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# Comments on "The Economics of Consumer Information Acquisition"

The substantive part of Wilde's paper (this issue) begins with the claim that "the fundamental articles in the economics literature on consumer information acquisition are those of Stigler . . . and Nelson." Such a list should also include Simon (1957) and Marschak and Radner (1972).

Wilde discusses two of the traditional criticisms of the stream of research literature associated with the model he presents. These two are the nature of the sampling procedure and the modeling of just one side of the market. It is true that Wilde's model is only a model of the consumer. It is interesting to note that earlier a model was put forward by Fitzroy (1966) which could guide firms in the optimal provision of information to consumers. Fitzroy's (1966) model, like the model in this paper, was based on Bellman's (1957) technique of dynamic programming. This raised the issue of whether a dynamic programming–based model could be developed of information provision and acquisition. This is the first possible subject for future research suggested by Wilde's paper.

There is, however, a third major criticism of this general approach which is probably at least as important as the two reviewed. This is that these models ignore quantity purchased as a decision variable in markets. One empirical study of this theory reached these conclusions: "The tests indicate the theory is of some use in explaining brand choice behavior, but the relatively unimpressive results suggest that a restructured theory of brand loyalty should be developed for future tests. However, a richer model of household-level brand loyalty towards a product should include as an independent variable the quantity bought by the household" (Farley 1965, p. 314). This, then, is the second possible subject for future research suggested by Wilde's paper.

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The third section of the paper reviews a model of the effect of advertising. This section omits from consideration certain relevant facts:

1. Not all people are affected by advertising. The proportion of people who are not affected by advertising can be estimated. For example. Kuehn, McGuire, and Weiss (1967) found for a heavily advertised, frequently purchased consumer nondurable that 92.5% of the families in their sample (on average) were not affected by advertising during any 2-week time period.

2. None of the 7.5% of families who were affected by advertising were necessarily dissatisfied buyers. Unfortunately, there is no evidence in the literature on consumer dissatisfaction that dissatisfied consumers turn to advertising (Hunt 1977). Krishnan and Valle (1978) list 12 different actions consumers may take following dissatisfaction. Seeking information from advertising is not on their list. Because these results are based on survey data, some may argue that such evidence is not very persuasive. The challenge is to produce empirical evidence that dissatisfied buyers are influenced by advertising.

3. There are a great many reasons why people and companies advertise. Standard lists are presented in Colley (1961) and Wolfe, Brown, and Thompson (1962). The discussion does not seem to realize that this diversity exists. Any comprehensive model of consumer response to advertising, however, would need to take this diversity into account.

4. Finally, the proposition that consumer behavior can be modeled by a Markov chain with brands bought as states is much too strong. Whether this is so is well known to be situation dependent (Haines 1969) and is not, therefore, unconditionally correct.

The challenge to gain fuller understanding of consumer information acquisition still stands. This paper can be viewed as a useful contribution toward meeting this challenge, but much remains to be done. Let us get on with it.

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