**MKT305: Week 7 Lecture 2: Consumer Behavior:** Decision Making I: Need Recognition and Search

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| **Slide #** | **Topics** | **Narration** |
| Slide 1 | Introduction | Welcome to Consumer Behavior.  In this lesson we will discuss decision making and need and search recognition.  Next slide. |
| Slide 2 | Topics | The following topics will be covered in this lesson:  Consumer decision making;  Decision making and choice;  Decision-making perspectives;  Rational decision-making perspective;  Behavioral influence decision-making perspective;  Decision-making approaches;  Extended decision-making;  Limited decision-making;  Habitual decision-making;  Need recognition;  Search behavior;  The consideration set;  External search;  The role of price and quality in search process;  External search and the Internet;  Amount of search; and  Search regret.  Next slide. |
| Slide 3 | Topics, continued |  |
| Slide 4 | Consumer Decision Making | On a daily basis we make numerous decisions as consumers. What do I need at the grocery store for dinner? Which grocery store is on my way home from work? Where will I buy soccer cleats that my daughter needs for practice? Some decisions are obviously bigger than others. Making a decision as to what items are needed to make dinner entails much more than deciding where to go to college for example.  Remember from our prior lessons that the consumption process begins with the *recognition of a need*. For instance, a consumer realizes that they needs golf balls since they has lost a lot while practicing on the golf course. However, some consumers may realize a need for something, but wait to buy it at a later date.  Next slide. |
| Slide 5 | Decision Making and Choice | The end goal of the decision-making process is that a *choice is made*. However, we must be conscientious of the fact that the choice that is made does not necessarily *involve a purchase*. The decision-making process does not always involve *an actual tangible product*. For example, a consumer may make the choice to volunteer at their son’s elementary school a few hours a week. The decision is made to trade the consumer’s time for the value that they receive from the volunteer experience.  Decision-making is also related to both *motivation* and *emotion*. In terms of motivation, consumers are motivated to make decisions to address an *identified need*. Regarding emotion, it depends upon the *type of product* that is being considered. Consumers may become frustrated, impatient, irritated, or angry as they attempt to make difficult decisions or when they can’t find *acceptable solutions* to a problematic situation.  Next slide. |
| Slide 6 | Decision-Making and Choice | The decision-making process can be viewed from a couple different perspectives including the *rational decision-making perspective* and the *behavioral influence decision-making perspective*. It is important to note that these perspectives serve as theoretical frameworks for which decision-making can be viewed. Additionally, most consumer decisions can be analyzed by using a *combination* of these two perspectives.  Next slide. |
| Slide 7 | Rational Decision Making Perspective | The **rational decision-making perspective** is considered the *traditional approach* to studying decision-making. It assumes that consumers are *rational beings* that diligently gather information about purchases, product features, brands, and attributes before making an informed decision as to what to purchase. A consumer who buys a new cell phone and gathers information about text messaging and Internet access capabilities and monthly service fees before making a decision as to which provider to use would be following a *rational-decision making process*.  Even though this perspective makes sense, not all consumers follow it in all situations since some decisions are made with very little thought or effort beforehand. What is considered rational to one consumer may not be rational to another. For example, one woman may feel that buying a thousand dollar Coach handbag is *rational*, while another woman may feel that it is *irrational* to spend this much money for a purse.  Next slide. |
| Slide 8 | Behavioral Influence Decision Making Perspective | The behavioral influence decision-making perspective assumes that many decisions are *learned responses to environmental influences*. Clothing stores that cater to adolescents are known for piping upbeat, contemporary music into their stores to make for a more pleasant shopping atmosphere that will encourage purchases.  Next slide. |
| Slide 9 | Decision Making Approaches | The actual decision-making approach that a consumer takes will depend upon the amount of *involvement* a consumer has with the product and the amount of risk involved with the decision. As *involvement* and *risk increase*, consumers are more cautious about their decision-making process and often take more time making the decision. The *perceived risk* is the perception of the negative consequences that will result from a specific course of action that is being considered, as well as the uncertainty of which course of action is actually the best to take.  Consumers face many different types of risk including *financial* which is the risk associated with the cost of the product. *Social risk* is the risk that relates to how other consumers will view the purchase. *Performance risk* refers to the risk associated with the likelihood that the product will perform as the consumer expects it to. While *physical risk* has to do with the risk associated with product safety and the likelihood that physical harm will result from its consumption. Lastly, *time risk* refers to the risk associated with the amount of time required to search for the product.  Next slide. |
| Slide 10 | Extended Decision Making | Decision-making approaches can be classified into three categories. The first category is known as **extended decision-making**. When consumers practice extended decision-making they often search diligently for information that will aid them in making a satisfactory decision. The information that is gathered can be from previous experience or from external sources such as the Internet. After information is gathered, the consumer carefully assimilates it and evaluates each option based upon whether it will meet the need identified. For the most part, extended decision-making is a *lengthy process* since it occurs when there is high involvement and significant purchase risk. Big ticket items such as automobiles, expensive jewelry, houses, and televisions are purchased after an *extended decision-making process* has taken place.  Next slide. |
| Slide 11 | Limited Decision Making | The second category of decision-making approaches is **limited decision-making**. When consumers use limited decision-making, they do not search for very much information about a product and often reach a decision based on *prior beliefs* about products and their attributes. Little *comparison* between brands is performed. Since consumers often experience time constraints, limited decision-making is used frequently. There are typically *low* amounts of purchase risk and product involvement in limited decision-making situations. For example, the decision to purchase grocery staples such as bread, milk, eggs, and butter would typically involve*limited decision-making*. This is due to consumers already being aware of the attributes of these products and often little to no comparisons are made between products such as these.  Next slide. |
| Slide 12 | Habitual Decision Making | The third category of decision-making is referred to as **habitual decision-making** or **routine decision-making**. This type of decision-making occurs when the consumer *does not seek* information when a need is identified. The consumer’s choice is often based on *habit* and the brand the consumer prefers. Most consumers have favorite types of foods that they routinely purchase and consume.  *Brand loyalty* is a strong commitment to buy a product regardless of the situational influences. The consumer has a bond with the product. For example, some consumers prefer Lay’s potato chips over a competing brand. **Brand inertia** happens when a consumer repeatedly buys a product without any real attachment to it.  Next slide. |
| Slide 13 | Check Your Understanding |  |
| Slide 14 | Need Recognition | As you have already learned, the decision-making process begins with the *recognition of a need*. The need is recognized when there is a difference between the *consumer’s actual state* and *their desired state*. The actual state is their *perceived current state*. Their *desired state* is the perceived state that the consumer strives for. For example, a consumer realizes that they have run out of Listerine mouthwash. They have a need for this product. Since they use it twice daily, the consumer will be motivated to satisfy this need soon. However, not all needs that are *identified* prompt the consumer to make a purchase. For instance, a consumer who is a runner knows that running shoes should be replaced after running three hundred to five hundred miles. Since the consumer runs an average of twenty miles per week, they know that their running shoes will need to be replaced within four to five months.  Next slide. |
| Slide 15 | Search Behavior | After a need has been *identified*, consumers will seek information to use to satisfy the need. Consumers will search for such information as the following:  The number of alternatives available;  The price of the alternatives;  The attributes of all alternatives available; and  The performance of each attribute.  Four types of search behaviors have been identified. The first is referred to as **ongoing search**. Ongoing search entails seeking information simply because the consumer has an interest in a particular topic, product, or organization. High school juniors often engage in ongoing search when they are gathering information about where to go to college, the different offerings of colleges, and the options for academic majors. The focus of an ongoing search isn’t necessary to make a purchase. Rather, it is *staying up to date on a topic of interest*.  The second type of search behavior is known as **prepurchase search**. Prepurchase search activities are conducted to locate information to enable the consumer to make a decision for a specific purchase. For instance, a family needs a new washing machine. They search online to gather information regarding the different models, brands, prices, and features of washing machines.  One problem that consumers have found with searching the Internet for information is *information overload*. **Information overload** is when too much information is presented and the consumer has difficulty assimilating it all. One way to alleviate information overload is to join social networking sites such as Facebook. Many businesses are using Facebook to provide consumers with specific information regarding their products and they frequently provide input and comments from other consumers regarding the product features, attributes, and functionality.  Next slide. |
| Slide 16 | The Consideration Set | Consumers will perform an *internal search* of products and services to retrieve knowledge about them that is stored in memory when a need is identified. This is done to find possible solutions to the problem that can help the consumer make a decision. The consideration set is all *alternatives* that are considered acceptable for further consideration in decision-making. For instance, a mother is planning a special sixteenth birthday party for her daughter and needs a birthday cake. She conducts an internal search of her memory and remembers that her daughter’s favorite flavor of cake is chocolate with chocolate frosting. Typically, Mom makes a cake from a box mix and uses canned frosting. However, since this is her daughter’s sweet sixteen birthday party, Mom considers other alternatives such as getting a decorated chocolate cake with chocolate frosting from the bakery at the grocery store.  Next slide. |
| Slide 17 | External Search | At times, consumers do not have *sufficient information* stored in their memories to help them with adequate problem solving. Because of this, an external search is necessary. **External search** involves gathering information from sources external to the consumer such as friends, family, salespeople, advertising, or the Internet. Factors such as how easy it is to obtain the information, how objective the source of the information is, the trustworthiness of the source, and the speed with which the information can be obtained are *all considered* by consumers when they are conducting an *external search*. Typically, consumers will find information from family and friends to be *dependable*. However, information obtained from salespeople or advertising is considered *less credible* for input into decision making.  Next slide. |
| Slide 18 | The Role of Price and Quality in Search Process | Consumers use both *price* and *quality* as *evaluation criteria* to aid with decision-making and they tend to seek information regarding price and quality *early* in the search process. *A product’s price* is related to the *value* that the consumer will receive. A high price tag on a product typically is a bad thing for most consumers. This is especially the case for consumers who are bargain conscious. However, a product’s price may also signal *how desirable the product is* and the *amount of prestige that will be associated with it* if the consumer purchases it. For example, many consumers would not want to spend the money to purchase a BMW automobile since they feel the price is *too high*. However, some consumers are willing to pay a higher price tag for a luxury car because of the *prestige* that its possession will provide the consumer.  Consumers are almost always interested in the *quality* of products. **Quality** represents the perceived overall goodness or badness of a product. *Quality perceptions* happen before and after the purchase takes place; however consumers do not always seek high quality because it may not be necessary or desired. For instance, a consumer decides to purchase a new vehicle. The consumer has limited funds and is conscientious of gas mileage, car payments, and their insurance rates increasing because they are buying a new car. They decide to purchase a lower quality economy car that provides them with the features that they needwhich includes good gas mileage and low car payments. They are not interested in buying a larger, nicer car with more features because these are qualities that they are not interested in based upon their economic situation.  Next slide. |
| Slide 19 | External Search | The *Internet* is a tool that allows consumers to use websites such as Google, Ask, and Bing to search for information in *simplified, efficient ways*. Any question a consumer has can be Googled and within seconds thousands of websites will be at the consumer’s disposal to peruse. In this way, the Internet has improved consumer search activities in many different ways.  First, the Internet *lowers the costs* that are related to the search and it makes the process *more productive*. Think about yourself as an online college student. You have access to the university’s library online at your fingertips from the comfort of your home. Previously, many trips to the campus library would have been necessary to find and retrieve information for completing research papers and projects. Secondly, searching online can be an *enjoyable activity* and provide *hedonic value* to the consumer. Third, the ability to control the flow of information more efficiently is possible with Internet search activities when compared with a television commercial or radio ad for example.  Studies have revealed that *Internet search behavior* is impacted by the *construction of the website* that the consumer visits. One study found that consumers spend more time in *three dimensional, interactive web environments* than in *two dimensional ones*.  Next slide. |
| Slide 20 | Amount of Search | Many *differentfactors* influence the amount of search that consumers conduct to gather information to make a decision. One factor is the amount of *experience*a consumer has with a product. Prior experience usually influences how much a consumer *searches*. *Moderately experienced* consumers search for information more than either experienced or inexperienced consumers. The second factor influencing the amount of search conducted is the *level of product involvement*. Search activities tend to increase when a consumer has a *high level of involvement* with a product. The *perceived risk* for a consumer is another factor. As perceived risk increases, *search effort* increases. Lastly, the *value of the search effort* is a factor. Some consumers find value in the *search process* itself.  Next slide. |
| Slide 21 | Search Regret | There are times when consumers are unable to find the information they are seeking and due to this, the search process becomes *emotional* for the consumer. They may experience what is known as **search regret**. Search regret refers to the negative emotions that result from a *failed search effort*. When this happens, consumers often stop the search process and as a result, the decision-making process also stops. The consumer may feel that they have wasted their time by searching for information to help them self make a decision since the information they needed was not found.  Next slide. |
| Slide 22 | Check Your Understanding |  |
| Slide 23 | Summary | We have reached the end of this lesson. Let’s take a look at what we’ve covered.  First, we learned that consumer decision making begins with an identified need and that not all decisions are equal. Some consumers may identify a need, but delay an actual purchase being made. The end goal of decision-making is to make a choice. However, the choice does not always involve a purchase or a tangible product for that matter. We are motivated to make decisions to address a need. At times, consumer decision-making may be emotional, depending upon the product being considered.  We then talked about some different decision making perspectives. We saw that the decision-making process can be viewed from a couple different perspectives including the rational decision-making perspective and the behavioral influence decision-making perspective. The rational decision-making perspective is considered the traditional approach to decision-making and it assumes that consumers are rational beings that gather sufficient information before making a decision. The behavioral influence decision-making perspective assumes that many decisions are learned responses to environmental influences. Perceived risk is the perception of the negative consequences that will result from a specific course of action that is being considered, as well as the uncertainty of which course of action is actually the best to take. Consumers face many different types of risk including financial, social, performance, physical, and time.  We next discussed extended decision making which involves searching for information to make a satisfactory decision. Consumers rely upon personal experiences and external sources to gather information before assimilating it and evaluating their options. Extended decision-making is often a lengthy process that involves high involvement and significant purchase risk. With limited decision-making, consumers do not search for product information and their decision is based primarily on prior beliefs about products and their attributes. Limited decision-making has low product involvement and low purchase risk. Habitual decision-making occurs when the consumer does not seek information when a need is identified. Their choice is based on habit and they may be loyal to certain brands of products.  Next slide |
| Slide 24 | Summary, continued | Next, we discussed need recognition which is the beginning of the decision-making process. A need is recognized when there is a difference between the actual or current state and the desired state that the consumer strives for. The next step in the decision-making process is searching for information to satisfy the identified need. Consumers can conduct ongoing searches to find information they are interested in or they can conduct a prepurchase search where they gather information for an intended upcoming purchase. Some consumers may experience information overload where they are provided with too much information to assimilate. We later learned about an internal search. This type of search relates directly to the consumer’s experiences with products and services. When a problem is identified, consumers scan their memory for available solutions. The consideration set refers to the alternatives that are considered acceptable for further consideration in decision-making.  Later we studies external searches. When consumers do not possess sufficient internal information, they will conduct an external search whereby they will gather information from sources that are external to the consumer such as one’s family, friends, salespeople, advertising, or the Internet.  We next discussed the role of price and quality in the decision-making process since both are used as evaluation criteria. Price refers to the perception of the value a consumer will receive and it can determine the desirability of a product. Quality is the perceived overall goodness or badness of a product.  Then we talked about external search and the Internet.The Internet has provided consumers with a tool to simplify searching for information. The lower costs associated with online searchers and the increase in productivity are two factors that have been identified. Additionally, consumers are able to control the flow of information during Internet searchers and their search behaviors are impacted by how a website is designed.  You learned that the amount a consumer searches for information to make a decision is impacted by four different factors including product experience, product involvement, perceived risk, and the value of the search effort.  Finally to conclude the lesson, we looked at search regret. When a consumer searches for information to aid them with decision making and do not find it, they may experience negative emotions. This is known as search regret and the consumer may feel that they have wasted their time with the search effort since it failed to produce results to help them make a decision.  This completes the lesson. |