

CRISIS, UNCERTAINTY, RISK AND INDIVIDUAL AND CONSUMER BEHAVIOR: A PSYCHO-ECONOMIC APPROACH

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***Abstract:** Quality of life has become in recent decades a concept approached as an important interface between many disciplines, such as economics, sociology, geography and medical science. Consumer behavior, an illustrative factor of quality of life is a complex process and is often not considered rational. Under current conditions, predicting consumer behavior is essential as all marketing decisions are based on their characteristics. The paper aims to highlight several specialized studies related to consumer behavior in crisis conditions in order to guide marketing decisions in special conditions, different from normal.*

Keywords: Human behavior, Consumer behavior, Crisis situations, Conditions of risk.

JEL Classification Codes: D11, D12, E71

1. INTRODUCTION CHARACTERISTICS OF HUMAN BEHAVIOR IN CRISIS SITUATIONS - PSYCHO-ECONOMIC APPROACH

In crisis situations, individual human behavior must adapt to change. To understand human behavior it is necessary to look beyond the rational in emotional, subconscious and behavioral prejudices. In crisis situations, the emotion of fear is triggered and the concern for survival appears. The main emotions of people in times of crisis are anger, boredom, fatigue, low energy, and little interest in exploration. Awareness of this behavior is determined by the fact that all individuals act the same. Following the crowd is a cognitive characteristic - *social proof*, Cialdini (2004) the creator of this concept, describes *social proof* as a psychological phenomenon in which people assume the actions of others in an attempt to reflect correct behavior for a given situation. In crisis situations there are changes in individual behavior and attitude determined by the response of organizations to the crisis, but also by changing consumer habits and attitudes. Caplan (1964) describes the model of the individual's crisis as the method by which a person who is in a state of tension with a feeling of helplessness and inefficiency solves his problems. The feeling is associated with a certain disorganization that may consist of attempts to relieve inner tension or attempts to solve the problem. Caplan's model is complemented by the theory of emotion formulated by Lazarus (1968) which states that the nature of an emotional response is determined by the cognitive process through which the personal appreciation of meaning is assessed. Problem solving involves making decisions about these issues. Although decision-making was considered an economic concept, many psychologists now assume that emotions are the dominant driver of meaningful life decisions.

Dietrich and List (2013) have highlighted the role of motives in rational decision-making, emphasizing the relationship between motives and actions.



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According to Lerner et al. (2015) "the decisions can be viewed as a conduit through which emotions guide everyday attempts at avoiding negative feelings (e.g., guilt and regret) and increasing positive feelings (e.g., pride and happiness), even when they do so without awareness..... Regardless of whether the decisions are adaptive or not, once the outcomes of our decisions materialize, we typically feel new emotions emotion and decision making go hand in hand." Lerner et. al, (2015), synthesizing scientific models from the last 35 years they have created the emotion-imbued choice (EIC) which descriptively summarizes the ways in which emotion enters the selection processes. They highlighted the fact that emotions are strong, universal, predictable factors, sometimes harmful and sometimes beneficial in decision making, influencing judgments and choices through various mechanisms. Fischhoff and Broomell (2020) have highlighted and analyzed the three essential elements of decision making: *judgment*, predicting the results of choosing possible options; *preference*, analysis of the importance of the results of possible options; and *choice*, combining judgments and preferences to make decisions.

The ideas, beliefs and behaviors of individuals are influenced by the quantifiable characteristics of the social structure. Berkman et al. (2000) proposed a conceptual model of how social networks impact health by providing support and influence. Studies have shown that there are three very important mechanisms that influence individuals' behaviors: *social support* (real and perceived positive emotional involvement with friends, family and acquaintances), *social resources or social capital* (how individuals' membership of social networks facilitates access to vital resources) and *social influence* measured by the correlation between a person's health outcomes and the outcomes on the health of his network contacts in the form of social learning, the adoption of social norms, peer imitation and social pressure. Slavich (2020) has developed the theory of security, social security which assumes that the development and maintenance of friendly social ties is a fundamental principle of organizing human behavior and that threats to social security are a critical feature of psychological stressors that increase the risk of disease. This theory is based on the fact that social security is beneficial for human health and behavior.

Courage (2020), in an article published in May 2020, in Knowable Magazine, citing behavioral experts like: Lerner, King, Centola, and Chapman, talks about how we make decisions during a pandemic and reveals some observations related to people's behavior during the crisis. In the context of the crisis, even if people have information, they make decisions without relying on reason due to the influence of factors that intervene in the subconscious. According to behavioral experts cited by Courage (2020), human behavior can be influenced during the health crisis by five factors: 1. *the concern related to the here and now*; 2. *the role of emotions in the decision-making process*. Lerner and colleagues found that anger in crisis situations tends to lead to poorer choices. Sadness can help process information more robustly and systematically, but it can lead to poor financial decisions. Fear has proven to be an influencer as it increases people's perception of risk and also their intentions to take precautions; 3. *the search for security* in the conditions of the existence of extreme uncertainty and the recommendation of specialists to accept the uncertainty as a normality; 4. *peer pressure* that is much higher than the individual can imagine. Social networks shape the process related to the information received and the receptivity to new behaviors; 5. *pro-social health behaviors* are considered by scientists to be beneficial in making individual decisions in times of crisis.

2. CONSUMER BEHAVIOR IN THE CONTEXT OF STRESSFUL SITUATIONS: A SOCIO-ECONOMIC APPROACH

The literature on consumer behavior is diverse including the impact of changes in society, the economy and technology that have affected the way consumers behave. Consumer behavior

has been the subject of studies conducted by researchers in the field of social sciences. Among the leading international journals in the field of consumer behavior we can find the following: a) *Journal of Consumer Research (JCR)*, (b) *Journal of Marketing (JM)*, (c) *Journal of Marketing Research (JMR)*, (d) *Journal of Advertising (JA)*, and (e) *Journal of Advertising Research (JAR)*. According to Peighambari (2016) the structural components of consumer behavior are:

a. *components related to the internal characteristics of the consumer*: attitudes, belief-hope patterns, cognitive dissonance, information processing, involvement, learning, lifestyle, motivation, perception, personality, physiology, values – beliefs;

b. *the buying process*: brand loyalty, choice, evaluation, purchasing decision, information seeking process for evaluation and choice;

c. *external components*: communication, consumer socialization, cultural and social specifics, family decision-making, group influences, innovations, the influence of opinion leaders, persuasion, social stratification;

d. *sundries*: consumerism in general, public policies.

Studies on consumer behavior in the consumerist period have shown that in conditions outside the economic crisis the driving force of consumption was the desire of individuals to improve their social status through possession of material goods, but excessive consumption created the so-called "happiness paradox", which means that once a basic level is provided, happiness does not increase with income above this limit (Drakopoulos, 2008). After the stage in which the new consumer bought everything he considered absolutely necessary to buy, he focused on what he wants to buy; this is about hyper-consumerism which, unfortunately, did not make the consumer happier but more alienated from others and the natural world. Studies have shown that the new consumer behavior is determined by authenticity and is different from traditional behavior motivated by the need for comfort. The search for authenticity determined the new consumer to become an individualist (Voinea & Filip, 2011).

„The New Consumer Study”, conducted in 2009 by Euro RSCG Worldwide shows that the new consumer clearly has a growing confidence in making the purchase decision in online information generated by other consumers. Social media through various formats such as forums, chats, and blogs is increasingly used as a source of objective information with important influence on many aspects of consumer behavior.

Consumer buying patterns tend to change in stressful and difficult times, such as global economic crises (Mansoor & Jalal 2011). The recession is an opportunity to step back and think deeply (Voinea & Filip, 2011). The behavior of consumers in crisis is characterized by the flattening of consumption at different levels, by the significant reallocation of consumer spending (Dutt & Padmanabhan, 2011).

The economic crisis has led to a new orientation of consumers towards organic products or fair trade products. In Mansoor's opinion (2011), among the main changes in the new consumer behavior as a result of the economic recession are a few: acceptance of simple but more useful offers, the tendency to save by rich people as a way to show dissatisfaction with excessive consumption, the tendency to be more concerned with the well-being of their own families at the expense of charity.

Researchers Levy (1959) and Sirgy (1982) have acknowledged that over time people have consumed and certainly consume in accordance with their own identity. Modeling people's thoughts, judgments, attitudes, and behaviors is influenced by psychological certainty (Tormala, 2016). In essence, while uncertainty can stimulate the processing and creation of the desire for information, certainty confers an attitude of sustainability and impact. Psychological certainty plays a crucial role in attitudes and beliefs. Uncertainty stimulates interest, while certainty turns attitudes into action and combines them with meaning and consequence.

Many studies conducted in recent years highlight the solid relationship between consumer behavior, psychological and social network theories and the Internet, online space.

Psychological and social network theory provides an important framework for connecting internal and social decision-making processes (Bagozzi & Dholakia, 2002). As a multi-channel platform, the Internet requires an understanding of the existing attitudes, beliefs and social interactions of consumers that manifest and are then transferred as experiences in the online store (Badrinarayanan et al, 2012). Because many shopping experiences are effect-based, the Internet is a complex of visual, individual, and interpersonal stimuli and it is increasingly a social environment through which consumers seek and share information with others (Schultz & Peltier, 2013).

Studies conducted during the crisis caused by the Covid 19 pandemic have highlighted changes in consumer behavior, respectively: a behavior oriented towards overcoming obstacles through the attitude of a fighter, respectively oriented towards stability; behavior of drastic reduction of expenses specific to those consumers over the age of 45; behavior to keep calm and spending habits; saving and stocking behavior - specific to pessimists based almost exclusively on the purchase of commodities; buying behavior focused on the attention to the brand of the product / service that does not take into account the existence of the risk caused by the pandemic, behavior specific to the segment of buyers aged 18-44 years.

Experts conclude that after the pandemic, five new categories of consumer behavior could appear, respectively: continued spending reduction behavior, moderation behavior, return to normal behavior, extravagant behavior and spectacular return behavior.

Studies conducted by research institutes on consumer behavior have highlighted several aspects with an impact on future consumer behavior, respectively: increasing the need for comfort, safety and stability, people's concern for health and personal well-being as a priority by using online shopping, questioning the usual way of life, the emergence of the belief that brands and high technology do not always bring maximum long-term satisfaction.

3. CONSUMER BEHAVIOR IN CONDITIONS OF RISK – PSYCHO: AN ECONOMIC APPROACH

There are authors who have analyzed different types of crisis (economic crisis, food crisis, terrorist crisis) and who have concluded that, in such situations, the most important factors that shape consumer behavior are: risk attitude and risk perception (Pandelica & Pandelica, 2009).

Risk is defined by experts as the probability of failure to meet objectives, weighted by their severity (ISO 31000, 2018). In the case of utility theories expected in economics and psychology, the authors assume that people assess the severity, seriousness, and likelihood of adverse outcomes and integrate this information into an estimate of perceived risk. (Loewenstein, Weber, Hsee & Welch, 2001; Slovic, 2016). In terms of risk, Wolffa (2019) considers the definition that should be adopted is the one that is employed in the generic risk literature in economics and psychology, defining perceived risk as the subjective understanding of outcome severity weighted by outcome probability and perceived risk should therefore not be conceptualized as perceived probability. Le & Coca-Stefaniak (2018) defined risk as the sum of outcome severity and outcome probability. In that way risk ratings will not equal zero just because one of the components equals zero. Wolffa (2019).

The concept of perceived risk has been defined in many different ways by many specialists in the field. The risk perceived as feelings of fear, anxiety, nervousness and the concept of worry was highlighted by Rundmo (2002), Sjöberg (1998) and Wolff & Larsen (2014) which considered perceived risk as a cognitive, subjective assessment that can be strongly influenced or guided by affect; Cahlíková & Cingl (2013, 2016) have shown that stress increases risk aversion.

They studied the effect of acute psychosocial stress on individual attitudes towards risk and stressed the need for training and simulations, because the physiological reaction to a specific stressor is diminished by training. Schildberg-Horisch, (2018) argued that in recent year, economists have begun to investigate the stability of risk preferences based on the stability of personality traits in psychology. Systematic changes in risk preferences have vital consequences in the real world with an impact on the labor market and health, on the investment and migration decision-making process.

The facts that stress and fear induce high levels of risk aversion have important implications for consumer behavior. Nicholson et. al (2001, 2005) studied the reasons underlying the individual's choices in the context of risky in different areas of activity. The author showed that the predilection for risk has clear links with age and sex and with objective measures for taking risks related to career, personality. In his opinion, personality profiles built on the Big Five model can provide definite information to predict risk-taking.

4. CONCLUSIONS

Approaching individual behavior from the perspective of social sciences and medical sciences in conditions of risk and uncertainty made in this paper makes it possible to take over some models in the field of marketing science. These models can be particularly useful in the process of substantiating the organizational marketing strategy, for a better understanding of consumer behavior in various crisis situations.

According to our analysis, studies have shown that consumer purchasing patterns tend to change during stressful and difficult times. These changes require business models based on experience in times of crisis. The cyclicity of crises is a certainty for the business environment, and the use of expertise proven over time by these studies is an opportunity to keep organizations in the market. Studies conducted in recent years highlight the solid relationship between consumer behavior, psychological and social network theories and the Internet, online space. Psychological and social network theory provides an important framework for connecting internal and social decision-making processes with an impact on consumer behavior and purchasing behavior.

The risk and the behavior of the individual in risk conditions has become a challenge for the companies in the pandemic context. For marketers, but also for marketing scholars understanding the mechanism behind the individual's choices in the context of turbulent times and considering the individual personality profiles should provide a certain image about consumer behavior change understanding. This study emphasizes the importance of such of an approach and brings literature support for this idea.

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