

## CONSUMER CHOICE IN THE THIRD WORLD

Consumer choice throughout the Third World is increasingly being influenced by advertising and new products. Whether these phenomena operate to the advantage or detriment of consumers in these impoverished societies is a controversial and important question. In this book it is argued that existing answers to the question based on the traditional theory of demand are inadequate. An alternative approach to assessing the welfare effects of advertising and new products based on the more realistic product characteristics model of consumer demand is offered, with an application to a developing country.

Consumer decision-making is viewed as a multi-stage process. By conveying information about characteristics, advertising influences the consumer's perception of products and thereby his choice between them. The welfare effects of this pre-choice influence of advertising are assessed with the aid of techniques of scaling product characteristics used mainly in psychology and marketing.

Because consumers often rationalise their behaviour in the manner posited by the psychological theory of cognitive dissonance, it is shown that advertising also has important welfare effects *after* a choice has been made. The exclusive concern of most existing approaches with the pre-choice influence of advertising underestimates its true impact on consumer choice.

New products are almost always developed in and for the socio-economic conditions prevailing in rich countries. For this reason it is argued that they tend to have an inegalitarian welfare impact when introduced in developing countries. Sometimes, as in the particular case considered, their introduction may even cause absolute losses for the poorest members of these societies.

The book concludes by urging that developing countries adopt an active products policy which recognises the welfare issues involved in product choice and implements policies on the basis of them.

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His first book, with Keith Griffin, was entitled *The Transition to Egalitarian Development*. Together with Frances Stewart he edited *The Economics of New Technologies in Developing Countries*.

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A study of the welfare effects of  
advertising and new products in  
a developing country

Jeffrey James

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To Anita

# Contents

<i>Acknowledgements</i>	ix
<i>Introduction</i>	1
1 Consumer Choice and Welfare	4
2 Advertising, Choice and Welfare	28
3 Methodology: Scaling Product Characteristics	44
4 The Perception of Laundry Cleaning Products in Barbados	64
5 Advertising, Imperfect Knowledge and Welfare Losses	80
6 Advertising, Cognitive Dissonance and Learning	101
7 The Welfare Effects of the Introduction of New Products in Developing Countries	120
8 The Welfare Impact of New Products in the Barbados Laundry Soap and Detergent Market	135
9 Conclusions: The Need for a Products Policy	155
<i>Appendix</i> The Survey Method and Respondent Profile	166
<i>Index</i>	174

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JEFFREY JAMES