues."

Elizabeth Taylor




"I barely even know what the word 'sustainable' means any more.... The majority of people who say they're doing a sustainable thing, if you ask one question, it will pretty much fall down at the first hurdle..."

It's a bit tiring to see people's overuse of these terms and really not have any substance to back it up."

Stella McCartney

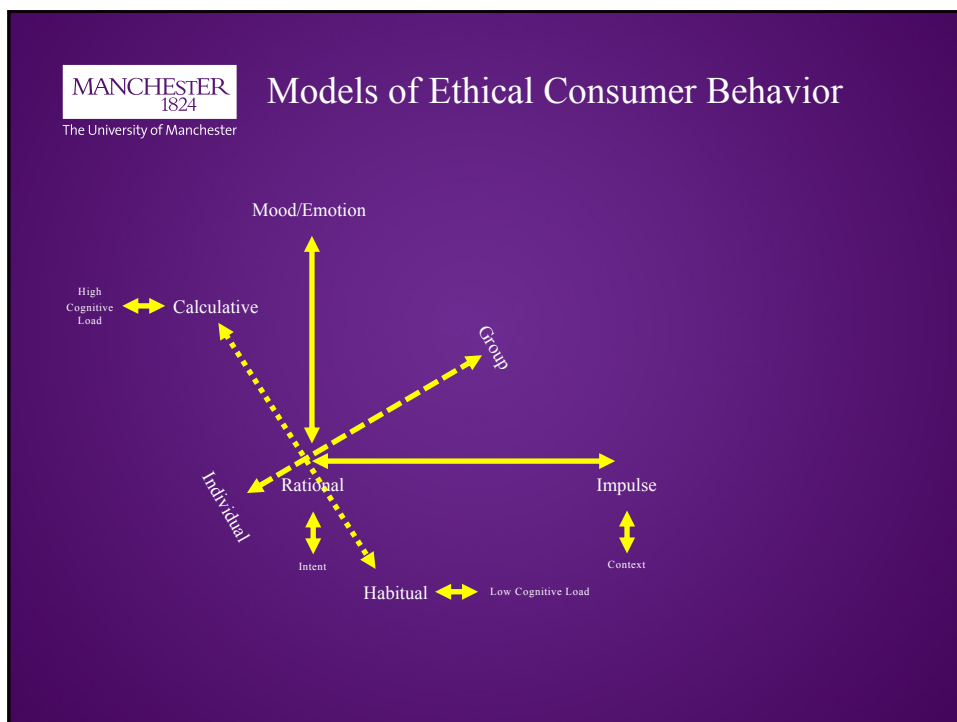
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Consumers are Different



Firms/Managers	Financial & Operational Performance, Governance, Ownership, Regulation	Heterogeneity Constrained and Singular Models Can Be Powerful
Employees	Individual & Group Performance, Contracts, Unions, Work Rules, Regulation	
Investors	Returns/Dividends, Risk, Information	


Consumers	Individual Satisfaction/Utility	Heterogeneity is Rampant. Singular Models Fail
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How Do Individuals Value Social Stance?




- Purchasing is contextual
 - ❑ Behavior reflects context much more than 'beliefs' – which implies that 'generalized' statements relating to behaviour is problematic
 - ❑ Justification occurs when behavior is misaligned with 'supposed' values
- Individuals are very heterogeneous and don't follow a simple as set of patterns that reflect 'good' and 'bad' – Simple models fail
 - ❑ AND, individuals lie about or do not understand values, beliefs and attitudes – Which implies 'stated' preferences and intentions are pretty meaningless
- Individuals are 'rational' but complex in their trade-offs
 - ❑ Everyone 'cares'; what we need to know is:
 - "How much" they care, and
 - In which behavioral 'outlets' it will be revealed
 - ❑ People will purchase based on "social functionality" but not sacrifice product functionality
 - ❑ People have rational "technological resistance" and don't change habits or decision models easily
- However, consumers exist who will act on beliefs given the context



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A Cautionary Tale: Failure of Smart Meters



- The failure of smart meters is a case where consumers seem to react in a manner that is not in their best interest
 - ❑ 2.7% savings =
 - Turning off a window-unit air conditioner for 30 mins/day
 - Turning off two 100-Watt incandescent light bulbs 5 hrs/day
 - Increasing electric rates by 11.6%
 - ❑ Neighbor Comparison Studies (Allcott & Rogers, Amer. Econ. Rev., 2014)
 - Backslide of savings after an intervention is initiated "Reports immediately draw attention to energy conservation, but attention gradually returns to its baseline allocation."
 - ❑ Hawthorne Effect Studies (Schwartz, D., et al., PNAS, 2013)
 - The entire effect of smart meters was in believing they were installed. Within a month, however, energy use reverted to baseline rates
 - However, all participants said the following:
 - They wanted to do more than neighbors to save electricity
 - They wanted to save, learn, or be more aware about electricity
 - They became more aware of their electricity use because of the study

This is repeated again and again in other examples: (1) Decision models do not change easily, (2) Statements of learning, intent and awareness are overstated, and (3) There is no real relationship between stated preferences and revealed behaviours

What Do We Conclude?

- Context overwhelms most other factors. Changing behaviour invariably involves context manipulation
- Individuals are influenced less by their own backgrounds and intents than they are by context and circumstance. To be a 'consumer' means to focus on 'consuming' or 'use'
 - Rationality vs Impulse
 - Image, Emotion/Mood
 - Effort & Load – Calculative vs Habitual (Heuristics)
 - Comparison and Benchmarking vs Absolute Outcomes
- Proximity matters
 - Individuals focus more intently on issues that are materially closer to what influences their lives
 - Attempts at "demographic" characterizations are fraught with problems as context overwhelms
 - Except potentially at the extremes
 - Redefinition of social issues into different 'categories' may be easier than convincing individuals to change
- Most heterogeneity resides at the level of the individual
 - Talking about consumers as an amorphous blob simply does not reflect any reality
 - But with an enormous amount in the purchasing context and in behavioural similarities

What Should We Be Doing?

Embrace heterogeneity
(e.g., application of Bayesian models with experimental structures)

Study **consumer decision models** not just consumer outcomes

Study **consumer decision making processes** – including the complementary and competing components and co-decisionmakers

Embed **variety of context directly** into studies of consumer behaviour; which is important for normative recommendations



Constructive Discussion

<http://www.modern-cynic.org/social-economic-and-political-values-reports-2/>