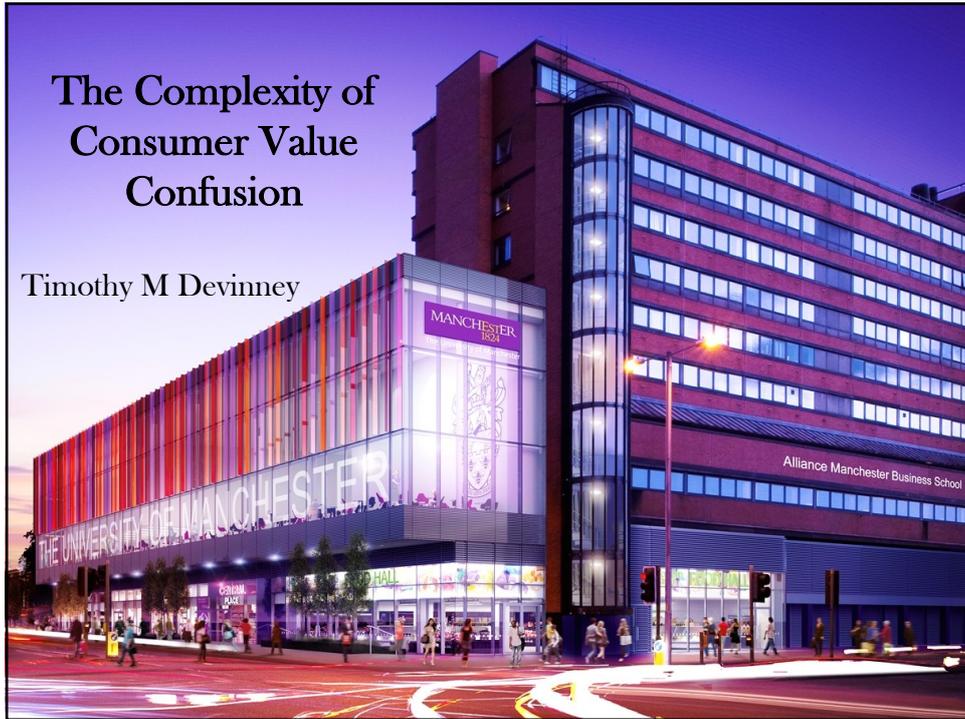


# The Complexity of Consumer Value Confusion

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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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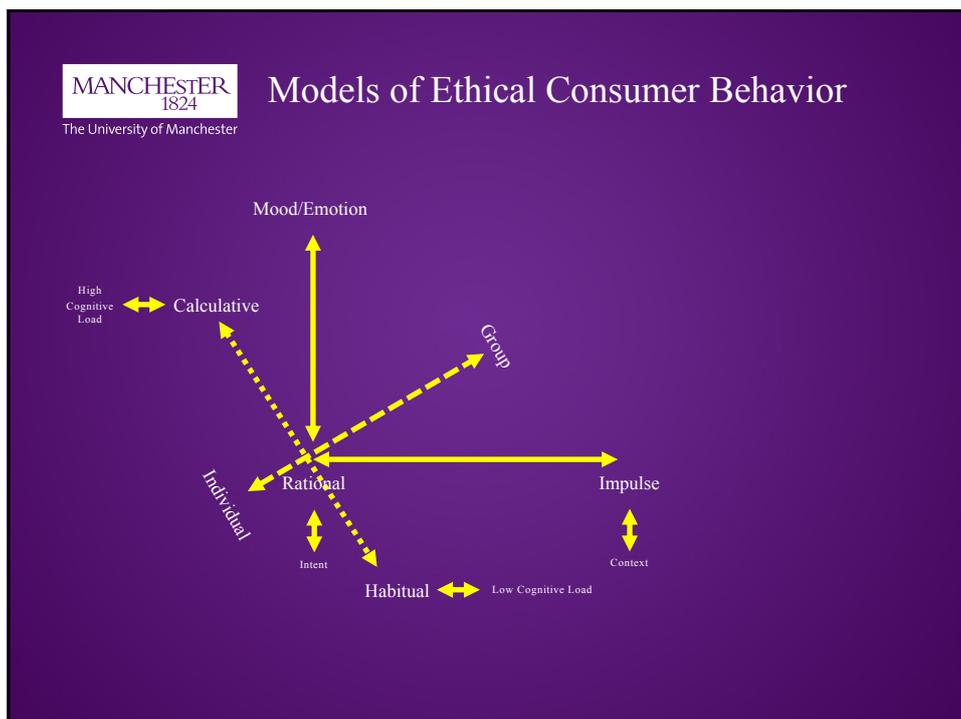
## Consumers are Different



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

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<b>Consumers</b>	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/>