QUALITY IN THE SUBJECTIVIST THEORY OF CONSUMER BEHAVIOR

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Abstract: In the article the author expands the theory of quality using the subjectivist theory of consumer behavior. The axioms of the theory of the quality of consumption have been formulated.

Utility as a subjective category can’t be measured by the producer; it is measured in the market by the consumer. However, the only way to measure it in production is through the category ‘utility value’. In our view, utility is a kind of ‘bridge’ between the quality and utility value. Utility can be higher than utility value, but it is possible only in our subjective perception. Quality can also be higher than utility value both in subjective and objective perception. We attribute the latter to external effects; if they (the effects or externalities) are positive, the quality exceeds the utility value. Thus, the quality can be higher than the utility value at the expense of functionality expansion, i.e. the functional properties of the goods identified both by the producer, and the consumer in the course of consumption.

In economic sense the utility of the goods is not an abstract ability to satisfy needs. It can be easily proved by the hierarchy of needs. So, a thing that satisfies secondary needs isn’t necessarily less useful and cheaper, than the one meeting a variety of needs. How is quality considered in this case? It is even more specific and also means that no matter what needs are satisfied (primary or secondary, etc.) all goods and services must be high quality.

In this case quality is identical to utility due to common features; besides, they are closely related and we can assume that they can be linked to one concept. In this case, it is quite reasonable to look at these notions through the prism of marginal utility theory.

The revealed preference theory doesn’t include utility function or indifference lines. However the results of observations over consumer behavior
bring us to the conclusion that it is possible to make a qualitative assessment of the consumer indifference. By the results of observing the consumer behavior in the market we mean a pair consisting of a vector of prices ‘p’ and consumer basket ‘x’, which was selected by the customer under the given vector of prices. This theory makes it possible to explain, how the price can be the index of quality, and knowing, one can model the consumer behavior in respect of the choice of this or that consumer basket.

According to R.A. Fatkhutdinov, ‘quality of products is a set of properties and characteristics of products to satisfy the expected requirements’ [2]. Such interpretation of quality assumes the applicability of the theory of consumption as a set of product properties for modeling consumer behavior. The consumer chooses a set of goods to meet their customers’ preferences. And, of course, a consumer is interested in the properties, characteristics of the goods.

It sounds reasonable to consider not only consumer sets, but also the sets of properties (characteristics). To consider the sets of properties (characteristics), it is necessary to identify them. If the characteristic is not detected, it can’t be applied to modeling. The properties of objects must meet certain prerequisites, which were described by Yu.N. Cheremnykh in Microeconomics: Advanced Course [3].

According to the author, the analogue of the model can be the task of forming a consumption basket that reflects a certain dynamics in the qualitative growth of needs in the society.

At the same time, consumer properties of goods are analogues of those used in the model of consumer technology. Identification of implicit prices of individual product characteristics extends the use of this theory to modeling consumer behavior.

Modeling of consumer behavior with the quality as the leading principle requires the development of a new theory. If this theory of the quality of consumption (the author’s term) is created, it is possible to offer the following axioms.

1. The axiom of total ordering means that the consumer is able to arrange all possible consumption sets using preference and indifference relations. This means that for every pair of ‘A’ and ‘B’ product sets the consumer can specify which of them is preferable and which one is not. Such information on consumer preferences is collected by marketing services through polls and surveys, or direct contact with consumers. Let’s see how this axiom is applicable to the quality as a form of utility, which consumers develop through their own judgments and experiences once the product is launched onto the market.

Take for instance similar products made by different producers. This means that the quality of the product ‘A’ by manufacturer ‘X’ is preferable to the quality of the same product by the manufacturer ‘B’. The product or a product set ‘A’ is more preferable than that of ‘B’ since the utility or quality of the first is higher or better from the point of view of a specific consumer.

2. The axiom of transitivity guarantees coherence of consumer preferences. For example, the consumer chooses the same producer for the complementary
goods (a computer, a printer, a copier etc.). Such preferences can be explained by the fact that this producer has a good reputation for quality. What’s the point of this axiom? For the producer it is a guarantee that the consumer will give preference to their products, even if they are new in the market. Such confidence helps the producer to carry out a diversification of the business ‘more safely’. At the same time, the consumer is more confident in giving preferences when choosing new products. In other words, when new products are brought onto the market, the consumer is most likely to choose the brand with a good reputation for quality. For example, the Japanese company Sony manufactures TVs, CD players, cameras, etc. Which meet high quality standards. It the company introduces new electrical products under the same brand name the consumer is more likely to choose this brand, rather than the others.

3. Non-satiation or preferable quality axiom. If the quality of a certain product contains more functional characteristics and its quality is higher it is more preferable than other similar products. It means that, if the producer, trying to win the market, increases its presence in the market it can reach the set goal thanks to the expansion of product functionality.

4. The axiom of consumer independence in the theory of quality management is formulated as an axiom of quality independence from the size of its expenses under other equal conditions. In other words, the quality of similar products depends on the compliance with their quantitative characteristics, properties, established standard requirements, but it doesn’t depend on the size of expenses for quality. For example, lack of defects and decrease in losses reduces the expenses, but they don’t reduce quality.

As a result, it is possible ‘to plan the market’, i.e. to predict the consumers’ behavior in the market through their relation to different producers, to various brands of the goods, etc.

Undoubtedly, the quality is the most powerful criterion for the consumer when making buying decisions in terms of quality of goods and their ability to meet consumer requirements. Advertising often motivates consumers to buy certain products, especially if it is focused on the useful properties of a product. Useful properties and utility are not the same. Useful properties are objective characteristics of products, while utility is a subjective attribute revealed in the course of consumption.

The consumer choice is most likely affected by the brand popularity, its fashion, appeal of its packaging, its price niche, etc. However, the final judgment about the product of a certain brand is made after its purchase; at this stage its operational possibilities, i.e. its quality becomes the most important aspect [1]. If the real quality of the product doesn’t correspond to the ones declared in advertising, or if the packaging doesn’t meet the expectations, the consumer is more likely to switch to similar products of other producers. It is almost impossible to regain the consumer trust or it will cause serious expenses. What is more, if the company manages to build the consumer trust by means of the product quality, it mustn’t reduce the quality standards, but keep them at high level.
To sum up, we will note that consumers rank the products and give a
certain place to each of them in their personal ‘quality rating’. It is the product
quality that ensures consumer loyalty; it is the most important attribute of
products determining the number of repeated purchases. The utility of products
is just a pretext for buying a product, while the quality is the reason for the
consumer to give preferences to a certain producer or brand.

Thus, it is the consumer, who makes a qualitative assessment of products;
it is another point to consider this category within the framework of subjectivist
theory. Consumer orientation is a fundamental principle of the system of quality
management.

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Теория качества в субъективистской теории потребительского поведения

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ства; внешние эффекты; качество; полезность блага; потреби-
tельная стоимость; теория предельной полезности.

Аннотация: Рассмотрена теория качества с использо-
ванием субъективистской теории потребительского поведения.
Сформулированы аксиомы теории качества потребления.

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