

CHAPTER 2

LITERATURE REVIEW

2.1 The Status Quo of Foreign Research on Consumer Behavior

(1) Consumer behaviour is the study of individuals, groups, or organizations and all the activities associated with the purchase, use and disposal of goods and services, including the consumer's emotional, mental and behavioural responses that precede or follow these activities. Consumer behaviour emerged in the 1940s and 50s as a distinct sub-discipline in the marketing area. It examines how emotions, attitudes and preferences affect buying behaviour (Kahle, 2014).

Study of consumer theory. As far as the research level is concerned, Western studies of consumer are usually conducted at both macro and micro levels. At macro level, consumer behavior, linked to the concept of consumer lifestyle, is usually a description of characteristics of consumer group demographic and consumption behavior, and they are mostly descriptive research. Most surveys of Chinese consumer behavior at present are lifestyle survey by means of measuring the four dimensions of lifestyle proposed by Engel et al., including attitude, activity, opinion, demographic, to describe consumers' lifestyle. According to performance of the four dimensions, consumers are generally divided into several types (Feng, 2013). VALS2, developed by SRI International in the United States, is a well-known lifestyle measurement tool, but its

usefulness has been questioned by interpretivists. Studies found that this classification method could not differentiate consumers' lifestyles, and moreover, this method was rarely used in countries except the United States. Tea can be defined as a hot beverage made by infusing or decocting the dried leaves of the *Camellia sinensis* plant. In 2015, the global tea market was valued at US\$ 13,847.4 Mn and is estimated to reach a value of US\$ 14,448.3 Mn by the end of 2016, reflecting Y-o-Y growth rate of 4.0%. By 2024, the global tea market is expected to reach a value of US\$ 21,329.7 Mn, registering a CAGR of 5.0% over the forecast period. At micro level, consumer behavior is usually associated with consumers' cognition, attitude, purchase intention, and specific purchasing behavior in decision-making process. Related studies, mostly interpretive research, tend to interpret and explain consumers' behavior in specific information communication, purchasing decision, product use and brand attitude. For marketers, consumers' purchasing decisions are easier to directly observe, so consumer behavior, in the eyes of a marketer, is more of consumers' consumption behavior expressed in advertising cognition, information communication and purchasing decision. With the development of behavioral consumption theory, behavioral consumption economists have carried out a range of amendments to the hyperbolic discounting model, the most important of which is Laibson's introduction of Phelps's method to study intergenerational altruism into personal

decision-making issues and proposal of quasi-hyperbolic discounting model. In this model, discount factors are differentiated into long-term and short-term ones, in which β is the short-term discount factor while δ is the long-term discount factor, with $\beta < 1$ and $\delta < 1$ in general (Guo, 2014). According to this model, we can come to conclude a high short-term discount rate and low long-term discount rate of the behavioral agent, and it is indicated that only if the short-term discount rate is 1, the result of neoclassical index discounting can be correct (Fu, 2014).

(2) Study of consumer behavior science. As a vital discipline in market sociology, consumer behavior science is a cross-disciplinary comprehensive subject which primarily involves fields of specialty like sociology, psychology, economics and marketing. Accordingly, consumer behavior science covers multiple disciplines, domains and research methods, and different scholars have different definitions and opinion towards it.

In the late 19th and early 20th centuries, American social scientist Veblen put forward the concept of conspicuous consumption and its social meaning, which marked the beginning of consumer behavior research. In the 1960s and 1970s, Fishbein et al. studied the relationship between attitude and behavior relationship; Sheth et al. presented a study on the protection of consumers' rights and interests; Cox and Rosource, Roselius et al. further conducted studies on consumer behavior,

considering that consumer behavior involves a series of decisions made by consumers in purchasing, using products or services while defining all related activities when consumers are purchasing products or services as consumer behavior (Zhou, 1996). Consumer behavior refers to the various reactions and activities that consumers show by money, credit or other means to obtain goods and services they need, including the interactions between perception, cognition, behavior and environmental factors. In developing marketing strategies, enterprises should seriously study the real needs of consumers, so as to satisfy consumers' demand, quickly capture the market with their products, and scale up themselves. The study on factors influencing consumer behavior is an essential part of domestic and foreign scholars' research on consumer behavior. Factors that influence consumer behaviors are primarily as follows: 1. Individual characteristics of consumers: the health status of different consumers affects their access to security information. Such characteristics are mainly manifested as gender, age, occupation, income, education level and so on. 2. Internal product information: intrinsic attributes of product refer to internal clues that influence consumers' perceived value and hence purchasing intentions, including the product's intrinsic quality, value in use and quality characteristics, etc. 3. External product information: external factors irrelevant to the product's intrinsic property, including price, brand, certificate, etc. 4. Consumption situational factors:

the living environment and characteristics of individual consumers are important factors affecting individual consumption.⁵ Socio-economic factors: under certain purchasing power, market demand is the functional relationship between population, purchasing power and purchase intentions (Lin, 2011). Foreign research scholars generally study consumer behavior mode from macro and micro perspectives. After in-depth research, various different consumption patterns have been proposed, which mainly include theory, Nicosia model, Kotler model, etc.

(3) Theoretical research on tea industry economy. In 2003, Rohan T. published a paper on the relationship between changes in factor productivity and land degradation in tea production sector. Taking Sri Lanka as the research object and 1960-2005 as the time sample, the author analyzed the relationship between changes in local tea production technology and land degradation from an economic angle. By measuring changes in total factor productivity of tea production of the tea sector during the 36 years came to the conclusion while relating losses of productivity to land degradation, he came to the conclusion that between 1960 and 1995, total factor productivity of tea production sector in Sri Lanka had achieved an annual growth rate of 1.8% . In the same year, also taking Sri Lanka for example, Wickramasinghe et al. conducted a detailed analysis of the diseconomies of scale in its tea production sector, discovering that small farms performed better than large farms in land

productivity and labor productivity in Sri Lanka, that is, small farms saw higher production efficiency and benefits than big farms, indicating a paradox of economies of scale there, which means that big farms failed to achieve more efficient production due to their size than small farms and the inherent economies of scale have not shown up. The phenomenon has aroused discussions in academia, which deem that the diseconomies of scale there may relate to land degradation. In other words, the expansion of tea plantation cannot maintain high economic benefits for long, for it must pay for the ensuing ecological damages and internalize short-term environmental costs, so compared with small farms, the plucking costs of big farms were higher, and their benefits naturally would not grow exponentially. This theory has well explained the paradox in economies of scale in Sri Lanka. In 2009, Deepananda Herath published *The Role of Government Policies in Restructuring Tea Production from Big Farms to Small Farms in Sri Lanka: Traditional tea operations in Sri Lanka were vertically integrated, and then gradually developed to petty-farmer management, and the role of policies in this process was mainly reflected in transaction costs, management costs and technology-determined production costs, indicating that government regulation and the proposal of corresponding policies have played an active role in promoting the development of tea industry (Chen, 2009).*

2.2 The Status Quo of Domestic Research on Consumer Behavior

(1) Domestic research on consumption theory. In an increasingly open social and market environment, the behavior of Chinese consumer is constantly changing. Since the 1990s, this issue has attracted attention of scholars, especially those from Hong Kong and Taiwan. They have conducted some studies on the characteristics of Chinese consumer behavior, including the study of consumers' lifestyle and of relevant research methods (Li, 2013). These scholars seem to pay much attention to the comparative study of consumers in China, Hong Kong and Taiwan. Besides, the indigenous research of Chinese consumers also has also gained increasing concern, whose core is to get rid of the theories and method routines of Western consumer behavior research, seek theories and methods suitable for social and cultural psychology of Chinese consumers, and to study the unique behavior patterns of Chinese consumers. In China, Professor Lu Taihong started to recruit the first batch of PhD students in the orientation of "Consumer Behavior and Marketing in China" since 1999, and devoted himself to studying behavior of Chinese consumers with indigenous methods. At present, there are three PhD graduates, who have conducted in-depth studies on the lifestyle of Chinese younger generation, the temperament and behavior mode of consumers, and the self-concept of Chinese female consumers respectively. Meanwhile, Marketing in China and Marketing

in China II were published in 2001 and 2002 respectively (Michael, 2014). Not only did these two books sold tens of thousands of copies, but also went popular in Taiwan and Japan, which shows that for foreign companies which intend to enter the Chinese market, the characteristics of Chinese consumers' behavior are information of great concern for them. It follows that the study of Chinese consumer behavior has just started out, and many areas are to be filled. As China accessed to WTO, the competition between Chinese and foreign enterprises rests with whether they can accurately and thoroughly grasp Chinese consumers' behavior. Researchers on consumer behavior should study and draw lessons from Western theories of consumer behavior, and in respect of methodology, seek ingenious methods more appropriate for social and cultural environment in China (Du, 2011).

(2) Study of tea industry consumption theory. Fan Yuanjing studied on the relationship between demand, supply and price under certain market conditions in 1997. Market demand for a product is related to factors such as price of the product, price of consumer goods, income and population. Fan Yuanjing also estimated the price elasticity of tea supply: based on the average annual additive increase rate of tea yield as well as the average annual additive increase rate of tea purchasing price index between 1979 and 1995, it is estimated that the average price elasticity is 0.4428, while the price elasticity of famous and superior tea

supply is 1.7647 in 1995. The high price elasticity of famous and superior tea has implied vigorous price and demand in domestic market and a vibrant momentum of enterprises' production of such tea. Based on data concerning domestic market price and sales of tea, CPI, per capita tea consumption and domestic tea retail price prior to 1997, Su Zhicheng et al. in 2001 estimated our domestic tea consumption, and the research results show that per capita tea consumption in China is significantly correlated with national income. Generally speaking, with an increase of income, the increase rate of per capita tea consumption witnesses a decline relative to the changes in income. At a lower income, tea demand is elastic to changes in income, and with the increasing income, tea demand features a lack of elasticity. Therefore, on current income level, in the traditional mode of tea consumption, there is little room for domestic tea demand to rise as income increases, and the increase in domestic market demand for tea will chiefly depend on the natural population growth. In economics analysis of the development of China's tea industry, related analysis of tea consumer demand in our country within a year was carried out (Zhao, 2010). The analysis argues that, from the angle of China's tea demand, there is a positive correlation between domestic tea demand and income, and tea supply is highly elastic. Tea consumption takes up an overall upward trend, while being influenced by factors like consumers' preferences, tea price, price of

related products, residential areas, and income, among which preferences is the cardinal influencing factor, followed by the income. For rural residents, the impact of income on tea consumption is greater than that in rural areas, while as for the price elasticity of tea demand, rural residents react to price more sensitively than urban residents. In aspect of the overall tea supply, it fits the "divergent" cobweb model of general agricultural products (Cheng, 2015).

(3) Study of tea industry economy. Despite an early start, domestic research on tea industry economy is restricted to economic benefits while rarely taking environmental costs into account. In 1987, Chen Gongmiao conducted an exploratory analysis of economies of scale of our tea industry, and reached the conclusion that with a scale of two growers, the optimal operation scale of the tea plantation should be 4.5-9 mu. Two years later, Weng Shounan, Zhong Guangming also carried out discussion on proper operation scale of tea in China . In 1994, Xia Guirong and Liu Zusheng took Linan County as the research object, and analyzed the proper operation scale of local tea growers, arriving at the conclusion that it is most proper for local tea farmers to manage a tea plantation of 2~3 mu .The studied the scale of tea plantations in Langxi County, Anhui Province. Their paper adopted the research method that combines mathematical comprehensive assessment with analytic hierarchy process, reaching the conclusion that a tea plantation of 10~15

mu can help local tea growers gain maximum economic outcomes, and such a scale can also be expanded for 5~10 mu . However, but the data samples used in this study are based on data of the state-owned tea plantations in 1995, which markedly differs from that of farmers' independent operation currently. Tang Heping, Liu Fuzhi, Huang Yehuan et al. linked the operation scale and benefits of tea plantation to the responsibility system for production for the first time, indicating that different contracting duration, input costs and tea plantation area will affect the economic benefits of tea growers. However, if the contracting duration is quite long, tea growers should plan the tea plantation over a lengthening time span, and take later benefits and environmental costs into account, which can promote tea growers to focus more on protection of tea plantation environment; the area of tea plantation will also affect benefits, especially that of big farms. Based on existing technical conditions, the larger the area, the shorter the hours that each mu is taken care of and the lower yield within a certain scope, hence a decline in economic benefits obtained by tea growers. This thesis finally integrates multiple factors, and believes that the proper operation scale of tea plantation should be 1200 ~ 1800 mu (Guo, 2014).

The above literature focuses on the operation and planning of mass-market tea products and famous and superior tea. This thesis also reviews some scholars' theoretical and empirical research results of

consumer behavior, and summarizes a number of theoretical and empirical studies. We can draw the following conclusions: First, the research focus gradually shifts to consumers, and especially consumers' experience has been taken more seriously; Second, more emphasis on the application of theories and preferences in marketing perspectives with greater demand and higher application value; Third, seeking more effective methods. Based on the mainstream scientific empirical methods, a variety of new qualitative research methods have been highlighted. Finally, the extension and transfer of research objects, that is, research on emerging markets, and notably, the research on consumer behavior in China has shown an upward trend.

2.3 Research Hypotheses

A hypothesis (plural hypotheses) is proposed explanation for a phenomenon. For a hypothesis to be a scientific hypothesis, the scientific method requires that one can it. Scientists generally base scientific hypotheses on previous observations that cannot satisfactorily be explained with the available scientific theories.

(1) The relationship between consumer behavior and marketing is interactive. 1. The impact of consumer behavior on marketing is primarily reflected in marketing decisions or strategies, and a good marketing decision must be based on a comprehensive understanding of consumer behavior, and can achieve a macro mastery of consumer preferences, such as how to develop market segmentation, product, price, channel, marketing strategy from the analysis of consumer behavior. 2. The impact

of marketing on consumer behavior is mainly reflected in influencing what is popular among consumer groups via marketing strategy, and promoting consumers to consume.

(2) The 300 samples of the questionnaire are quite representational. A questionnaire is a research instrument consisting of a series of questions (or other types of prompts) for the purpose of gathering information from respondents. The questionnaire was invented by Statistical Society of London in 1838. Questionnaires have advantages over some other types of surveys in that they are cheap, do not require as much effort from the questioner as verbal or telephone surveys, and often have standardized answers that make it simple to compile data. These 300 samples being surveyed cover people from different districts and counties in Yunnan Province. And the choice of age, gender, income, culture level, occupation and preference of tea is of certain representativeness, and provides reference value for analysis in this thesis. As a result, green marketing has a substantial body of academic research. The purpose of our paper is to synthesize and provide a comprehensive overview of individual-level consumer behavior theories in green marketing. We begin by defining the term green marketing. Next, we conduct a large-scale review of more than 20 consumer-level theories grouped into six categories. For each theory, we present its definition, application in green marketing, and

suggestions for future areas of research.