

Alternative views of consumer behaviour

What economists mean by “rational”

In many economic models, consumers are assumed to make choices that maximise satisfaction (utility). This means they have clear preferences, compare options accurately, and choose what gives them the highest utility.

If something changes, such as price, quality, or income, a rational consumer should adjust their choices in a consistent way.

Why consumers may not behave rationally

Influence of other people (social norms)

Consumers don't choose in isolation. They may buy something because other people are buying it, even if it is not the best-value option.

This can make demand higher than expected because popularity becomes part of the product's appeal. As a result, equilibrium price and quantity can rise.

Examples include buying trainers because they are trending online, choosing the busiest restaurant because it seems better, or copying what others invest in because it is being discussed widely.

A useful exam link is that social influence can shift demand outwards because consumers gain satisfaction from fitting in or avoiding missing out.

Habits (repeat purchasing)

People often stick with the same choice because it feels familiar (this concept is known as **inertia** → **came up for 10 marks** P1 June 2019 Section B). This becomes more irrational when the product turns into worse value, better substitutes exist, or someone keeps paying for something they no longer use.

Habit can keep demand above the rational level, and it can also make demand more price inelastic because consumers continue buying even after a price rise.

Examples include repeatedly buying the same supermarket brand, addictive goods like cigarettes or alcohol, and subscription “autopilot” where people forget to cancel.

Weakness at computation (poor calculations and choice overload)

Consumers may struggle to compare prices properly, judge discounts, understand long-term costs, or deal with too many options at once.

Firms can use pricing strategies that make products look cheaper or simpler, which can increase demand even if it is not the best-value choice.

Examples include advertising a monthly price instead of a yearly total, bulk-buy deals leading to over-purchasing and food waste, and treating the same £10 saving differently depending on the starting price.

Evaluation Points

Why “irrational” behaviour might still be sensible

Examiners often reward answers that challenge whether behaviour is truly irrational. In some cases, the choice can make sense once you consider information, convenience, or real-world constraints.

Evaluating social influence

A busy restaurant may genuinely signal higher quality, so following the crowd can be a shortcut to better choices. Using the same social media app as friends can increase usefulness because it makes communication easier. Fitting in can also increase wellbeing, so it can still raise utility.

Evaluating habits

Repeating a purchase might simply show real preference, not poor decision-making. Switching takes time and effort, and there is risk in trying something new, so staying with a default can be rational.

Evaluating computation weakness

Paying monthly can be sensible if income is tight or flexibility matters. Food waste may reflect supermarket packaging sizes rather than consumer mistakes. Time and travel costs can matter when deciding whether chasing a discount is worth it.