

Chapter 8

Decision Making

**CONSUMER
BEHAVIOR, 10e**
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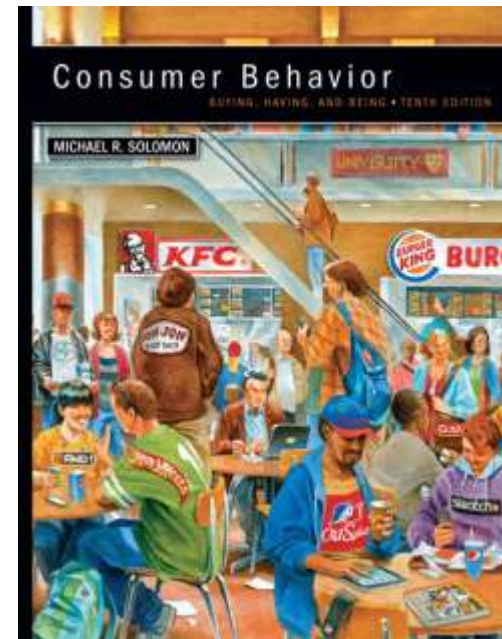


Figure 8.1 Stages in Consumer Decision Making

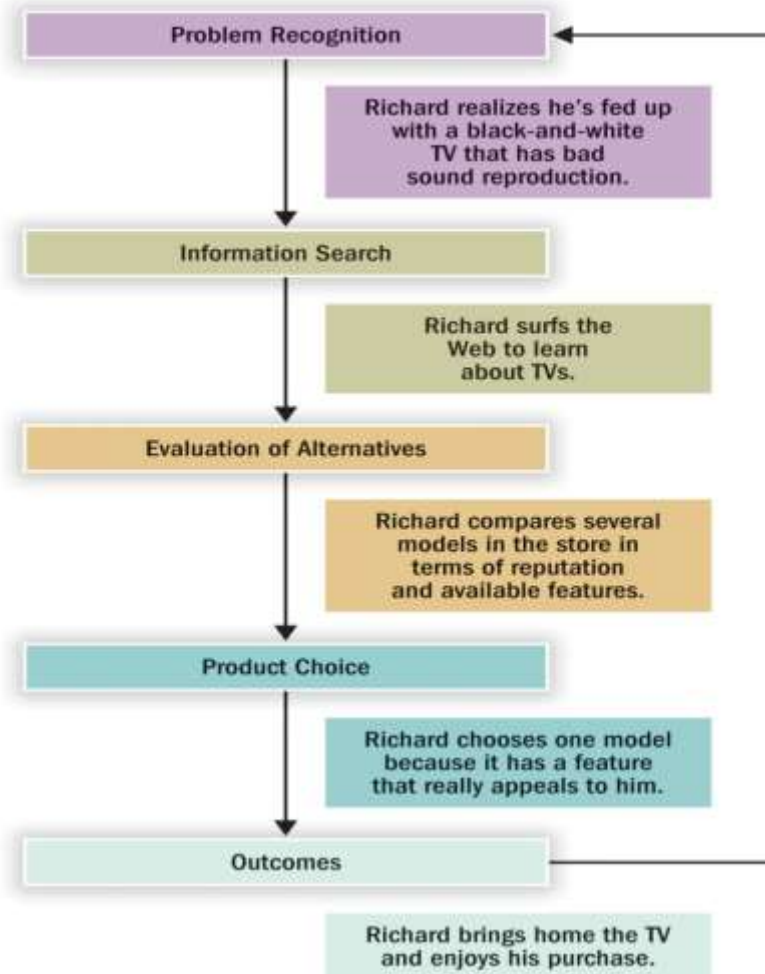


Figure 8.2 Continuum of Buying Decision Behavior

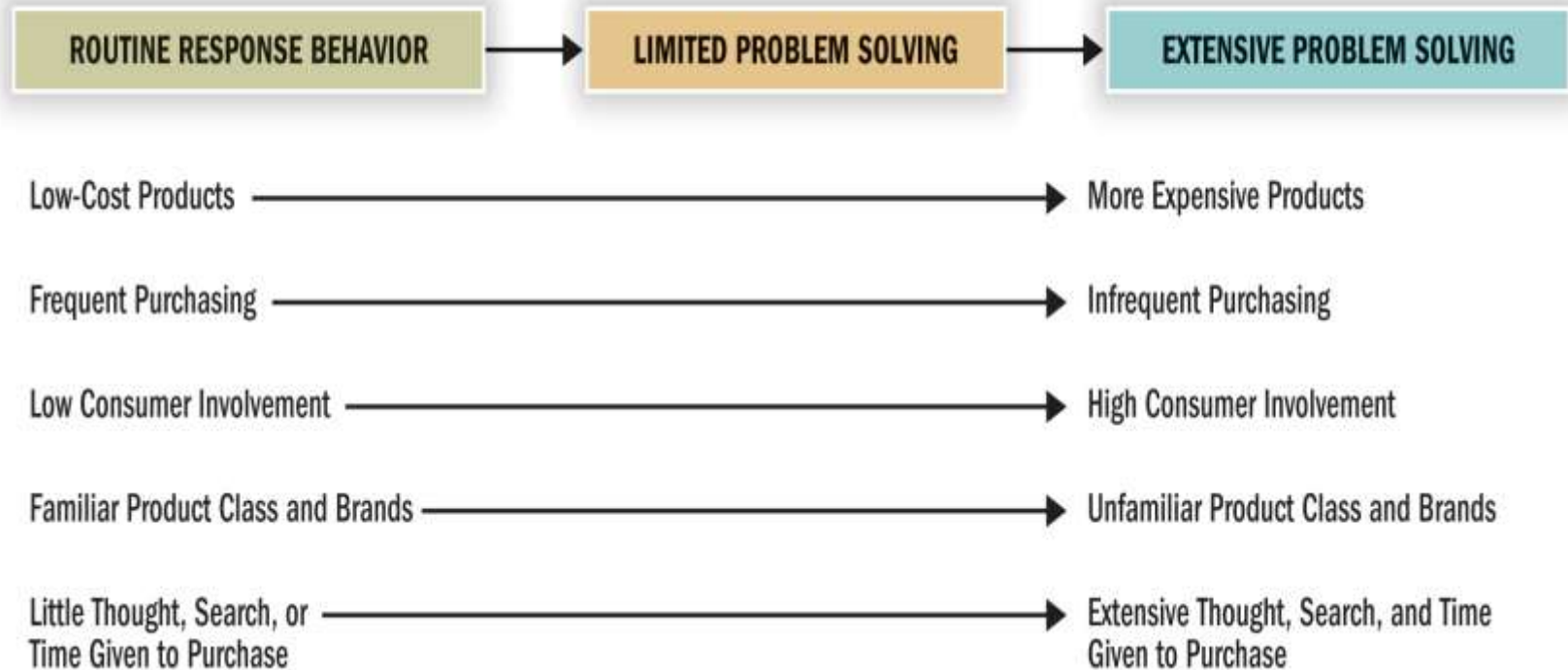


Figure 8.1: Steps in the Decision-Making Process

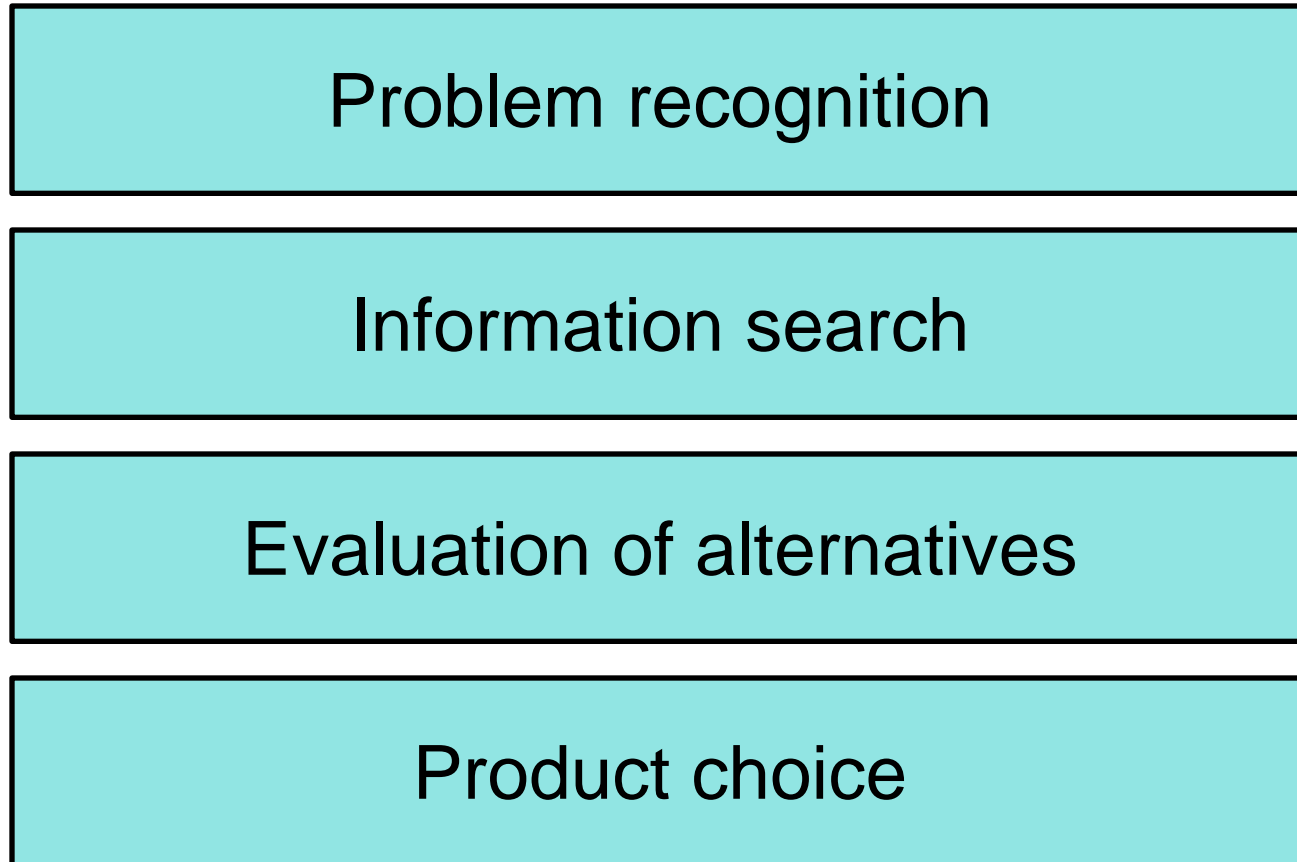
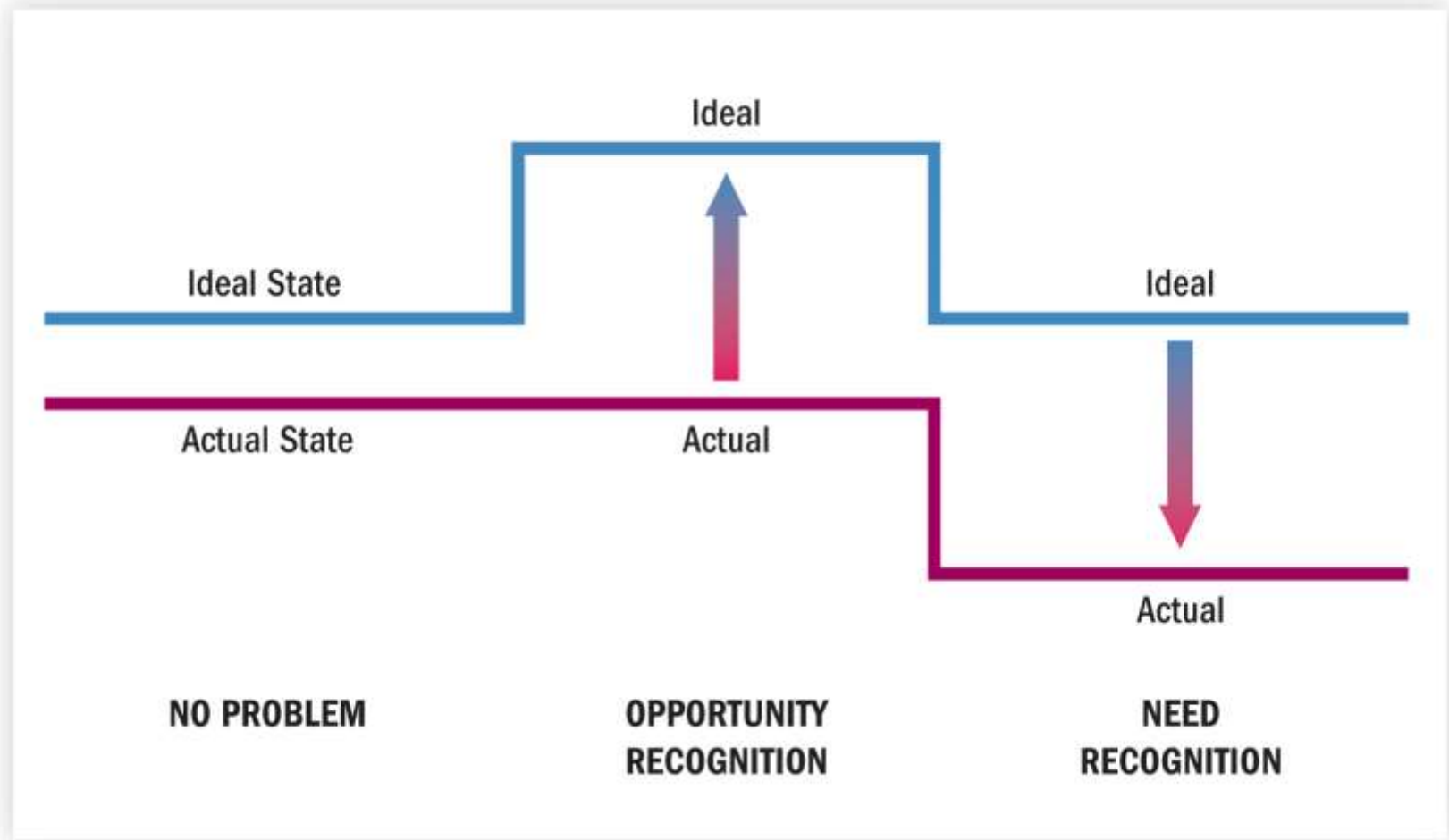


Figure 8.3 Problem Recognition



Stage 1: Problem Recognition

- Occurs when consumer sees difference between current state and ideal state
 - Need recognition: actual state declines
 - Opportunity recognition: ideal state moves upward



Stage 2: Information Search

- The process by which we survey the environment for appropriate data to make a reasonable decision
 - Prepurchase or ongoing search
 - Internal or external search
 - Online search

Table 8.2 A Framework for Consumer Information Search

Prepurchase versus Ongoing Search		
	Prepurchase Search	Ongoing Search
Determinants	Involvement with purchase	Involvement with product
Motives	Making better purchase decisions	Building a bank of information for future use
Outcomes	Better purchase decisions	Increased impulse buying

Deliberate versus “Accidental” Search

- Directed learning: existing product knowledge obtained from previous information search or experience of alternatives
- Incidental learning: mere exposure over time to conditioned stimuli and observations of others

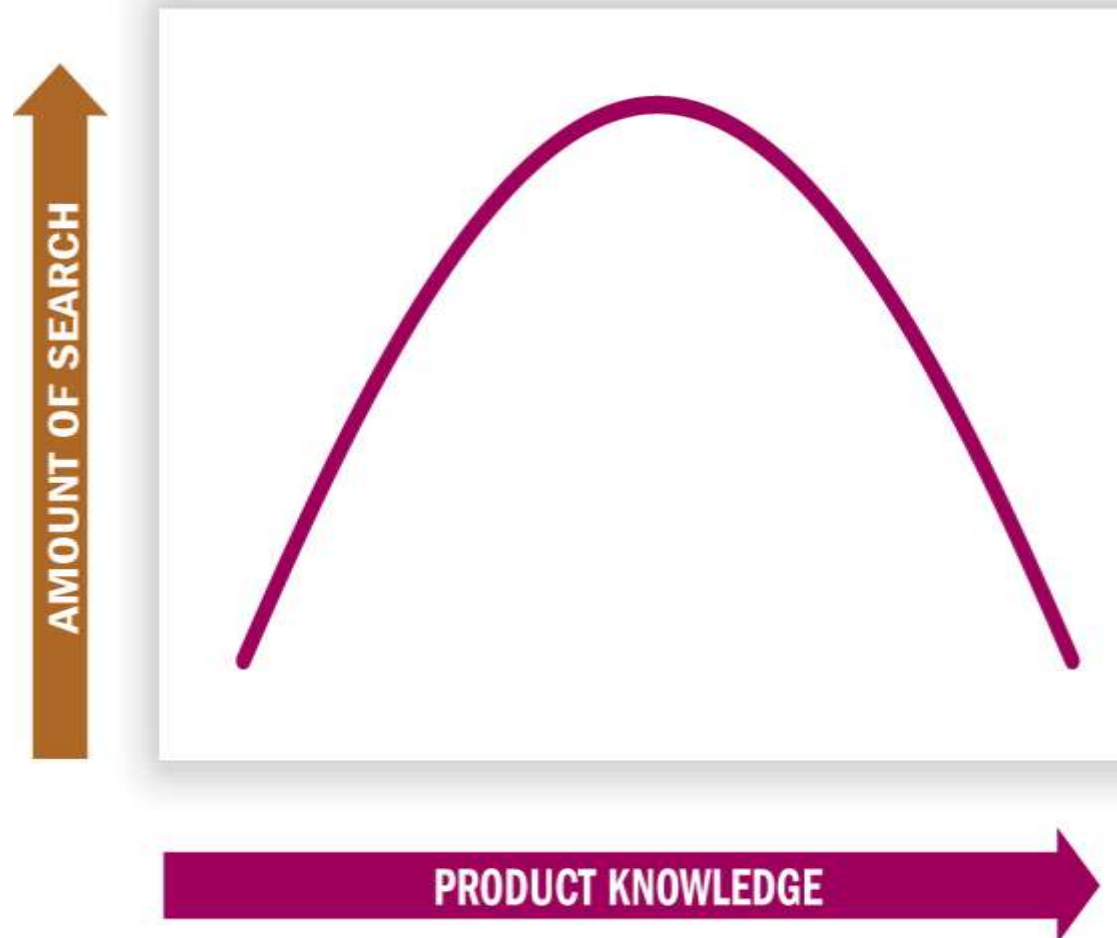
Do Consumers Always Search Rationally?

- Some consumers avoid external search, especially with minimal time to do so and with durable goods (e.g. autos)
- Symbolic items require more external search
- Brand switching: we select familiar brands when decision situation is ambiguous
- Variety seeking: desire to choose new alternatives over more familiar ones

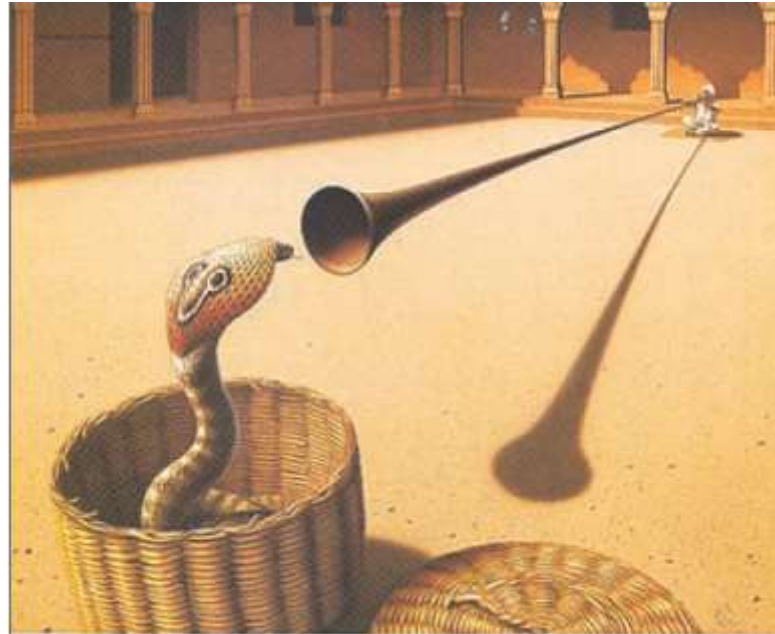
Biases in Decision-Making Process

- Mental accounting: framing a problem in terms of gains/losses influences our decisions
- Sunk-cost fallacy: We are reluctant to waste something we have paid for
- Loss aversion: We emphasize losses more than gains
- Prospect theory: risk differs when we face gains versus losses

Figure 8.5 Amount of Information Search and Product Knowledge



Minolta Understands Perceived Risk



MAYBE THE BEST WAY TO HANDLE RISK IS TO AVOID IT ALTOGETHER.

That's why Minolta created the No-Risk Guarantee. It takes you out of here's way by letting you decide whether you're happy with the copier's performance.



Even better, it covers our CP 9760 Pro Series Copier, which was recently voted first overall in productivity in the high-volume class.*

Here's how it works: if you're not completely satisfied with our copier within the first three years of normal operation, we will replace it with an identical or completely equipped model, free of charge. In other

words, it works or it works. An award-winning copier comes with an iron-clad guarantee? The only risk involved is passing this opportunity up.

For more information, call 1-800-8-MINOLTA.

*Source: Product & Service Review, May 2004
Productivity Index



NO-RISK COPING
DON'T RISK THE SOLUTIONS.



Figure 8.6 Five Types of Perceived Risk

Monetary risk

Functional risk

Physical risk

Social risk

Psychological risk

**Purchases most
subject to risk**

**Monetary
risk**

High-price items that require substantial expenditures are most subject to this form of risk.

**Functional
risk**

Products or services whose purchase and use requires the buyer's exclusive commitment and precludes redundancy are most sensitive.

**Physical
risk**

Mechanical or electrical goods (such as vehicles or flammables), drugs and medical treatment, and food and beverages are most sensitive.

**Social
risk**

Socially visible or symbolic goods, such as clothes, jewellery, cars, homes, or sports equipment are most subject to it.

**Psycho-
logical
risk**

Expensive personal luxuries that may engender guilt; durables; and services whose use demands self-discipline or sacrifice are most sensitive.

An Appeal to Social Risk



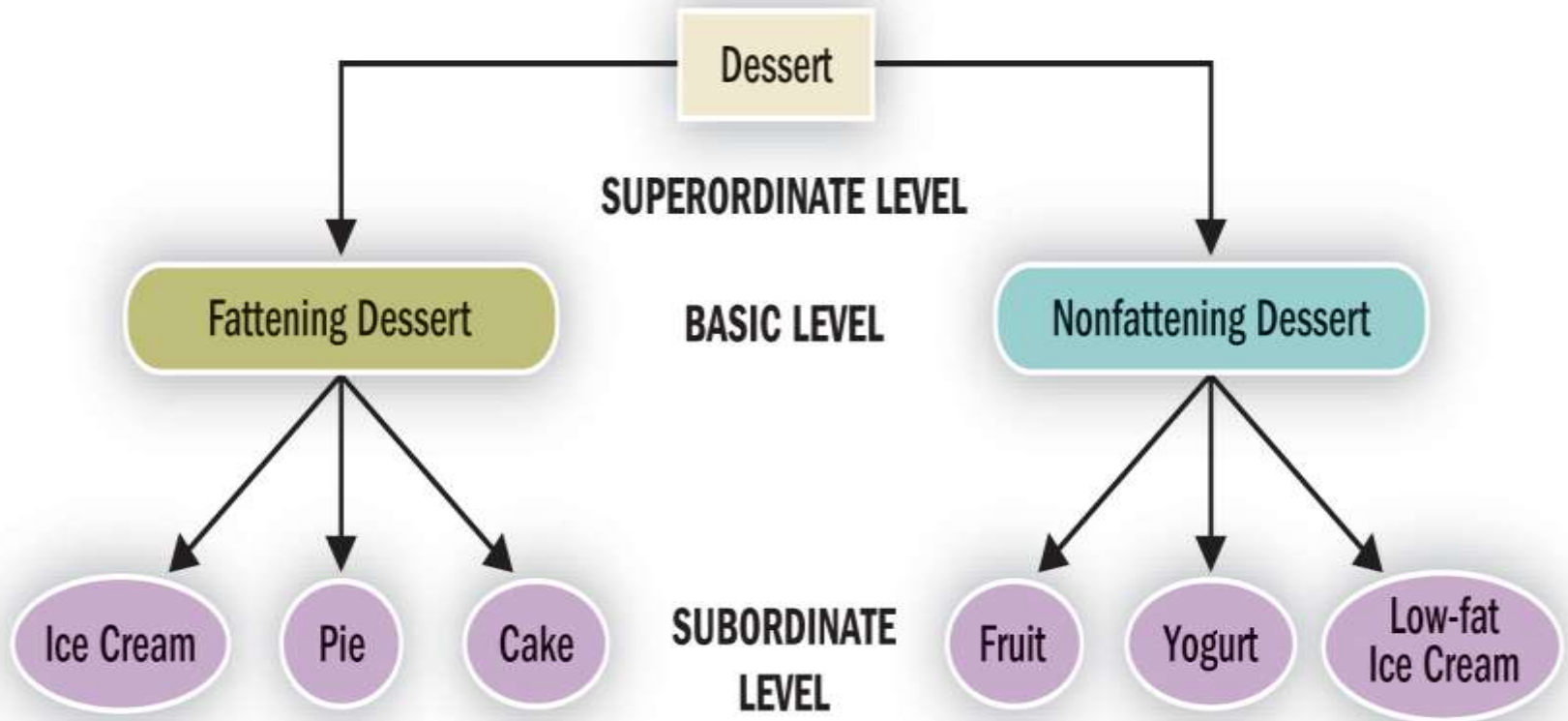
Alternatives

Evoked Set

Consideration Set



Figure 8.7 Levels of Abstraction



Strategic Implications of Product Categorization

- Position a product
- Identify competitors
- Create an exemplar product
- Locate products in a store

Product Choice: How Do We Decide?

- 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)

Information Necessary for Recommending a New Decision Criterion

- It should point out that there are significant differences among brands on the attribute
- It should supply the consumer with a decision-making rule, such as if, then
- It should convey a rule that is consistent with how the person made the decision on prior occasions

Neuromarketing

- Uses functional magnetic resonance imaging, 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

Cybermediaries

- The Web delivers enormous amounts of product information in seconds
- Cybermediary: helps filter and organize online market information
 - Examples: Shopping.com, BizRate.com

Heuristics

Product Signals

Market Beliefs

Country of Origin

Table 8.3 Common market beliefs

Brand	<p>All brands are basically the same.</p> <p>Generic products are just name brands sold under a different label at a lower price.</p> <p>The best brands are the ones that are purchased the most.</p> <p>When in doubt, a national brand is always a safe bet.</p>
Store	<p>Specialized shops are good places to familiarize yourself with the best brands; but once you know what you want, it's cheaper to buy it at a discount outlet.</p> <p>A store's character is reflected in its window displays.</p> <p>Sales people in specialized shops are more knowledgeable than other sales personnel.</p> <p>Larger stores offer better prices than small stores.</p> <p>Locally owned stores give the best service.</p> <p>A store that offers a good value on one of its products probably offers good values on all of its items.</p> <p>Credit and return policies are most lenient at large department stores.</p> <p>Stores that have just opened usually charge attractive prices.</p>
Prices/Discounts/Sales	<p>Sales are typically run to get rid of slow-moving merchandise.</p> <p>Stores that are constantly having sales don't really save you money.</p> <p>Within a given store, higher prices generally indicate higher quality.</p>
Advertising and sales promotion	<p>'Hard-sell' advertising is associated with low-quality products.</p> <p>Items tied to 'giveaways' are not good value (even with the freebie).</p> <p>Coupons represent real savings for customers because they are not offered by the store.</p> <p>When you buy heavily advertised products, you are paying for the label, not for higher quality.</p>
Product/Packaging	<p>Largest-sized containers are almost always cheaper per unit than smaller sizes.</p> <p>New products are more expensive when they're first introduced; prices tend to settle down as time goes by.</p> <p>When you are not sure what you need in a product, it's a good idea to invest in the extra features, because you'll probably wish you had them later.</p> <p>In general, synthetic goods are lower in quality than goods made of natural materials.</p> <p>It's advisable to stay away from products when they are new to the market; it usually takes the manufacturer a little time to sort out the bugs.</p>

Choosing Familiar Brand Names

- 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

Noncompensatory Decision Rules

- Lexicographic rule: consumers select the brand that is the best on the most important attribute
- Elimination-by-aspects rule: the buyer also evaluates brands on the most important attribute
- Conjunctive rule: entails processing by brand

Compensatory Decision Rules

- Simple additive rule: the consumer merely chooses the alternative that has the largest number of positive attributes
- Weighted additive rule: the consumer also takes into account the relative importance of positively rated attributes, essentially multiplying brand ratings by importance weights

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