

## Consumer Decision Making Process



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## Learning Outcomes

- LO<sup>1</sup>** Understand the activities involved in the consumer decision-making process.
- LO<sup>2</sup>** Describe the three major decision-making research perspectives.
- LO<sup>3</sup>** Explain the three major types of decision-making approaches.
- LO<sup>4</sup>** Understand the importance of the consideration set in the decision-making process.
- LO<sup>5</sup>** Understand the factors that influence the amount of search performed by consumers.

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## Learning Outcomes

- LO<sup>6</sup>** Understand the difference between evaluative criteria and determinant criteria.
- LO<sup>7</sup>** Comprehend how value affects the evaluation of alternatives.
- LO<sup>8</sup>** Explain the importance of product categorization in the evaluation of alternatives process.
- LO<sup>9</sup>** Distinguish between compensatory and noncompensatory rules that guide consumer choice.

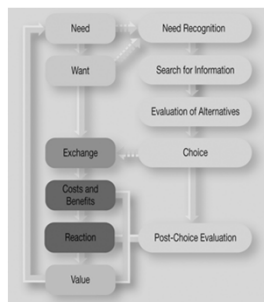
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**LO<sup>1</sup>**

Understand the activities involved in the consumer decision-making process.

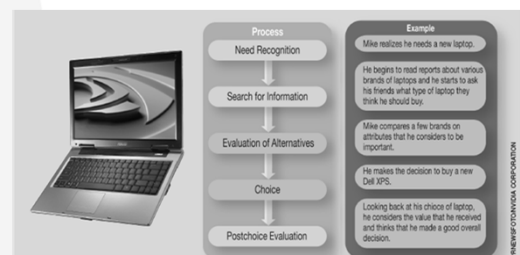
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## LO<sup>1</sup> Basic Consumption Process and Decision-Making



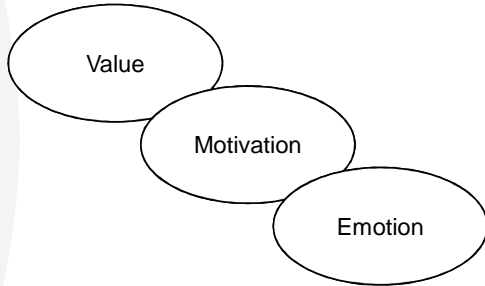
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## LO<sup>1</sup> Consumer Decision- Making Process



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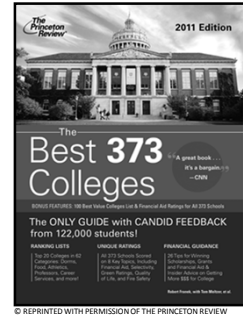
## LO<sup>1</sup> Decision Making and Choice



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## LO<sup>1</sup> Decision Making 101

The “best” schools are not always the best choice for students.



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## LO<sup>2</sup>

Describe the three major decision-making research perspectives.

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## LO<sup>2</sup> Perspectives on Consumer Decision Making

Perspective	Description	Example
Rational Perspective	Consumers are rational and they carefully arrive at decisions.	Aubrey carefully considers the attributes included with various car stereos.
Experiential Perspective	Decision making is often influenced by the feelings associated with consumption.	Devin goes rock climbing simply for the fun of it.
Behavioral Influence Perspective	Decisions are responses to environmental influences.	The soothing music in the store encourages Shelby to browse longer.

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## LO<sup>2</sup> Rational Perspective

What is rational to some may be irrational to others.

Would you pay over \$1,000 for a single season ticket to a basketball game?



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## LO<sup>3</sup>

Explain the three major types of decision-making approaches.

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### LO<sup>3</sup> Involvement and Risk

#### Involvement

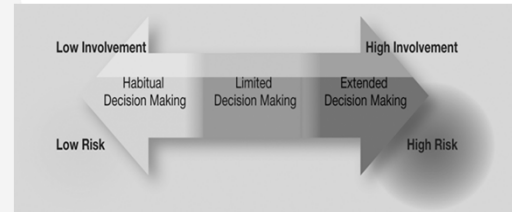
- The degree of personal relevance that a consumer finds in pursuing value from a given act.

#### Types of risk

- Financial
- Social
- Performance
- Physical
- Time

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### LO<sup>3</sup> Decision-Making Approaches



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### LO<sup>3</sup> Habitual Decision Making



Loyalty programs, such as reward cards, provide benefits for consumers and marketers.

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### LO<sup>4</sup>

Understand the importance of the consideration set in the decision-making process.

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### LO<sup>4</sup> Need Recognition

Consumer perceives a difference between an actual state and a desired state.

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### LO<sup>4</sup> Need Recognition States

Actual state—a consumer's perceived current state.

Desired state—a perceived state for which a consumer strives.

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## LO<sup>4</sup> Desired State

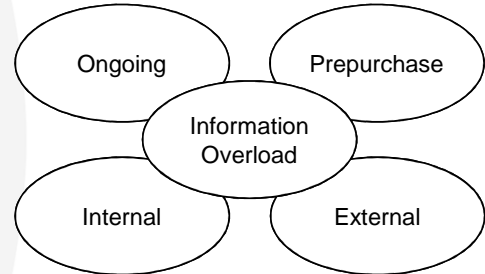
Desired states changed dramatically with the introduction of the iPad.



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## LO<sup>4</sup> Search Behavior



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## LO<sup>4</sup> Consideration Set



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## LO<sup>5</sup>

Understand the factors that influence the amount of search performed by consumers.

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## LO<sup>5</sup> External Search

- Includes the gathering of information from external sources.
- Factors considered:
  - Ease of obtaining information from the source.
  - Objectivity of the source.
  - Trustworthiness of the source.
  - How timely the information can be obtained.

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## LO<sup>5</sup> Evaluative Criteria

- The individual attributes or elements of a product or decision that are used by consumers in making a decision.
- Two that are used across almost all consumer decisions:
  - Price
  - Quality

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## LO<sup>5</sup> External Search and the Internet

Lowers search costs

Provides hedonic value

Information control



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## LO<sup>5</sup> The Internet at Your Fingertips

New and popular search engines including Google and Bing allow you to solve your problems quickly online.

Facebook provides us with the opportunity to connect with people all over the world.

Consumers can buy directly from sponsored links on other sites, which produces an easy online shopping experience.

As mobile technologies continue to evolve, consumers will be able to do everything on the go!

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## LO<sup>5</sup> Factors Influencing Amount of Search

- Product experience
- Involvement
- Perceived risk
- Value of search effort
- Time availability
- Attitudes towards shopping
- Personal factors
- Situational influencers

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## LO<sup>5</sup> Exhibit 12.6 Experience and External Search



Sources: Srinivasan, Narasimhan, and Brian T. Ratchford (1991), "An Empirical Test of a Model of External Search for Automobiles," *Journal of Consumer Research*, 18, 233-242; Johnson, Eric J., and Edward J. Russo (1984), "Product Familiarity and Learning New Information," *Journal of Consumer Research*, 11, 542-556; Moore, William L., and Donald R. Lehmann (1980), "Individual Differences in Search Behavior for a Nonrurable," *Journal of Consumer Research*, 7, 296-307.

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## LO<sup>5</sup> Search Regret

Negative emotions that come from a failed search process. When consumers are unable to find a solution to their problems, the decision-making process halts. As a result, consumers may feel the process was a wasted effort.

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## LO<sup>5</sup> Pay to Play

A way to introduce new products to consumers is by requiring marketers to pay "slotting fees" to retailers. These fees guarantee that a new product will be placed in a specific location in the store.



- PROS:
- Balance risk
  - Signal the value of the new product
  - Signal the attractiveness

- CONS:
- Represent a type of extortion
  - Can violate anti-trust laws

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LO<sup>6</sup>

Understand the difference between evaluative criteria and determinant criteria.

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## LO<sup>6</sup> Evaluative Criteria

The attributes, features, or potential benefits that consumers consider when reviewing possible solutions to a problem.

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## LO<sup>6</sup> Determinant Criteria

The evaluative criteria that are related to the actual choice that is made.

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## LO<sup>6</sup> Example of a Determinant Criterion

When the MacBook Air was introduced, the product was promoted largely on thinness and portability.



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LO<sup>7</sup>

Comprehend how value affects the evaluation of alternatives.

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## LO<sup>7</sup> Value and Alternative Evaluation

- **Hedonic criteria** – emotional, symbolic, and subjective attributes or benefits that are associated with an alternative.
- **Utilitarian criteria** – functional or economic aspects associated with an alternative.
- **Bounded rationality** – perfectly rational decisions are not always feasible due to constraints found in information processing.

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## LO<sup>7</sup> Types of Evaluation Processes

**Affect-based evaluation**  
Evaluate products based on the overall feeling that is evoked by the alternative.

**Attribute-based evaluation**  
Evaluate alternatives across a set of attributes that are considered relevant to the purchase situation.

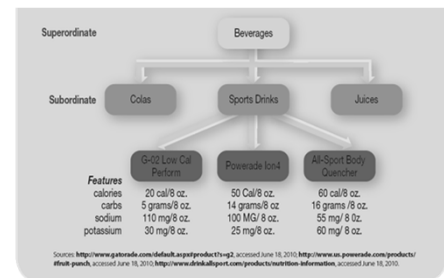
## LO<sup>8</sup>

Explain the importance of product categorization in the evaluation of alternatives process.

## LO<sup>8</sup> Product Categories

- Mental representations of stored knowledge about groups of products.
- Category levels:
  - Superordinate
  - Subordinate

## LO<sup>8</sup> Superordinate and Subordinate Categorization



## LO<sup>8</sup> Attributes

Perceptual attributes

Underlying attributes

## LO<sup>8</sup> Signals

- A characteristic that allows a consumer to diagnose something distinctive about an alternative
- Signals include:
  - Brand name
  - Price
  - Appearance
  - Retailer reputation
- Signals are used when consumers are trying to collect information about quality.

### LO<sup>3</sup> Factors Determining Evaluative Criteria Used

- Situational influences
- Product knowledge
- Expert opinions
- Social influences
- Online sources
- Marketing communications

### LO<sup>3</sup> Green Marketing

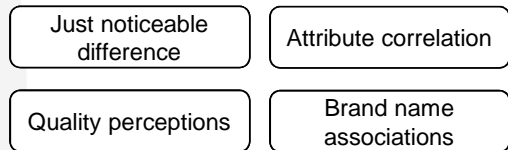
Focuses on offering sustainable products to consumers.



### LO<sup>3</sup> Consumer Judgment

- Mental assessments of the presence of attributes and the benefits associated with those attributes.
- Consumers make judgments about:
  - Presence of features
  - Feature levels
  - Benefits associated with features
  - Value associated with the benefit
  - How objects differ from each other

### LO<sup>8</sup> Issues Affecting Consumer Judgments



### LO<sup>8</sup> Brand Names and Judgment



What can a brand name tell you about a product?

### LO<sup>8</sup> Missing Information

Features	Television A	Television B
Consumer satisfaction ratings	Good	Excellent
Warranty	2 years parts & labor	Not given
Picture quality	Not given	Good

Source: Kivetz, R., and J. Simonson (2000), "The Effects of Incomplete Information on Consumer Choice," *Journal of Marketing Research*, 37 (6), 427-448.



LO<sup>9</sup>

Distinguish between compensatory and noncompensatory rules that guide consumer choice.

LO<sup>9</sup> Consumer Choice: Decision Rules

**Compensatory rules**  
Allow consumers to select products that may perform poorly on one attribute by compensating for the poor performance by good performance on another attribute.

**Noncompensatory rules**  
Strict guidelines are set prior to selection, and any option that does not meet the specifications is eliminated from consideration.

LO<sup>9</sup> A Compensatory Approach

Attribute	LIFESTYLE			CURVES		SHAPES	
	e	b	(b)(e)	b	(b)(e)	b	(b)(e)
Circuit training	-1	1	-1	10	-10	9	-9
Class variety	2	10	20	2	4	3	6
Amenities	1	9	9	5	5	5	5
Fees	-3	6	-18	4	-12	5	-15
Location	3	6	18	8	24	9	27
A <sub>o</sub>			28		11		14

Note: "e" = evaluative ratings. These ratings are generally scaled from -3 to +3, with -3 being very negative and +3 being very positive. "b" = strength of belief that the object possesses the attribute in question. Beliefs are generally scaled from 1 to 10, with 1 meaning "highly unlikely" and 10 meaning "highly likely." "b(b)(e)" is the product term that is derived by multiplying the evaluative ratings (e) by belief strength (b). A<sub>o</sub> is the overall attitude toward the object. This is determined by adding the b(b)(e) product terms for each object.

The formula  $[A_o = \sum(b)(e)]$  allows for poor scores on one attribute to be compensated for by good scores on another.

LO<sup>9</sup> Noncompensatory Models

- Conjunctive rule
- Disjunctive rule
- Lexicographic rule
- Elimination-by-aspects rule (EBA)

LO<sup>9</sup> Noncompensatory Decision Approaches

Attribute	Importance	Chevy Aveo Belief Ratings	Ford Focus Belief Ratings	Honda Fit Belief Ratings	Hyundai Accent Belief Ratings
Gas mileage	10	5	7	9	8
Low price	9	8	6	7	10
Styling	8	9	8	4	4
Warranty	5	4	8	9	8
Service	6	5	6	7	3
Handling	7	6	5	3	3

Note: Belief ratings are performance judgments scaled from 1 = very poor to 10 = very good. Importance ratings are scaled so that 10 = most important, 9 = next most important, and so on.  
Source: Wang, J. (1993). "Consumer Choice Strategies: Simplifying vs. Optimizing." Journal of Marketing Research, 31(2), 10-17.