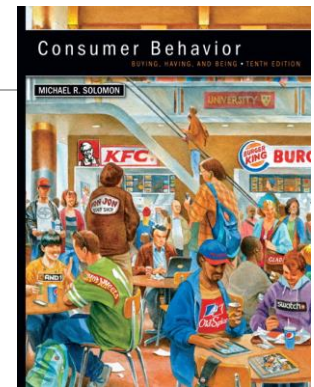


Chapter 8

Decision Making

**CONSUMER
BEHAVIOR, 10e**
Michael R. Solomon



Chapter Objectives

When you finish this chapter, you should understand why:

1. Consumer decision making is a central part of consumer behavior, but the way we evaluate and choose products varies widely.
2. A decision is actually composed of a series of stages that results in the selection of one product over competing options.
3. Decision making is not always rational.
4. Our access to online sources is changing the way we decide what to buy.
5. We often fall back on well-learned “rules-of-thumb” to make decisions.
6. Consumers rely upon different decision rules when evaluating competing options.

Objective 1: Consumers are Problem Solvers

Consumer decision making is a central part of consumer behavior, but the way we evaluate and choose products varies widely.

A consumer purchase is a response to a problem.



Richard is sick of watching TV on a tiny set. He has owned his set for along time, and it is hard to watch his favorite show and sports teams. The quality is bad, and the screen is small. His next-door neighbor has a big 60-inch flat screen. Richard feels like he is in a movie theatre. He realizes he is missing out and needs to start looking for a new TV set.

Where to start looking? Naturally, the Web. Richard checks out a few comparison sites and reads consumer reviews to flat screens. He also checks out Yelp for appliance stores that get good reviews. He narrows down his options and ventures out to check on a few sets in person. He has heard ads for “bix box” retailers and figures he will have the selection and affordable pricing. He heads straight town the back row to TV’s and is greeted by a smiling salesperson with a stained tie. Richard has done his homework and really does not need the help of a salesperson. Richard examines some of the features on the 60 inch flat screens. He knew his friend has a TV by Sony which he really likes, and his sister Alex tells him to stay away from LG’s. He ends up choosing the less expensive Fuji because it has one feature that he can’t live without— stereo broadcast reception. He buys the set, takes it home, installs it and is one happy man. He gives his old TV to his mother.

Constructive Processing

Is a thought process used to evaluate the effort we will need to make a decision and then tailor our cognitive effort to the task.

- In some cases we may create a mental budget to help us make estimates over time.

Three types of decision-making:

- Cognitive – deliberate, rational, sequential
- Habitual- behavioral, unconscious, automatic
- Affective – emotional, instantaneous



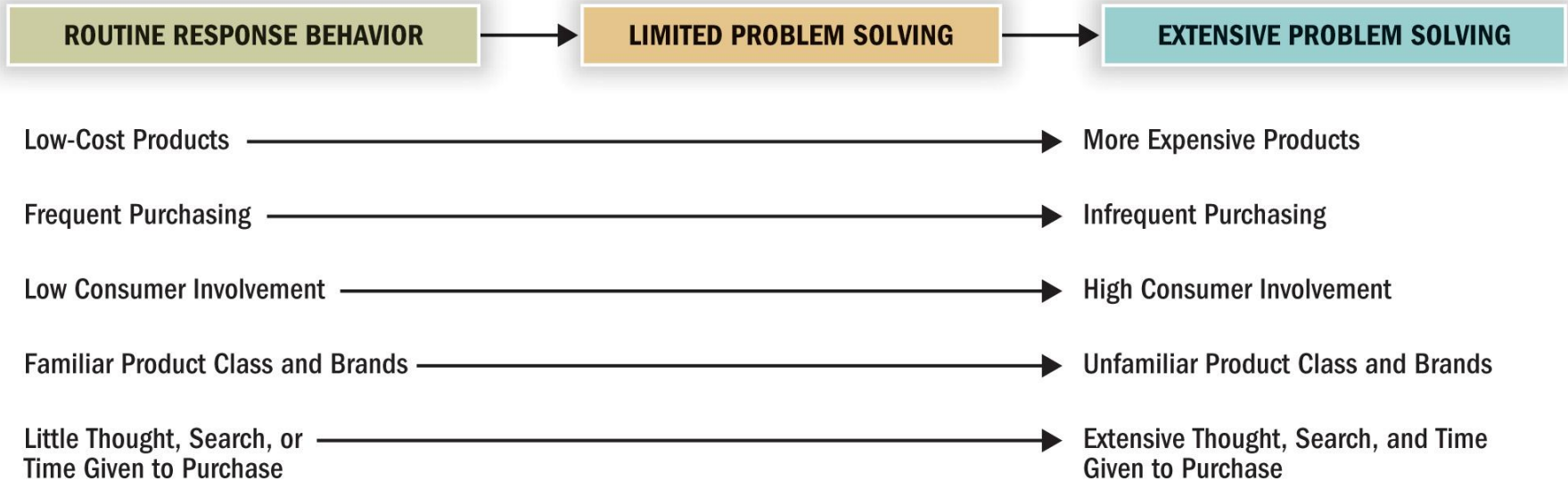
Effort in Consumer Decisions

To understand, it helps to think about the amount of effort into a decision

- Researchers think in terms of a Continuum



Effort



Continuum of Buying Decision Behavior

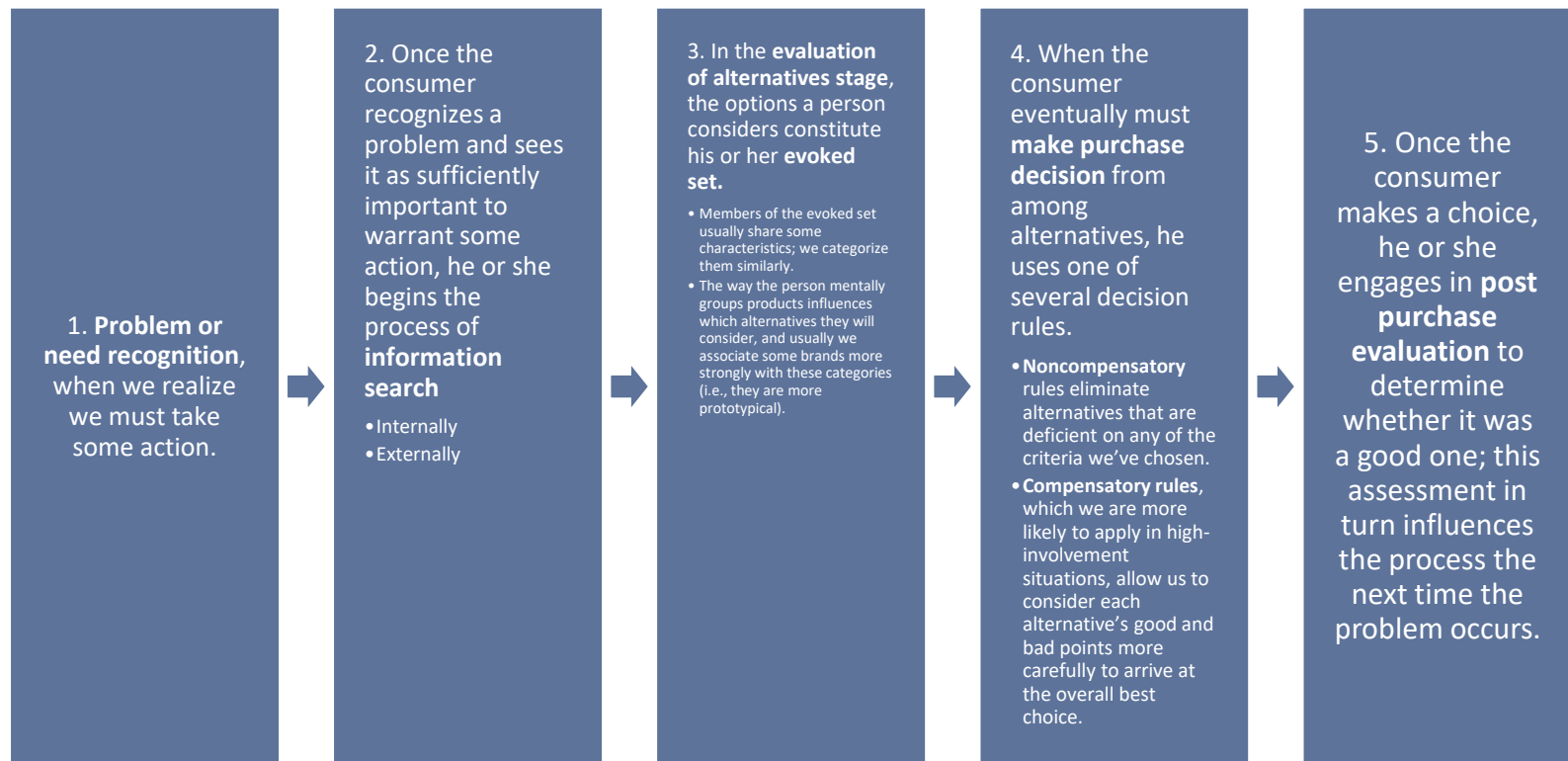
CONSUMER DECISION MAKING PROCESS

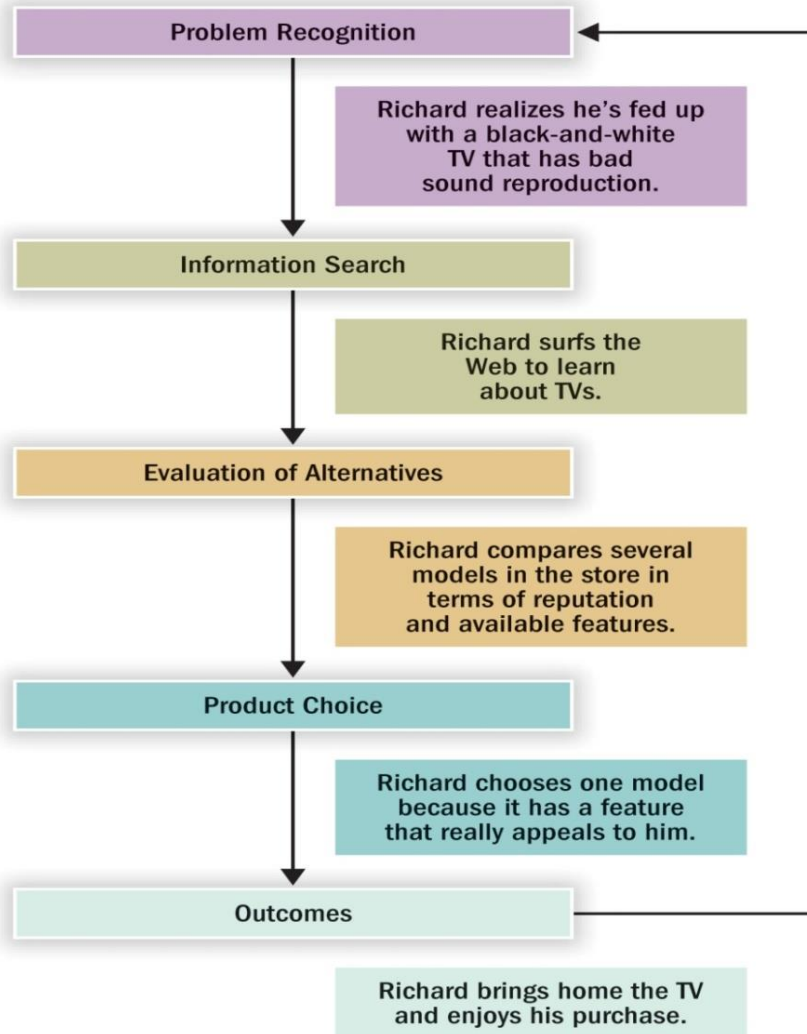


Cognitive Decision Making:

A cognitive purchase decision is the outcome of a series of stages that results in the selection of one product over competing options.

A typical decision involves several steps.





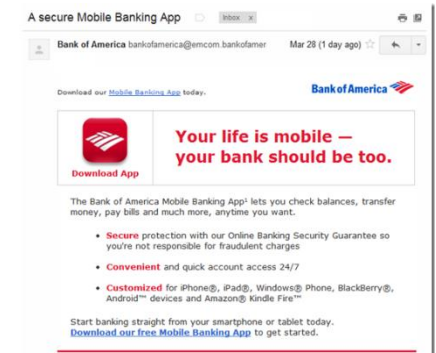
Stages in Consumer Decision Making

Stage 1: Problem Recognition

Occurs when consumer sees difference between current state and ideal state

Problem occurs in two ways:

- Recognize a decline in their ***actual state***, which is known as ***need recognition***.
- Person may seek an ***ideal state***, which is known as ***opportunity recognition***.



Stage 2: Information Search

The process by which we survey the environment for appropriate data to make a reasonable decision

Once a problem has been recognized, consumers need adequate information to resolve it.



- **Internal search**—a memory scan to assemble information about different alternatives.
- **External search**—information is obtained from advertisements, friends, or just plain people watching.
- **Cybermediaries** help consumers to filter and organize online market information so that customers can identify and evaluate alternatives more efficiently. Intelligent agents are sophisticated software programs that use collaborative filtering technologies to learn from past user behavior in order to recommend new purchases.

Deliberate versus “Incidental” Search

Directed learning: existing product knowledge obtained from previous information search or experience of alternatives

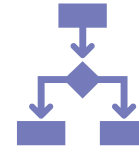
Accidental or Incidental learning: mere exposure over time to conditioned stimuli and observations of others



Consumers
do not always
search
rationally
The amount
of external
search for
most
products is
small



Maximizing Decision Making - delivers the best possible result



Satisficing (Sat-is-fice-ing) Decision Making - one that yields an adequate solution and minimizes decision-making costs



Bounded Rationality
perspective on decision-making is that we will settle for a solution that is good enough because we lack the resources to weigh every possible factor



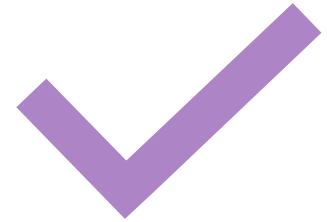
Sisyphus Effect is starting from scratch instead of relying on past information

We don't always engage in rational search processes to identify each alternative before we make a choice.

Some consumers avoid external search, especially with minimal time to do so and with durable goods (e.g. autos)

- Lower income shoppers search less than affluent

- **Symbolic items** require more external search
 - The more symbolic of our identity a product is
- **Brand switching:** we select familiar brands when decision situation is ambiguous
- **Variety seeking:** desire to choose new alternatives over more familiar ones



How much do we Search?

Search more when the purchase is **important**, have more of a need to learn more about the purchase, or when it is easy to obtain the relevant information.

- Some people take on more searches than others do
- Younger, better-educated people conduct more searches
- Women are more inclined to search more than men
- Those who place a greater value on image and style

Moderately knowledgeable consumers search more than experts or novices.

- Experts engage in selective search (focused and efficient efforts) while novices rely on others' opinions and nonfunctional attributes (name brand, price), focusing on details vs. the big picture.

The **blissful ignorance** effect describes the phenomenon where those who have details about a product before they buy it do not expect to be as happy with it as do those who got only ambiguous information.

Purchase decisions that involve **extensive search** also entail some kind of **perceived risk** or belief that the product has potentially negative consequences.

Monetary risk

Functional risk

Physical risk

Social risk

Psychological risk

Perceived Risk

Monetary risk occurs when making a poor choice will have a monetary consequence. Any purchase that costs a lot is subject to this risk.

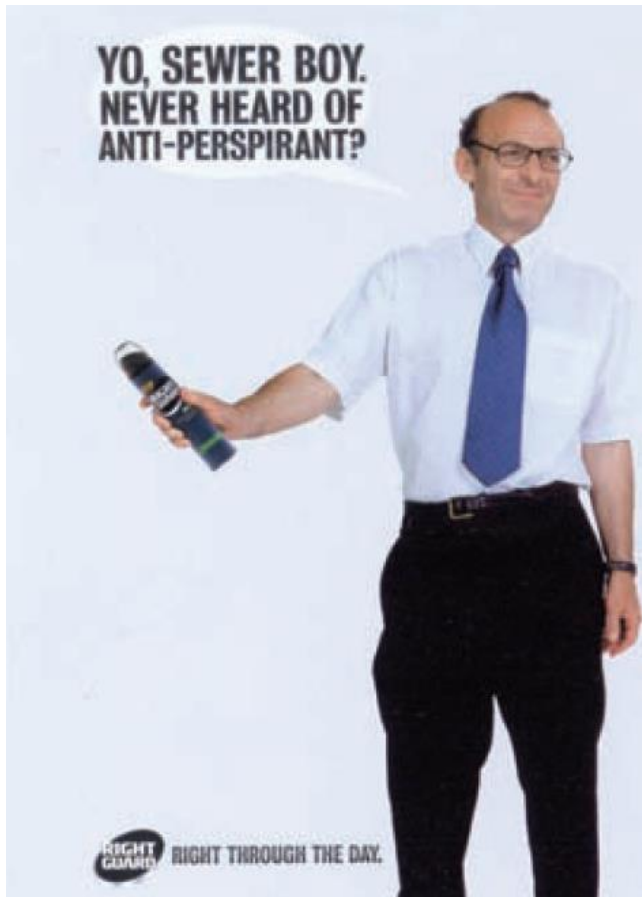
Functional risk is the risk that the product may not function as the consumer needs.

Physical risk is the risk that the choice may physically threaten the consumer.

Social risk is the risk that the choice will reflect poorly on the consumer and damage his or her self-esteem or confidence.

Psychological risk is the risk that one may lose self-respect due to making a bad decision. For instance, expensive luxury goods could cause the consumer to feel extensive guilt.

An Appeal to Social & Physical Risk



Social Risk



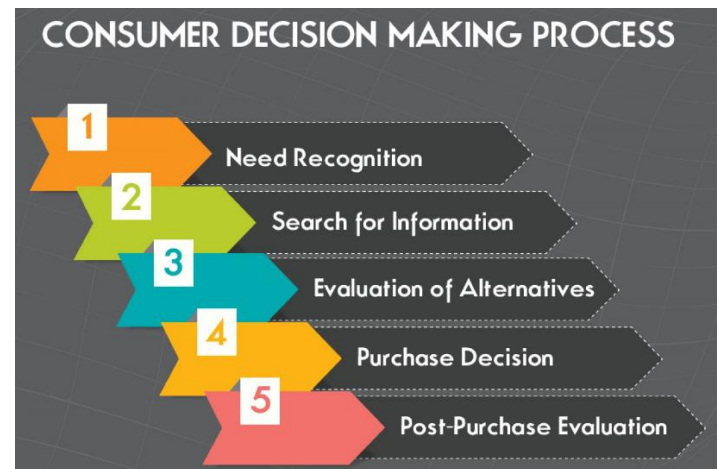
Psychological Risk



Evaluation of Alternatives

Step 3: Evaluation of alternatives.

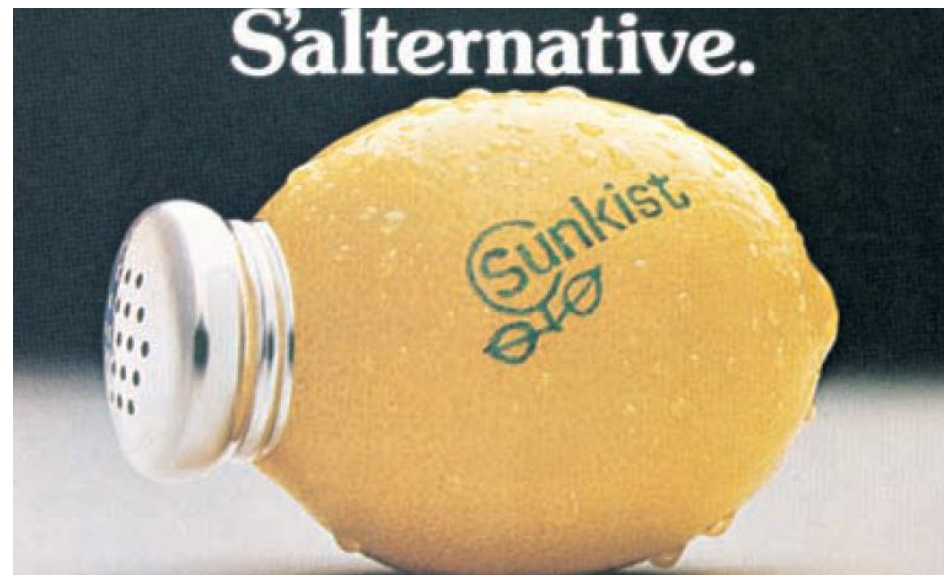
- We call the alternatives a consumer knows about the evoked set and the ones he or she seriously considers the consideration set.
- **Evaluative criteria** are the dimensions we use to judge the merits of competing options.
- **Determinant attributes** are the features we actually use to differentiate among our choices.



Alternatives

Evoked Set

Consideration Set



Product Choice: How Do We Decide?

- ☐ yes
- ☐ no
- ☐ maybe



Once we assemble and evaluate relevant options from a category, we must choose among them

Decision rules for product choice can be very simple or very complicated

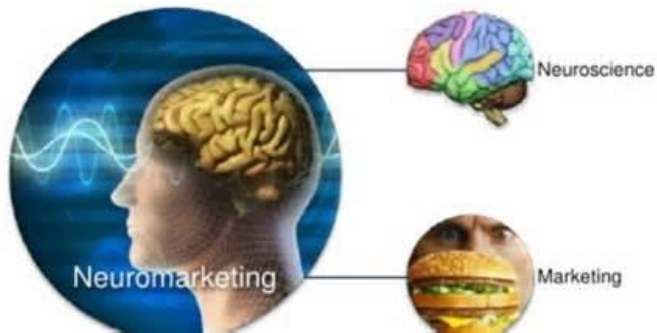
- Prior experience with (similar) product
- Present information at time of purchase
- Beliefs about brands (from advertising)

How does a marketer effectively recommend a new decision criterion

Customer needs three pieces of information:

1. It should point out that there are significant differences among the brands on the attribute.
2. It should supply the consumer with a decision-making rule.
3. It should convey a rule that is consistent with how the person made the decision in the past.

Neuromarketing



Uses functional magnetic resonance imaging (fMRI), a brain-scanning device that tracks blood flow as we perform mental tasks

Marketers measure consumers' reactions to movie trailers, choices about automobiles, the appeal of a pretty face, and loyalty to specific brands

Our access to online sources changes the way we decide what to buy.



Heuristics: Mental Shortcuts

Consumers often rely on **heuristics** (mental rules of thumb that lead to speedy decisions)

- These rules can be general or specific.
- Always choose from the back of the shelf
- Look at expiration dates
- Check all of the eggs
- The cheaper the haircut, the worse it looks



Types of Mental Shortcuts

1. **Covariation** means that we tend to assume certain attributes covary.

- For instance, we may believe that a clean car is in good mechanical condition.
- Beautiful packaging means good quality (visa versa)

2. **Country** of origin is a determinant attribute in the decision-making process.

- Watches made in Switzerland
- Cheese from France
 - Consumers strongly associate certain items with specific countries and products from those countries benefit from these linkages.
- The tendency to prefer products or people of one's own culture over those from another country is called ethnocentrism.

3. Familiar brand names is a short cut.

4. Higher prices may indicate higher quality.

Choosing a well-known brand is a powerful heuristic

Zipf's Law: our tendency to prefer a number one brand to the competition

Consumer inertia: the tendency to buy a brand out of habit merely because it requires less effort

Brand loyalty: repeat purchasing behavior that reflects a conscious decision to continue buying the same brand



Chapter Summary

Decision making is a central part of consumer behavior and decisions are made in stages

Decision making is not always rational

We use rules of thumb and decision rules to make decisions more efficiently

Neuromarketing: Is there a buy button in our brain?

<https://tedxbend.com/presenters/patrick-renvoise/>

