**Consumer and Firm behavior**

A consumer is an individual who is in a consumption process where they meet household or family needs through purchasing of service or goods. Consumer behavior is how individuals or households make actions and decisions when buying and using a commodity or service (Jack 1998). A firm is an organization that aims to make income or profit by selling of goods and services. Firm behavior involves how firms supply goods and services. This involves decisions made by producers concerning supply of goods and services.

A consumer can be viewed from two perspectives; final consumer (includes family or a household) and organizational consumer (includes a business or a non- profit-making organization). (Consumer behavior Arabic 1993 p 4)

The current consumer behavior is viewed from a large scale phenomenon such as consumerism. Consumerism focuses on marketing and producing more goods so as to transform wishes of consumers into tangible needs. Marketing aims to meet the needs and desires of consumers, so as to accomplish them. Consumers can however, express their needs and desires in a certain way only to act completely opposite with no interest at all as before. It mostly involves decision making, where the consumer has to decide what will satisfy their needs or want, using and disposing goods and services. ( JF Angel)

According to the American marketing association, consumer behavior is a viewed as a dynamic interaction regarding impression and perception, behavior and common natural events, through which human beings direct the changes taking place in their lives. (Grigorut and serban comanescu, 2007, p.93)

**Consumer behavior**

Cultural, personal, social and psychological characteristics influence consumer’s behavior of buying and final purchase decision. Effective marketing requires a good understanding of the impacts from these traits. Culture is embedded on every community where behavior and desires are sensitive. Personal traits are like job, age, way of life and financial status (Frank R. 2011). These traits impact behavior and decisions in accordance to purchasing. Social characteristics range from marital status to families and groups. Psychological factors are attitudes, perception, learning and motivation. All these aspects influence the consumer in one way or another hence influencing the overall consumption process.

Cultural characteristics include perceptions, basic values, behaviors learned and wants. Culture is a very important part of the society guides individuals inside the society. Culture is diverse from different regions, groups and countries. This affects the consumer behavior. Subcultures exist in terms of race, geography, nationality, and religion. Therefore, consumers of a certain geographic group may desire a particular product (Sidney J, 1981). Due to different hierarchical arrangements there is existence of social class that affect consumer patterns, activities, interests, and lifestyle. An individual’s culture can influence a consumer behavior in terms of beliefs, values and conformity prevailing in a particular society. Through the adoption of what once culture expects from them, individuals tend to adopt them while purchasing goods or services (Nilesh B, 2013).

Personal traits are very important to an individual and determine consuming behavior. Some characteristics like lifestyle, occupation, personality and economic situation affect consumer buying behavior with time like age. Occupation of an individual is important and impacts consumer behavior where high earning workers buy products suited to them which are expensive and the low earning workers buy cheap products (Hans, 2002).

Social factors include family, reference groups and roles or status. Family members influence the consumption behavior from the husband, wife and children. Reference groups have direct or indirect influence on an individual‘s behavior or attitude. People learn from groups as reference point for behavior and beliefs while adapting them to their way of living. Depending on clubs, organization, family and groups individuals assume different status and roles in the society (TK Jisana, 2014). Social roles in turn influence the behavior of the consumer and decisions concerning products and services. Social class is mostly noticed in most societies and they affect the consumer’s behavior in a wide manner. A consumer behavior will be influenced from social class they come from (high, middle, low class) and its characteristics. A high social class expects an individual to purchase expensive goods and services and vice versa.

Psychological characteristics are attitude, beliefs, learning, perception and motivation. Buying behavior of a consumer is largely affected by motivation. Due to needs and wants being pressing than others are, needs become motives that individuals seek satisfaction in. Perception is a way of organizing, interpreting and selecting information in order to have a reasonable experience of the world. Perception differ in people and hence difference in opinions over items and services. Therefore, similar needs might not require similar products due to perception difference in individuals (Elena, 2016).

**Firm behavior**

Size of a firm, ethics, bias, and profit satisficing characteristics influence firm behavior and overall status of a firm. There is active firm behavior with an adoption of hands-on where the aim is gaining more market share. This in turn makes consumers behave in a certain way. Firms can offer discounts and lower prices to influence the consumers. Another one is passive approach that involves investments and developments for growth (Teck H, 2006). This involves varying of investments and profits.

Most firms are viewed in making production decision so as to maximize their profit in the market while avoiding illiquidity. Unlike households, firms do not act in terms of preferences they want but position themselves within a system constrains. Firms are known to be the key drivers in economic, where the provide goods and services in return of monetary value. Factors such as; incentives, organizational structures, employee productivity, information and communication influence the success of a firm in the economy and within itself (Shaker A, 1993).

**The firm behavior can be explained by the transaction cost theory;**

According to the theory, when the external transaction costs are higher than the internal transaction cost, a firm will not make any positive growth. But if the external transaction costs are lower than the internal transaction cost, the firm will succeed. The theory mainly aimed at theoretically explaining firm constant returns to scale, rather than relying on increasing returns to scale. (Ronald Coase 1937)

According to William he viewed the theory as the cost of running economic system. The cost mostly involve, cost of planning, deciding, changing plans and after sale services. It is seen as the most significant factor in business operation and management.

Douglas north viewed the theory to be influenced by four main factors that include; measurement, enforcement, ideological attitudes and perception. Measurement is explained as the calculation of transaction value as a whole. Enforcement mostly involves making sure that no unbiased methods are undertaken during the transaction. Ideological attitude and perception includes individual values.

Firms depend mostly on the market structures which are monopolistic, perfect competition, oligopoly and monopoly. In perfect and monopolistic competition, producers are many, less in oligopoly and one in monopoly. Completion is an aspect that influences firm behavior due to identical products, many buyers and sellers or the market has no restriction in terms of entry and exit. In a perfect competitive market firms are very cautious and aware of the surrounding since single price raise can lead to losses (Frederic M, 1990). A perfect firm that is competitive will not sell below the equilibrium charges. A firm in completion is inclined to balance between investing in the future and profits that are short term.

In order for a firm to maximize short-term profits, they are likely to reduce costs and boost revenue and try to establish capital investments for fixed assets. Long term profitability is vital for firms and hence firms need to have a clear understanding of the markets and surrounding economics as well as the consumer behavior. Long term viability of a firm may be through use of cash to invest in assets.

The behavioral theory of a firm suggest that physical output measures the performance of a firm where increasing output level is ultimate rather than investing on advertising and promotions. Aim of a firm is to maximize its output always even with less sales revenue. Simon (2013) argues that it is the process of choice that leads to action.

**Conclusion**

Consumers are the ones who own real power into marketing and are the main influencers of type of products and services as well as the quality. Due to different groups, geographic regions, and countries, consumer behavior has challenged many firms and has led into realization of most of the prominent firms established worldwide. It is up to the producers to understand, evaluate and try to come up with a service or product that enable the firm to grow and move forward at all times. Almost all firms are in a learning and realization process due to completion and consumer behavior. A consumer is a valuable aspect of a firm and the survival of humanity may be depended on what we consume.

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