2
Decision Making

Chapter Objectives
1. The three categories of consumer decision-making are cognitive, habitual, and affective.
2. A cognitive purchase decision is the outcome of a series of stages that results in the selection of one product over competing options.

Chapter Objectives (Cont.)
3. We often fall back on well-learned “rules-of-thumb” to make decisions.
4. We make some decisions on the basis of an emotional reaction rather than as the outcome of a rational thought process.

Learning Objective 1
• The three categories of consumer decision-making are cognitive, habitual, and affective.
Figure 2.1 Three Types of Decision-Making

Cognitive
- deliberative, rational, sequential

Habitual
- behavioral, recession, automatic

Affective
- emotional, instantaneous

Table 2.1 A Scale to Measure Involvement

<table>
<thead>
<tr>
<th>Types of Involvement</th>
<th>Product</th>
<th>Message</th>
<th>Situational</th>
</tr>
</thead>
</table>

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Minolta Understands Perceived Risk

Five Types of Perceived Risk

- Monetary risk
- Functional risk
- Physical risk
- Social risk
- Psychological risk

Figure 2.4 Five Types of Perceived Risk

An Appeal to Social Risk
Charmin Leverages Product and Situational Involvement

For Reflection

• What risky products have you considered recently?
• Which forms of risk were involved?

Learning Objective 2

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

Steps in the Decision-Making Process

- Problem recognition
- Information search
- Evaluation of alternatives
- Product choice
Figure 2.5 Stages in Consumer Decision Making

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

For Reflection
- Is it a problem that consumers have too many choices? Would it be better to have less choices? How does it affect consumer decision-making?
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 and cybermediaries

Figure 2.7 Amount of Information Search and Product Knowledge

Alternatives

Evoked Set
Consideration Set

Figure 2.8 Levels of Abstraction
For Reflection

• Share a situation in which you searched for information deliberately and one in which you had developed product knowledge incidentally. How would you say the variations in information search affected your decision?

Table 2.2 Hypothetical Alternatives for a TV Set

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Importance Ranking</th>
<th>Prime Wave</th>
<th>Precision</th>
<th>Kamashita</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size of screen</td>
<td>1</td>
<td>Excellent</td>
<td>Excellent</td>
<td>Excellent</td>
</tr>
<tr>
<td>Stereo broadcast capability</td>
<td>2</td>
<td>Poor</td>
<td>Excellent</td>
<td>Excellent</td>
</tr>
<tr>
<td>Brand reputation</td>
<td>3</td>
<td>Excellent</td>
<td>Excellent</td>
<td>Poor</td>
</tr>
<tr>
<td>On-screen programming</td>
<td>4</td>
<td>Excellent</td>
<td>Poor</td>
<td>Poor</td>
</tr>
<tr>
<td>Cable-ready capability</td>
<td>5</td>
<td>Good</td>
<td>Good</td>
<td>Good</td>
</tr>
<tr>
<td>Sleep timer</td>
<td>6</td>
<td>Excellent</td>
<td>Poor</td>
<td>Good</td>
</tr>
</tbody>
</table>

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

Learning Objective 3

• We often rely upon “rules-of-thumb” or cues in the environment to make future decisions.
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

Strategic Implications of Product Categorization

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

Heuristics

- Covariation
- Country of Origin
- Familiar Brand Names
- Higher Prices

For Reflection

- Think of some of the common country of origin effects (e.g., watches, wine). Which ones affect your consumer choices? What could brands from other countries do to compete such effects?
Learning Objective 4

• We make some decisions on the basis of an emotional reaction rather than as the outcome of a rational thought process.

For Reflection

• When have you made a high involvement decision on the basis of affect?
• Were you in a maximizing mode or satisficing mode?

For Review

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