

A CHARACTERISATION OF CONSUMER EMPOWERMENT DRAWN FROM THREE VIEWS OF POWER

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Abstract

This paper develops a general model of consumer empowerment based on three different but overlapping views of power and empowerment. Theories from psychology, economics and social relations suggested that four key factors described the complex concept of consumer empowerment. These factors are: ability to customise and personalise a product/service; ability to tailor price and pre and post purchase services; extent and ease of communication relevant to the purchase decision; and degree of regulation and trust in the purchase environment. The first two factors have to do with the consumers' ability to control the environment to produce outcomes that they desire, while the last two factors have to do with interrelationships.

บทคัดย่อ

การศึกษานี้เป็นการพัฒนากรอบแนวคิดเกี่ยวกับพลังอำนาจของผู้บริโภคจากทฤษฎีทางจิตวิทยา เศรษฐศาสตร์ และสังคมวิทยาที่เกี่ยวข้องกับการใช้อำนาจ ทฤษฎีทั้งสามด้านซึ่งมีความแตกต่างแต่สอดคล้องและคาบเกี่ยวซึ่งกันและกันได้ชี้ให้เห็นถึงพลังอำนาจหลักสี่ประการที่ผู้บริโภคใช้ได้แก่ ความสามารถในการปรับรูปแบบหรือรายละเอียดสินค้าหรือบริการให้เหมาะสมกับลักษณะส่วนบุคคลของผู้บริโภค ความสามารถในการเลือกระดับราคาและบริการก่อนและหลังการขาย ขอบเขตและความสะดวกในการติดต่อสื่อสารเพื่อหาข้อมูลประกอบการตัดสินใจ และประการสุดท้ายคือระดับของกฎเกณฑ์ในการซื้อขายและความไว้วางใจของผู้บริโภคที่มีต่อองค์ประกอบต่างๆในการซื้อขาย ปัจจัยสองประเภทแรกเกี่ยวข้องกับความสามารถของผู้บริโภคในการควบคุมสถานการณ์การซื้อขายให้เป็นไปตามที่ต้องการ ส่วนสองประการหลังเป็นส่วนที่เกี่ยวข้องกับสัมพันธภาพระหว่างผู้ขายและผู้บริโภค

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INTRODUCTION

There has been growing interest in the concept of consumer empowerment amongst practitioners and researchers, particularly in the e-commerce area (e.g. Jarret, 2003; Urban, 2004; Pitt *et al*, 2002; Kaiser, 2002). The term “consumer empowerment” occurs often in descriptions of changes in consumers’ expectations and behavior brought by an Internet environment of abundant choice. Wathieu *et al* (2002; p298) describe consumer empowerment as “Helping consumers choose what they want, when they want it, and on their own terms”. Yet a literature review reveals no consistent definition of the term, even though it is sometimes used without definition as though it were a well understood and unambiguous concept.

Empowerment is the gaining of power in particular domains of activity by individual or groups and the processes of giving power to them, or processes that encourage and facilitate their taking of power. The academic literature dealing with power has used a diversity of approaches adopted from disciplines including psychology, economics and management, and contains a corresponding range of views of the concepts of the power and empowerment. Three views relevant to an investigation of consumer empowerment are: (1) the psychological view of power and empowerment; (2) the social relations view; and (3) the economic view. This paper looks at these three theoretical bases for understanding the concept of consumer empowerment, then draws them together to provide a preliminary model of consumer empowerment.

THE PSYCHOLOGICAL VIEW OF POWER AND EMPOWERMENT

The psychological view of power concerns an individual’s ability (or belief that they have an ability) to produce desired changes or affects. It is considered as a human need that individuals seek to satisfy (Kanuk and Schiffman, 2000). Thus Greenberger *et al*. (1989; p31) define power as an individual’s beliefs, at a given point in time, in his or her ability to effect a change, in a desired direction, on the environment. Empowerment is the process of supplying the individual with the ability to produce such affects, in order to satisfy the power desire. Rappaport (1987; p122) describes empowerment as the process of becoming able or allowed to do some unspecified thing.

Power and empowerment are also linked with control. Kanuk and Schiffman (2000; p102) define power as an individual’s desire to control his or her environment. Fatout (1995; p56) defines empowerment as a process for providing individuals with more control by placing boundaries around an area of potentially acceptable behavior and allowing the individual to test and experiment with a variety of choices. Rappaport (1987, p121) said that the concept of empowerment “conveys both a psychological sense of personal control or influence”.

The psychological view of empowerment has been adopted and assessed extensively in the management field. Notions of empowerment are derived from theories of participative management in which managers share decision-making power with employees to enhance performance (Cook

and Macaulay, 1997). Therefore staff empowerment concerns organizational behavior that gives employees more power to serve customers; typically, staff empowerment transfers power and responsibility to employees so that, within specified limits, they will be better able to provide the best possible service at their own judgment (Cotton et al 1988, Kinlaw, 1995). In services marketing, empowerment has been linked with both attitudinal and behavioral changes in employees, including increased job satisfaction and increased self-efficacy of employees (Zeithaml et al., 1988).

The consumer behaviour literature has themes that are part of, or closely related to, the concept of power. These include perceived control, perceived locus of control, self-efficacy and choice (eg Hoffman and Novak, 2000, Botti, 2004). Notions of control or power have been used in several theoretical frameworks with a common sense, namely that control /power is a human driving force, and is the sense of being in control over one's environment (Botti, 2004). The concept of control has been operationalized by Hui and Bateson (1991) as behavioral control, cognitive control, and decisional control. Consumer behaviour has associated the concept of power with that of perceived choice. Botti suggests perceived choice is one of the important types of control, and Hui and Bateson argue that any behavioural or emotional effects caused by the availability of choices can be considered as outcome of perceived control. In this context, control has been defined as the freedom of choosing an alternative from among a choice set, instead of being assigned to the same alternative by an external agent (i.e. other individuals or chance).

Thus, providing a consumer with more choice is one of the principles of empowering consumers (Wathieu et al., 2002).

THE SOCIAL RELATIONS VIEW OF POWER AND EMPOWERMENT

The Social Relations view of power assumes that individuals and groups are dependent upon each other for the satisfaction of their needs, so that power stems from this state of interdependence. Bacharach and Lawler (1980, p20) said that power is a function of dependence. More specifically, the power of an actor is a function of the other person's dependence on the actor. The greater the other person's dependence on the actor, the greater the actor's power in the relationship, Emerson (1962; p32) describes power succinctly: The power of actor A over actor B is the amount of resistance on the part of B which can be potentially overcome by A. He says "Social relations commonly entail ties of mutual dependence between the parties. A depends upon B if he aspires to goals or gratifications whose achievement is facilitated by appropriate actions on B's part. By virtue of mutual dependency, it is more or less imperative to each party that he be able to control or influence the other's conduct. At the same time, these ties of mutual dependence imply that each party is in a position, to some degree, to grant or deny, facilitate or hinder the other's gratification. Thus, it would appear that the power to control; or influence the other resides in control over the things he values". (ibid).

Outside the context of the relationship marketing paradigm and buyer-supplier re-

lationships, this Social Relations view of power has been relatively neglected in the marketing literature, even in investigations of business to consumer interactions. This view of power has however often been used to describe conditions of dependence and interdependence between buyer and supplier. Ramsay (1995, p128) said that buyers possess power if they are able to produce intended changes in a supplier's products specification, that both create a closer match between that specification and the buyer's purchase specification, and incur increased sellers costs without increasing buyer costs. Therefore, in order to empower buyers in a competitive marketplace, suppliers may try to increase the perceived attractiveness of their products by offering product specifications (quality) that exceed the buyer's purchase specification, or that exceed the specifications offered by their competitors. Anything that increases a seller's need or desire to deal with a specific buyer, or that increases the customer's freedom or their conversion capability, tends to increase the customer's power.

Luhmann (1979, 1988) noted that individuals are essentially independent agents whose behaviour is not always understandable or rational. Individuals have to consider an enormous number of potential behaviours that other individuals and organizations might display in their interactions. One important factor that determines interaction with others is Trust. According to Luhmann, a core aspect of human behaviour is the need to control and predict the social environment: individuals have a need to predict how their behaviour will influence the behaviour of others, and hence affect themselves. Rules and customs are instigated to

reduce social complexity and improve predictability, but if these do not exist or are not strongly enforced, people have to rely on trust.

THE ECONOMIC VIEW OF POWER AND EMPOWERMENT

The notion of power is important within the discipline of the Economics. Buyer power plays a central role in economic theory, and the literature has captured notions of consumer power in terminology such as "consumer bargaining power" (Porter, 1980, 2001) and "consumer sovereignty" (Pitt et al, 2002). Popular theories and models in economics generally portray consumers as passive rational decision makers, and discuss consumer power in the situation when a consumer, or group of consumers, is able to obtain more favorable terms from a seller. For example, Porter (1980) proposed that consumers compete with the industry by forcing down prices, bargaining for higher quality or more services.

Wathieu et al (2002; pp299) say that one assumption of control-related definitions of empowerment from classical economic theory is that consumers will perceive any increase in control as a benefit, noting this resembles standard axioms. However, these authors question the assumption that a larger choice set would necessarily constitute an improvement of a consumer's situation as the impact of choice set enlargements on the experience of empowerment is ambiguous. Dhar (1997) demonstrated that increased choice, when it creates conflict, will lead consumers to defer choices, even when the available options are all acceptable. Thus

the experience of empowerment derives not from more choices, but from one's flexibility in defining one's choice.

Classical economic theory assumes that in competitive market-places, buyers have perfect information about prices, their own tastes and preferences, and their available budget. In addition, a perfectly competitive market is characterized by many independent buyers and sellers, homogenized products, and relatively easy entry and exit of buyers and sellers, with no single seller large enough to generate monopolistic controls (Varian, 1984). In such a market, no seller can lock in the customer, and there is no need for any strategy toward the market place because full information about market conditions and offerings is assumed to be available at no cost to everyone involved. As market-places move further away from this ideal competitive market-place, the customer has less ability to effect their desired change (transaction), and hence less power. In practice, the consumer may need the assistance of a third party such as a regulator to gain more power (Pitt et al., 2002).

FACTORS AFFECTING CONSUMER EMPOWERMENT

This section draws on the views of power and empowerment presented above to identify factors which are likely to be antecedents in any model of power. The relationship between the views and the factors is summarized in Figure 1.

Figure 1 shows three views of power together with four factors associated with the concept of consumer empowerment. The three views of power are used as the theo-

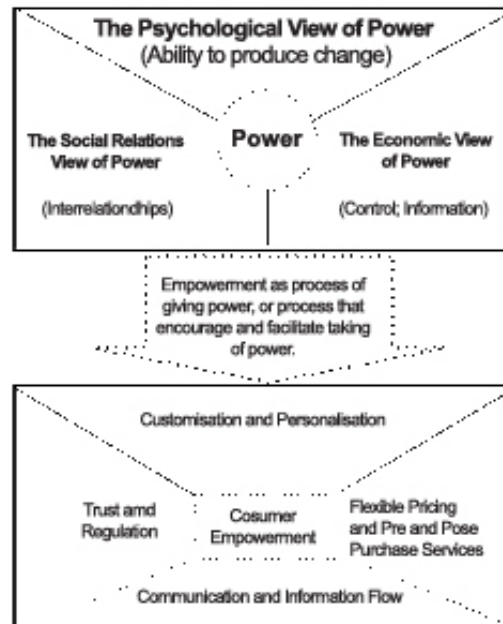


FIGURE 1: GENERAL MODEL OF CONSUMER EMPOWERMENT

retical bases for understanding the concept of consumer empowerment.

All three disciplinary theories of power identify communication and information flow as aspects of power and empowerment hence communication and information flow is presented as a fourth factor. While the four factors are drawn together as a general model of consumer empowerment, the other three factors are presented in Figure 1 to indicate the theoretical base it mainly derived from.

Customisation and Personalisation

What we are calling the psychological view of empowerment emphasised the ability to shape the environment. This suggests that the related concepts of customisation and personalisation are an important factor in empowerment. According to Prahalad

and Ramaswamy (2003), customisation is the offer to customers of a variety of components of products and services from which they can form their own combination of goods and services, to satisfy their specific needs and desires; in contrast personalisation enables consumers to formulate their experience by increasing their involvement in the design, production and consumption of the product and services. Through personalisation, businesses can get to know consumer buying behaviours, and accordingly develop more appropriate marketing strategies, ultimately enhancing consumer's satisfaction and loyalty. Customisation may create the perception of increased choice by enabling a quick focus on what the customer really wants (Shostack, 1987).

While mass customisation appears to increase the customer perceived value of the core product, at the same time the complexity of purchase is increased for the consumer. Large product selection has been found to irritate consumers and drive them to use simplistic decision rules to narrow down the alternatives (Dhar, 1997; Huffman and Kahn 1998), and to confuse consumers and increase regret (Schwartz et al 2002). Huffman and Kahn (1998) claim that to increase consumer satisfaction with the shopping experience, a company needs to control both the way the information is presented and the input the consumer provides in the process of learning about the available attributes and alternatives. Thus the extent to which customisation and personalisation empowering customers is affected by communication and information flows.

Flexible Pricing and Pre and Post Purchase Services

The economic view of empowerment invokes control as a factor in empowerment, including control over the terms of a transaction. Consumer empowerment may therefore be achieved through consumers believing they have increased control over pricing and pre or post purchase service terms and conditions. The ability to "customise" pricing and ancillary services associated with a purchase may be empowering. According to Noble and Gruca (1999), businesses focus on internal, cost-based approaches and rarely exploit the profitability opportunities offered by smart pricing strategies and seldom implement customer-based approaches when setting and managing prices.

Two flexible price strategies that have been suggested are the "price lining strategy" which refers to offering the same product or service at different prices and "smart pricing strategy", which refers to offering the products or services in different prices tailored to the consumer perceived value from the product (Sinha 2000). More generally, the term dynamic pricing has been introduced to describe a pricing strategy in which prices change either over time, across consumers, or across product/service bundles (Kannan and Kopalle 2002; Shin, 200, Sinha 2000). In one form of dynamic pricing, the consumer buys a large amount of a single item to take advantage of a quantity discount. Typically, several price discounts are offered depending on the quantity sold. In another form, a single item of goods or services is included in a bundle with other goods or services, and the price the seller asks for is dependent on the bundle in which it is of-

ferred. The price of an item or service is a factor of the bundle in which it is included, and sometimes, also, of the consumer segment to which it is offered.

The influence of price is complex. Grewel *et al.* (2003) argued that the research findings in the price area are often contradictory and tend to have a single-issue focus -- the price -- therefore they highlight the important of the linkage between price factors and perceived value; as well as between price and consumer loyalty. Many retailers with strong customer awareness can charge premium prices over lesser-known competitors even for products, which are completely homogeneous; for example, the case of Amazon compared to its competitors with lower brand awareness (Smith *et al.*, 1999). Effective flow of information affects how customers perceive pricing and service options.

Trust and Regulation

The social relations view of power and empowerment emphasises the need to reduce complexity in social interactions, which can occur through regulations and conventions, and through trust. Urban *et al.* (2000) argue that investigations into consumers' empowerment need to consider the role of trust strategies. They say trust building can be seen as a method to increase customers' satisfaction and loyalty, and trust is a critical factor in exchange success and empowerment is closely related to trust.

Urban (2004) suggest that the increasing customer power will compel a new paradigm for marketing based on providing open, honest information and advice. The argument is that consumers' increasing

power decreases the effectiveness of old-style marketing strategies so that trust building becomes a critical factor in business-consumer relationships success.

Luhmann (1979) notes that in the commercial sphere, trust is built upon information that reflects a seller's reputation, policies, practices and performance history. In customer loyalty theory, building trust leads to longer-term relationships and higher long-term profits (although the high cost of acquiring customers may only be recaptured in later years) (Resnick *et al.*, 2000). Trust is an interpersonal determinant of behaviour that deals with beliefs about the integrity, benevolence, ability, and predictability of other people, according to McKnight *et al.* (2002), who claims interpersonal interactions, or even cues relating to them, are notably missing from e-Commerce websites.

Trust is closely associated with risk. Bowman and Hurry (1993) say businesses do not take unjustified risk in the hope of developing a trustful relationship but prefer a gradual trust-building process, in which partners start with limited incremental investment. A firm with a reputation for being honest, fair and trustworthy has the necessary first piece of evidence for other parties to undertake some initial risk and pursue transactions with them (Barney and Hansen 1994). Regulations can to some extent reduce the risk associated with dealing with firms of unknown reputation. Access to such protection is however dependent on the ability to access government and other relevant third parties -- for example when consumers are dissatisfied with products or services-and hence is dependent on communication.

Communication

All three disciplinary theories of empowerment identify communication and information flow as aspects of power and empowerment. Not surprisingly, the three factors of consumer empowerment identified above are also affected by communication. Communication is a factor in consumer empowerment in other ways, for example underpinning the concept of consumer countervailing power. The basis of consumer countervailing power is that, if a critical mass of consumers can band together as a group, they can negotiate more favourable terms from the seller (Nader and Ehrenreich, 2000). Effective communication among consumers enables the identification and development of social networks with shared interests, including price reductions. Provided that the information is reliable, consumer networks can also be a useful information source, wherein the evaluation of one consumer affects the purchase decision making of another.

DISCUSSION AND CONCLUSION

This paper reviewed three different but overlapping views of power and empowerment, and four factors associated with the complex concept of consumer empowerment are identified: ability to customise and personalise a product/service; ability to tailor price and pre and post purchase services; extent and ease of communication relevant to the purchase decision; and degree of regulation and trust in the purchase environment. The first two factors have to do with the consumers' ability to control the

environment to produce outcomes that they desire, while the last two factors have to do with interrelationships.

The nature of the relations between these four factors and consumer empowerment needs to be empirically investigated. An instrument is currently being prepared to test the model.

Whilst all three views of empowerment to some extent identify communication as a key factor, we still know little about the nature of the linkage between empowerment and communication. Given an ever-increasing amount of purchase options, and the resulting information overload, more research is also needed into the choice / control paradox, and the possible role of personalization in resolving the paradox.

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