

Module - 4

CONSUMER BEHAVIOR

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LESSON – 8 THE CONSUMER DECISION MAKING PROCESS II

Instructional Objectives

After completion of this lesson, the student shall know about:

4.5 CONSUMER DECISION MAKING PROCESS:

Marketers are interested in consumers' purchase behaviors, i.e., the decision making process. The consumers' decision making is a choice amongst various alternatives that address problematic issues like:

- what to buy;
- where to buy;
- when to buy;
- how to buy;
- how much to buy.

Consumer decision making involves a continuous flow of interactions among environmental factors, cognitive and affective processes and behavioral actions. A consumers decision's are based on knowledge, affect and behavior related to the marketing mix.

Stages in Consumer Decision Making Process: There are five stages in the consumer decision making process. These are

1. Need recognition/Problem recognition
2. Pre-purchase information search
3. Evaluation of alternatives
4. Purchase decision
5. Post-purchase outcome and reactions

Each of these stages are explained as follows:

1. Need recognition/Problem recognition: This is a stage of perceiving a deficiency/need. A need could be triggered off by an internal stimulus or an external stimulus. For example, a person is thirsty and feels like having a cola drink. The stimulus is internal. On the other hand, while walking across the street, he sees a hoarding which shows a person having a frosted, chilled cola, and he too desires to have the same, the need is said to have been stimulated by an external stimuli.

A need or problem recognition could be Simple or Complex.

a) Simple: Simple problem recognition is similar to Structured Problems; They occur frequently as a routine and can be dealt with automatically without much effort.

b) Complex: A Complex problem recognition is similar to Unstructured Problems; They occur infrequently as unique and non-routine and need considerable effort to be solved.

A need or problem recognition could result when:

a) the Actual State changes (AS type):

- the product is failing, or the consumer is running short of it;
- there is a problem that exists.
- consumers who react in such situations are called AS Types.

Example: A product stops functioning and the customer needs a replacement; eg. A refrigerator; Samsung One door: Standard;

b) the Desired State changing (DS type):

- there is an imbalance between the actual state and the desired state
- another product seems better and superior to the one that is being currently used;
- consumers who react in such situations are called DS Types.

Example: The product is functioning properly; but the consumer wants to buy an upgraded model; eg., The refrigerator is functioning properly; However, the customer wants to buy another one which has more features and is more modern; Samsung Two doors: Deluxe: Frost free;

Which of the particular styles operates' depends on the product or service in question as well as the situation.

Whether a problem is an AS or DS Type also gets affected by an individual and his personality. Some consumers are AS Types, who realize that there is a problem after it has arisen, and so they go in for a purchase; They are reactive by nature; Eg. The consumer reacts after the refrigerator breaks down.

Other consumers are the DS Types, who want to upgrade to better/newer products; They are proactive; Eg. Want to purchase a newer model of the refrigerator.

A need is recognized in any of the following situations:

- a) When a current product brand X is not performing well.
- b) When the current product brand X is nearing depletion.
- c) When another brand Y seems superior to the one currently owned, X.

b) Pre-purchase information search: After a need is recognized, the consumer goes for an information search, so as to be able to make the right purchase decision. He gathers information about the:

- (i) product category and the variations
- (ii) various alternatives
- (iii) various brands.

The amount of information a consumer will gather depends on the following:

- i) the consumer: demographics (age, gender, education), psychographics (learning, attitudes, involvement, personality type)
- ii) product category: differentiation and alternative brands available, risk, price, social visibility and acceptance of the product.
- iii) situation: time available at hand, first time purchase, quantity of information required, availability of information.

Types of Search Activity:

The information search activity may be of various types, viz, specific, ongoing and incidental.

(i) Specific: This type of search activity is specific to the problem and/ immediate purchase; it is spurred as the need arises, and the consumer actively seeks information. Example: student enters college and needs to buy a laptop so that he can work on his assignments.

(ii) Ongoing: Here the search activity is a gradual process that could span over time. Example: the same student, has been thinking of purchasing the laptop since the past five years, and over these past 5-6 years, he has been gathering information specific to the laptop as a product category and also about the various brands available.

(iii) Incidental: This is a byproduct of another search activity or experiences. Consumers absorb information from their day to day routine activities and experiences. Example: the student goes to a mall; he has gone there to help his mother buy a microwave oven; there in the store, he attends a demonstration of a new laptop that is being launched.

Information Sources:

The information sources are of two types:

i) Internal sources: This includes the consumer and his self. He recalls information that is stored in his memory (comprising information gathered and stored, as well as his experiences, direct and indirect). Internal sources seem sufficient when:

- it is a routine purchase
- the product is of low involvement

ii) External sources: Here the consumer seeks information from the external environment. External sources of information include:

- Interpersonal communication (family, friends, work peers, opinion leaders etc.)
- Marketing communication or commercial information (advertisements, salespeople, company websites, magazines etc.)

-Other public sources (editorials, trade magazines and reports, consumer awareness programmes on TV, Internet etc.)

External sources are resorted to in cases where:

- past knowledge and experience is insufficient.
- the product is of high involvement and the risk of making a wrong decision is high.

c) Evaluation of alternatives: Once the consumer has gathered information and identified the alternatives, he compares the different alternatives available on certain criteria. This involves: **i)** Generation of choice alternatives; **ii)** Identification of evaluative criteria: Attributes and Benefits; **iii)** Application of Decision Rules.

i) Generation of choice alternatives: While generation of alternatives, a consumer moves from an evoked set towards the choice set.

- Evoked set/Consideration set: This is the set of alternatives that he actively considers while making a purchase decision; these exist either in his memory or feature prominently in the environment. The consumer perceives them to be acceptable.

- Inept set: These are those alternatives from the evoked set that the consumer excludes from further consideration, as he perceives them to be inferior and unacceptable.

-Inert set: These are those alternatives from the evoked set that the consumer excludes from further consideration, as he is indifferent towards them and perceives them as ones without much advantages or benefits.

- Choice set: This comprises the final set of one or two brands from which he finally decides.

ii) Identification of Evaluative Criteria: Attributes and Benefits: These are objective and subjective parameters of the brand that the consumer regards as important, and uses as standards to discriminate among the various alternatives. The consumer evaluates the different alternatives on one or few or many of these features and then makes a final choice. They are features that a consumer considers in choosing among alternatives; these could be functional/utilitarian in nature (benefits, attributes, features), or subjective/emotional/hedonic (emotions, prestige etc.). The major evaluative criteria are:

- **Economic:** Price, Value (Product Attributes, Brand image, Evaluation of Quality, Price, & Features).
- **Behavioral:** Need/motivation, Personality, self-concept and self-image, Lifestyle etc.
- **Social influences:** Group influences, environmental issues etc.

iii) Application of Decision Rules to make a final choice amongst alternatives: The consumer uses certain decision rules. The decision rules help a consumer simplify the decision process; the various evaluative criteria are structured and integrated so as to simplify the evaluation process. There can be two kinds of Decision Rules, viz., Compensatory rules and Non-compensatory rules.

1. Compensatory rules: Under compensatory rules, the various evaluative criteria are listed as attributes. These attributes are scored and rated for the various alternative brands. A lower rating on an attribute may be offset by a higher rating on another; i.e. a higher rating on one attribute would compensate for a lower rating on another. Based on the final scores, the brands are ranked; the one with the highest score, being regarded as the best. The consumer would then select the brand that scores the highest among the various alternatives that have been evaluated. Compensatory rules could assume two forms: simple and weighted.

- **Simple summated:** The attributes are rated for each brand and the scores are totaled.

- **Weighted:** The attributes are first given weights relatively based on the level of importance; thereafter, the attributes are rated and finally scored after multiplication with the weights. The weighted scores are then totaled.

2. Non-Compensatory rules: Here, a negative evaluation of any one attribute eliminates the brand from consideration. A lower rating on an attribute cannot be offset by a higher rating on another; i.e. a higher rating on one attribute would not compensate for a lower rating on another. The consumer would then select the brand that scores the highest among the various alternatives that have been evaluated. Non-compensatory rules could assume three forms: conjunctive, disjunctive and lexicographic.

Conjunctive rule: A minimally acceptable cut off point is established for each attribute. The brands are evaluated, and, the brand that falls below the minimally acceptable limit on any of the attributes is eliminated/rejected.

Disjunctive rule: a minimally acceptable cut off point is established for each attribute. The brands are evaluated, and, the brand that falls above the cut off point on any of the attributes is selected.

Lexicographic rule: The various attributes are ranked in terms of perceived importance. First, the brands are evaluated on the attribute that is considered the most important. If a brand ranks considerably high than the others on this attribute, it is selected. In case the scores are competitive, the process may be repeated with the attribute considered next in importance.

Sometimes the application of one rule may not be enough; And another may also be applied to reach a final decision.

Table 1: Decision rules with Examples

DECISION RULE	EXAMPLE
Compensatory rule:	The consumer chooses that laptop which he judges as the best when he balances the good and bad ratings with each other.
Non Compensatory rules:	
Conjunctive rule	The consumer chooses that laptop that has no bad features.
Disjunctive rule	The consumer chooses that laptop that has at least one good feature.
Lexicographic rule	The consumer chooses that laptop that is the best on the most important of all features.

d) Purchase decision: After the consumer has evaluated the various alternatives, he selects a particular brand. Consumer purchases may be trials/first purchases or repeat purchases.

Trials/First purchase: Trials could be elicited through market testing, or through promotional tactics such as free samples, coupons, etc.

Repeat purchases: If the consumer is satisfied, he would buy the brand again. Repeat purchases lead to brand loyalty.

The consumer may further have to make decisions on:

- a) where to buy from? (Place: Real/brick and mortar or virtual/online);
- b) whom to buy from? (Which store: Depends on reputation of seller, past experience, etc.)
- b) when to buy? (Time: Emergency or Routine; During season, off season, sale, rebate etc.)

It is noteworthy that a purchase intention (desire to buy the most preferred brand) may not always result in a purchase decision in favor of the brand; it could get moderated by (i) Attitudes of others; and (2) Unexpected situational factors.

e) Post-purchase outcome and reactions: The post purchase outcome and reactions contains two stages; Stage I comprises Post purchase Cognitive Dissonance, and Stage II comprises Product usage and reaction.

Stage I: Post purchase Cognitive Dissonance: This is a feeling of tension and anxiety that a consumer experiences after the purchase of a product. The consumer begins to have a feeling of uncertainty with respect the performance of the product and begins to doubt his purchase decision “whether the decision was the right one?”. He begins to ask himself the following questions:

- a) Have I made the right choice?
- b) Have I purchased the right brand?
- c) Have I got value for money?

The Fox and the Sour Grapes is a perfect example of Cognitive Dissonance.

Cognitive dissonance generally occurs in cases where:

- (i) the decision making and purchase relates to a high involvement product;
- (ii) the purchase activity is irrevocable;
- (iii) the consumer cannot return the product;
- (iv) the various alternatives have desirable features and are all comparable;
- (v) the alternatives are also unique in some way or the other.

Consumers try to reduce this dissonance by:

- (i) gaining more product information;
- (ii) discussing with other satisfied customers who have bought the same product/brand;
- (iii) going back to the dealer and asking for reassurances.

Other methods that consumers employ to reduce cognitive dissonance are by:

- rationalizing that the choice that they have made is the right one.
- refer to data (printed/audio visual) that supports and recommends the chosen product/brand.
- make others buy the same product/brand to reassure their choice.

Marketers also employ strategies to reduce this dissonance by providing guarantees and warranties, membership to company consumer forums and communication and follow up with the customers.

Stage II: Product usage and reaction: After the purchase, the consumer uses the product and re evaluates the chosen alternative in light of its performance viz. a viz. the expectations. This phase is significant as it (i) acts as an experience and gets stored in the memory; (ii) affects future purchase decisions; (iii) acts as a feedback. There could be three situations that can arise:

- Performance meets expectations: This leads to a neutral feeling; Customer may think of more suitable alternatives next time.

- Performance exceeds expectations: The customer is satisfied and this leads to a positive feeling. He would tend to repeat purchase and it would lead to brand loyalty. He would also spread positive word of mouth.

- Performance falls short of expectations: Here, the customer is dissatisfied and this leads to a negative feeling. The customer would search for other alternatives, express grievances, spread negative word of mouth and may even resort to legal action.

Note:

It is important to note that the five staged decision making process is not so simple; it is **complex**. The decision making process is an **interplay of reactions** amongst a consumer and his cognition, affect and behavior on the one hand, as well as the environmental forces on the other hand. Further, the procedure **may not always follow a linear order**, and the decision making **may not always proceed through all the five stages**; it would vary across (i) the nature of the product (high and low involvement); (ii) the purchase situation (emergency or planned or routine); (iii) the personal characteristics of the consumer; and (iv) the type of problem solving (EPS, LPS and RPS).

4.6 IMPLICATIONS FOR A MARKETER:

An understanding of the consumer decision making process, can help a marketer formulate appropriate marketing strategies. He can also model his marketing mix accordingly. The implications of understanding the dynamics of consumer behavior are discussed as follows:

1. Need/Problem recognition:

- A marketer can create an imbalance between the actual and desired state; it would trigger of the purchase decision process.
- He can launch newer models; marketing communication has a big role to play.
- He can focus on both functional (utilitarian) and emotional (hedonic) benefits that the product purchase could offer.
- He can activate a need through communication (advertisements, sales promotion, point-of-purchase stimuli, opinion leaders and reference groups).

2. Pre-purchase information search:

- Marketing communication has an important role at this stage.
 - The marketer can identify the sources of information that the people generally access and use these to present information about his product and service offering.
 - The marketer can also identify the functional or hedonic utility and use appeals accordingly.
 - This would help create the right kind of cognitive and emotional touch point so as to elicit a favorable behavior (purchase).
 - The marketer should be able to provide the right kind of information at the right place and at the right time.
 - The marketer must make sure that his product and service offering forms a part of the evoked /consideration set.
- a) For high involvement products: the marketer should ensure that information is available.
 - b) For low involvement products: he should use emotional appeals, POP stimuli etc.

3. Evaluation of alternatives:

-The marketer should be careful that his product is:

- i) positioned and promoted well;
- ii) is readily available and displayed well;
- iii) the product features prominently in the evoked/consideration set; and,
- iv) he highlights those attributes and benefits that are regarded as most important to the consumers, and which they are most likely to evaluate while selecting an alternative.

-The marketer should inform and educate the customer about the various criteria to use for evaluation of alternatives.

-While doing so an intelligent marketer should focus on those attributes, where his product is better and/superior.

4. Purchase decision:

- The marketer should be careful to stock the product at the right place at the right time so that the consumer who has made a decision in favour of the brand can have access to the product; Else the consumer may have to change his decision at the last moment.

- As far as trial and first time purchases are concerned, the marketer should encourage trials through market testing, or through promotional tactics such as free samples, coupons, etc.

- For repeat purchases:

- i) the marketer should make sure that he has satisfied the customer at the first time.

- ii) that his offering is a part of the evoked/consideration set.

He should aim towards creation of brand loyalty.

v) Post-purchase outcome and reactions:

- The marketer can play an important role in reducing the dissonance that the consumer faces and reassuring him that the choice he made was the right one.

i) The marketer can communicate with the customer about the various attributes/features and benefits that the product has to offer in comparison with other alternatives.

ii) He can follow up with the customer and address queries and concerns if any (eg. follow up calls).

iii) Marketers' assurances with respect to warranties, guarantees and exchange can also pacify the cognitive dissonance state.

iv) Company websites with FAQs (frequently asked questions); satisfied customers' comments and blogs; and customer care information (eg. toll free numbers etc) can also prove to be helpful.

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FAQS (FREQUENTLY ASKED QUESTIONS):

Ques 1 Write a short note on the Internal and External sources of Information.

Ans 1 The information sources are of two types:

a) Internal sources:

This includes the consumer and his self; recall information in his memory (comprising information gathered and stored, as well as his experiences, direct and indirect);

Internal sources seem sufficient when:

- it is a routine purchase
- the product is of low involvement

b) External sources:

This includes:

- Interpersonal communication (family, friends, work peers, opinion leaders etc.)
- Marketing communication (advertisements, salespeople, company websites, magazines etc.)
- Other sources (editorials, trade magazines and reports, consumer awareness programmes on TV, Internet etc.)

External sources are resorted to in cases where:

- past knowledge and experience is insufficient.
- the product is of high involvement and the risk of making a wrong decision is high.

Ques 2 Compare and contrast the various Decision rules:

Ans 3 Compensatory and Non-compensatory rules

Compensatory rules

- The evaluative criteria are listed as attributes; these attributes are scored and rated and scored for the various alternative brands.

- A lower rating on an attribute may be offset by a higher rating on another; i.e. a higher rating on one attribute would compensate for a lower rating on another.

- This could assume two forms: simple and weighted.

i) Simple summated:

-The attributes are rated for each brand and the scores are totaled.

ii) Weighted:

- The attributes are first given weights relatively based on the level of importance; thereafter, the attributes are rated and finally scored after multiplication with the weights. The weighted scores are then totaled.

Non-compensatory rules

- A negative evaluation of any one attribute eliminates the brand from consideration.

- A lower rating on an attribute cannot be offset by a higher rating on another and vice versa.

- This could assume three forms: conjunctive, disjunctive and lexicographic.

i) Conjunctive rule:

-A minimally acceptable cut off point is established for each attribute; The brand that falls below the minimally acceptable limit on any of the attributes is eliminated/rejected.

ii) Disjunctive rule:

-A minimally acceptable cut off point is established for each attribute; The brands are evaluated, and, the brand that falls above the cut off point on any of the attributes is selected.

iii) Lexicographic rule:

-The various attributes are first ranked in terms of perceived importance.

-The brands are first evaluated on the attribute that is considered the most important. If a brand ranks considerably high than the others on this attribute, it is selected.

Ques 3 What is cognitive dissonance? How can a marketer help reduce cognitive dissonance?

Ans 3 The feeling of tension and anxiety that a consumer experiences after the purchase of a product is called cognitive dissonance.

- The marketer can play an important role in reducing the dissonance that the consumer faces and reassuring him that the choice he made was the right one.

a) The marketer can communicate with the customer about the various attributes/features and benefits that the product has to offer in comparison with other alternatives.

b) He can follow up with the customer and address queries and concerns if any (eg. follow up calls).

c) Marketers' assurances with respect to warranties, guarantees and exchange can also pacify the cognitive dissonance state.

d) Company websites with FAQs (frequently asked questions); satisfied customers' comments and blogs; and customer care information (eg. toll free numbers etc) can also prove to be helpful.

SELF EVALUATION TESTS/QUIZZES:

Section A True/false:

1. The set of alternatives that a consumer actively considers while making a purchase decision is called the choice set.
2. Under conjunctive rules, a minimally acceptable cut off point is established for each attribute; The brands are evaluated, and, the brand that falls below the minimally acceptable limit on any of the attributes is eliminated/rejected.

Section B Fill up the blanks:

1. In _____ rules a lower rating on an attribute may be offset by a higher rating on another.
2. Those alternatives from the evoked set that the consumer excludes from further consideration, as he perceives them to be inferior and unacceptable form the _____ set.
3. The _____ type of search activity is a a byproduct of another search activity;

Section C Multiple choice questions:

1. When a consumer desires to buy a new laptop because he wants an upgraded model, it is a _____ type of problem solving.
a) DS b) AS c) As and DS d) Routine
2. A feeling of tension and anxiety that a consumer experiences after the purchase of a product is called:
a) Disequilibrium
b) Imbalance
c) Cognitive dissonance
d) None of the above.

Section D Short answers:

1. Name the two broad categories of decision rules.
2. What are the various stages of the consumers' decision making process?
3. Mention any two external sources of information.
4. How does a consumer try to reduce cognitive dissonance?

KEY

Section A True/false:

1. False
2. True

Section B Fill up the blanks:

1. Compensatory
2. Inept
3. Incidental

Section C Multiple choice questions:

1. a
2. c

Section D Short Answers:

1. Compensatory rules and Non-compensatory rules.
 2. Need recognition/Problem recognition, Pre-purchase information search, Evaluation of alternatives, Purchase decision, and, Post-purchase outcome and reactions.
 3. Interpersonal communication, Marketing communication.
 4. Consumers try to reduce this dissonance through:
 - gaining more product information.
 - discussing with other satisfied customers who have bought the same product/brand.
 - going back to the dealer and asking for reassurances.
- rationalizing that the choice that they have made is the right one.
 - refer to data (printed/audio visual) that supports and recommends the chosen product/brand.
 - make others buy the same product/brand to reassure their choice