

THE CONSUMER DECISION MAKING PROCESS

OBJECTIVES *After studying this chapter, you will be able to...*

- 1 Define the four primary types of consumer decisions
- 2 Describe the traditional model of consumer decision making
- 3 Understand the nature of problem recognition
- 4 Understand the nature of information search
- 5 Discuss the Uncertainty-Reduction Model
- 6 Provide examples of how marketers manage post-purchase evaluation

Kellogg's Company: Cereal with Disclosure

The marketplace is filled with information about brands—some useful, some superfluous. In fact, so much brand information exists today that consumers often feel overwhelmed and confused. Kellogg's Company, the Battle Creek, Michigan, breakfast cereal giant known for Special K, Froot Loops, and Rice Krispies, is trying to change all of that—for the better. Recently, Kellogg's unveiled new cereal boxes designed to make it easier for consumers to find nutritional information about the brands. All Kellogg's ready-to-eat cereals sold in the United States feature "Nutrition at a Glance" banners on the front of its boxes. The nutritional banners display information about fat, sugar, sodium, and calorie content. In addition, the banners indicate whether the cereals contain 10% of an adult's recommended daily allowance of magnesium, calcium, potassium, fiber, and vitamins A, C or E.

Richard B. Levine/Alamy



Kellogg's now provides easy-to-read graphics of how their cereals satisfy requirements of consumers' daily diets. The "Nutrition at a Glance" banners provide a quick overview of the nutritional data, tailored to the product's front-facing placement on grocery shelves. More details about those figures are located on the traditional "Nutrition Facts" labels. The new packaging follows Kellogg's effort to raise the nutritional value of the cereals and snacks it markets to children. In addition, the Kellogg's Company reformulated its products that contained high levels of sugar, such as Apple Jacks, Corn Pops, and Pop-Tarts toaster pastries and introduced a new brand, Kellogg's Frosted Flakes Reduced Sugar. Kellogg's is striving to produce products that meet the U.S. Department of Agriculture's 2,000-calories-a-day guidelines. And if reduced-sugar versions of the products don't pass the taste test, Kellogg's will not market them to children.¹

People make hundreds of decisions each day, from very mundane (e.g., choosing what socks to wear) to extremely important (e.g., selecting a graduate school). As consumers, we constantly make decisions regarding the purchase of products and services. Some of these decisions are trivial, such as clicking a website for the daily news, and others are complex, like deciding on an anniversary gift. Thus, consumer decision making is a multifaceted process that ranges from nearly automatic to highly structured problem solving. In this chapter, we discuss how consumers recognize problems, define markets of interest, gather information for consideration and purchase decisions, and evaluate satisfaction.

OBJECTIVE

1

Types of Consumer Decisions

One way to characterize consumer decision making is on an *effort continuum*, ranging from very low to very high. **Routine choice** is carried out automatically, with little conscious effort. As such, it involves no information search or deliberation. Frequently purchased, low-cost products, such as chewing gum and milk, generally involve habitual responses. These purchase decisions are highly familiar and relatively trivial because they involve little risk. **Intermediate problem solving** usually involves limited information search and deliberation. Consumers are not motivated to rigorously evaluate each alternative, so they use simple decision rules or heuristics to aid their decision making. Products such as snack foods and soft drinks, for which consumers typically have established preferences, generally entail intermediate effort. Finally, **extensive problem solving** requires a deliberate and systematic effort. Here, consumers generally do not have well-established criteria to evaluate brands or may be unfamiliar with the product category. Consumers generally engage in extensive problem solving for infrequently purchased, expensive products such as automobiles, investment services, and home security systems. Because these decisions involve high levels of risk, consumers normally dedicate a great deal of time and effort in gathering information and evaluating alternatives prior to actually making a purchase.

A more complete way to think about consumer decision making entails two separate factors: processing effort and involvement.² The first factor, *processing effort*, represents a continuum from automatic to systematic processing. At one extreme, consumers may process no information and simply respond intuitively. At the other extreme, consumers gather and evaluate a large amount of product information prior to choice. Processing effort closely parallels the routine–intermediate–extensive continuum discussed above.

The second dimension, *involvement*, represents a continuum ranging from decisions that entail low levels of consumer involvement or personal relevance to decisions that elicit much higher levels of interest and concern. It may be helpful to think of processing effort as primarily cognitive or thinking-oriented and involvement as more affective or feeling-oriented. Figure 9.1 depicts this two-dimensional model of consumer decision making, with its quadrants of brand laziness, brand loyalty, variety seeking, and problem solving. Figure 9.2 provides product examples.

Involvement is the personal relevance or importance of an issue or situation. Accordingly, high involvement decisions are characterized as important to consumers. High involvement is often associated with emotional outcomes. Consumers seek not only functional benefits, such as the warmth of a new jacket, but also the social rewards of compliments on their good taste or fitting in with group norms.³ Finally, if a decision involves a high level of **perceived risk**, i.e., the possibility of negative outcomes, then consumers are more likely to demonstrate higher levels of involvement.⁴ Perceived risk comes in a variety of forms: financial, physical, performance, psychological, and social. Figure 9.3 provides definitions and examples of these five forms of risk. In the following sections, the four quadrants shown in Figures 9.1 and 9.2 are examined in detail.

FIGURE 9.1 | Types of Consumer Decision Making

		Involvement	
		Low	High
Information Processing	Low	1. Brand Laziness Commodity Products	2. Brand Loyalty Self-Concept Enhancing Products
	High	3. Variety Seeking Parity Products	4. Problem Solving Complicated big-Ticket Items

SOURCE: Adapted from Assael, H. (1998). *Consumer Behavior and Marketing Action*. Cincinnati, OH: South-Western Publishing.

FIGURE 9.2 | Product Examples by Decision Type

		Involvement	
		Low	High
Information Processing	Low	1. Brand Laziness butter, ammonia, salt, flour, cheese, toothpaste*	2. Brand Loyalty jeans, athletic shoes, TV programs, cigarettes, magazines, toothpaste*
	High	3. Variety Seeking beer, candy, sports drinks, chewing gum, breakfast cereal, toothpaste*	4. Problem Solving automobiles, appliances, furniture, airlines, consumer electronics, toothpaste*

*some products, such as toothpaste, can appear in multiple quadrants.

SOURCE: Adapted from Assael, H. (1998). *Consumer Behavior and Marketing Action*. Cincinnati, OH: South-Western Publishing.

Brand Laziness

When both involvement and information processing are low (Figure 9.1, quadrant 1), consumers typically make choices as a matter of habit, requiring little effort. This is referred to as **brand laziness**, a consumer's natural inertia toward a product or service based on familiarity and convenience, rather than a fundamental commitment to the brand. Consumers sometimes stick with old, familiar brands for no apparent reason other than the fact that they purchased it before, and it seems fine. Most consumers' daily market decisions lack interest, risk, and emotion. So, brand laziness is quite pervasive.

FIGURE 9.3 | Categories of Perceived Risk

Risk Type	Risk Capital	Perceived Consequences	Risk Target	Examples
Financial	Time and money	The costs of the product or service will exceed the benefits	Consumers whose investment in time or money is large relative to their resources	1. Real estate 2. Automobile 3. Graduate school
Functional	Task performance	The product fails to provide the desired functional benefits	Consumers who are dependent on the product to do a job, especially technologically driven consumers	1. Laptop computer 2. Home security system 3. Automobile
Physical	Personal health and safety	Product failure causes physical harm	Unhealthy consumers or sensation-seeking	1. Pharmaceuticals 2. Food and beverages 3. Motorcycles
Psychological	Self-concept	Product will be inconsistent with a consumer's self-concept	Compulsive shoppers and consumers with low self-esteem	Privately consumer luxury items (e.g., HDTV)
Social	Self-esteem	Product will not meet the standards of the consumer's reference group	High self-monitors	Publicly consumed luxury items (e.g., fashion clothing)

SOURCE: Adapted from a variety of sources, including Assael, H. (1998). *Consumer Behavior and Marketing Action*. Cincinnati, OH: South-Western Publishing.

Consumers have been described as *cognitive misers*; we rarely think about all of the criteria surrounding a brand choice.⁵ Furthermore, people are often pressed for time, distracted, or confused about brand information. Accordingly, consumers often reduce their information processing to the bare minimum. Similarly, when a purchase decision is not particularly important or relevant, consumers' emotional involvement is low. Most of the time, we just don't care which brand of ammonia we buy. In short, consumers rarely have the motivation, ability, or opportunity to respond to marketing communication in a thoughtful manner.⁶

In fact, brand laziness is not necessarily irrational because carefully evaluating low-risk decisions could steal valuable time from the consideration of important issues and concerns. However, brand laziness is dangerous for marketers because consumers quickly shift their preferences when a better deal comes along. With no underlying commitment to a brand, competitors can disrupt consumers' inertia with promotional activities such as samples, rebates, buy-one-get-one-free offers, price discounts, and end-of-aisle displays. The result is brand switching and potentially a new cycle of brand laziness.

Although brand laziness varies from consumer to consumer (along with motivation, ability, and opportunity), commodity-type products such as flour, butter, and cheese are often associated with low involvement and minimal processing. It's important to point out, however, that while one consumer may be highly involved with the purchase of cheese if he or she is a cheese aficionado, another consumer may engage in detailed information processing of butters because of nutritional concerns. Notice that *toothpaste* is present in

all four quadrants of Figure 9.2 because different consumers may exhibit each of the four decision types for this product category. For example, a college student may buy the brand offering the best deal (brand laziness), but a parent may be loyal to Crest on the basis of its historical association with cavity prevention (brand loyalty). A single professional may seek a variety of brands depending on her changing desires (variety seeking), and a senior citizen may carefully evaluate toothpaste brands if he needs something for sensitive teeth (problem solving).

Brand Loyalty

Brand laziness is often confused with brand loyalty. The former describes a habitual response that lacks underlying reasons or motivation for buying a particular brand. In contrast, **brand loyalty** involves intrinsic commitment to a brand based on the distinctive benefits or values it provides consumers. Both brand laziness and brand loyalty consist of minimal information processing. The difference between the two types of decisions can be explained by involvement.⁷ Consumers who exhibit brand loyalty are more highly involved in a decision than those who display laziness. Faced with repetitive but relatively important decisions, loyal consumers may perceive that they already possess sufficient information to make quick decisions. Thus, limited information processing is likely to occur, and consumers rely on earlier experience to make decisions. But brand loyal consumers choose their brands because of previous experience with them, not because of deals or convenience.

For example, even the purchase of relatively low cost items such as dishwashing detergent and coffee may be highly involving as a result of perceived performance risk. If the dishwashing detergent doesn't function properly, embarrassment could ensue (Have you ever served dishes with dried food stuck to the plate?). Likewise, coffee that disappoints can ruin a consumer's entire morning. Nevertheless, consumers make these purchases (dishwashing detergent and coffee) at least several times a year, and they don't need to think deeply about the decisions. Instead, they rely on prior brand evaluations. If those evaluations are positive, brand loyalty is likely to follow. Quadrant 2 of Figure 9.1 depicts brand loyalty as a combination of low information processing and high involvement. Brand loyalty is manifest in both attitudes and behaviors. Attitudes reflect consumers' overall feelings toward a brand, and behaviors deal with consumers' tendency to repeat a purchase. Consumers often exhibit brand loyalty with products that enhance their self-concepts.

Variety Seeking

Thus far, we've discussed decisions that involve only low levels of information processing—brand laziness and brand loyalty. On the other hand, consumers sometimes make low involvement decisions that require higher levels of information processing. With this type of decision making, consumers may understand the criteria for evaluating a product category, but they haven't yet established clear brand preferences. Thus, even with low levels of interest, consumers' limited past experience with brands may require higher levels of information processing. We refer to this type of decision as **variety seeking**,

typically defined as the desire to choose new alternatives over more familiar ones. It is represented as quadrant 3 in Figure 9.1. Variety seeking is the opposite of brand loyalty. Unlike brand loyalists—who have clearly developed preferences—variety seekers must gather additional information to discriminate among their choice alternatives. Also in contrast to brand loyalty, involvement is low with variety seeking, and consumers often switch brands to reduce boredom.⁸

Variety seeking has generated considerable attention from researchers. Let's examine two important types of variety seeking, derived varied behavior and intrinsic variety seeking.⁹ **Derived varied behavior** describes situations where consumers' brand switching is either *externally imposed* or *extrinsically motivated*. In both cases, variety is not its own virtue. Instead, variety behavior is a by-product of other constraints or goals.¹⁰ For example, a consumer may switch brands of candy because her most recently purchased brand is not available in the vending machine (out-of-stock condition). Similarly, while enjoying a ball game at Bush Stadium, a consumer may switch from Samuel Adams beer to Budweiser because Anheuser-Bush maintains an exclusive contract with the St. Louis Cardinals. Both examples depict externally imposed switching behavior, i.e., the consumers had little choice in the matter. Consumers also switch brands as a result of situation-specific preferences. Perhaps a consumer generally buys white bread, but she purchases whole wheat to improve her health. Similarly, consumers may switch brands to obtain specific benefits or values not offered by their previous selection. For example, a new brand of toothpaste may offer long-term whitening benefits. The last two cases depict extrinsically motivated switching behavior because the incentive to switch derives not from an inherent need for variety, but to attain a specific consumption goal (better health and whiter teeth).¹¹

In contrast, **intrinsic variety seeking** begins with a consumer who seeks variety for the inherent pleasure of change and the positive stimulation it



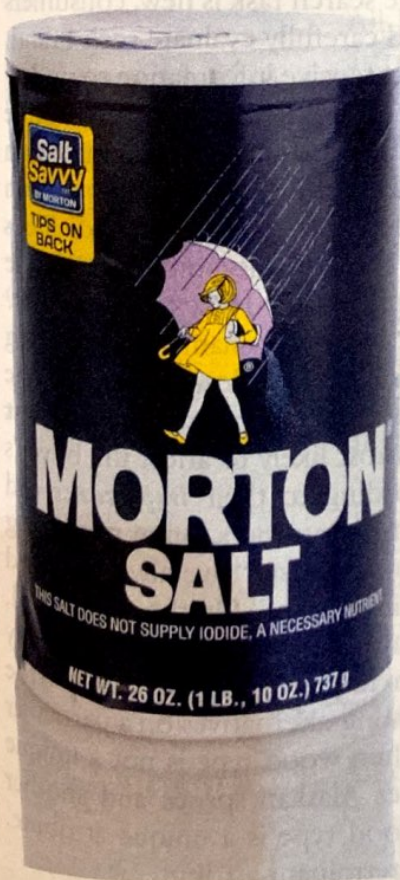
Most products are available from multiple brands, providing an abundance of choices for variety seekers.

brings.¹² *Intrinsically motivated* variety seeking can occur out of curiosity,¹³ because of a need for change, to reduce boredom, or because consumers have become satiated with a particular attribute offered by a brand.¹⁴ For example, a consumer may wonder what a new chewing gum tastes like or switch to a brand of cereal that contains nuts or raisins. Variety seeking can be a powerful internal force for consumers. Fascinating research shows that individuals sometimes switch from their preferred brands to new ones, even though they predict that the new brands are likely to bring less enjoyment than their preferred brand.¹⁵ These findings highlight the inherent value in variety; consumers actually forego the satisfaction of a highly predictable, favorable experience just for the sake of variety. Change is good, if you will.

Research also reveals that consumers' positive feelings can lead to increased variety seeking within safe, enjoyable product categories such as crackers, soup, and snack foods.¹⁶ What is also interesting is that when people make multiple choices for future consumption, they seek more variety than if they make each choice in sequence—one at a time.¹⁷ For example, consumers who buy a year's worth of canned soups are more likely to buy a variety of brands than if they buy the same quantity of soup, but shop weekly for it. A recent study provides evidence that consumers expect boredom associated with making the same choice to occur more quickly with others than with themselves. Therefore, consumers demonstrate more variety seeking when they buy products for others, especially when they are held accountable for their choices.¹⁸

Is there an upper boundary to variety seeking? Research demonstrates that when the degree of novelty and complexity in a purchase situation is extreme, consumers diminish these complexities by simplifying their buying decisions.¹⁹ Ironically, by decreasing information processing, consumers reduce variety seeking and usher in brand laziness, i.e., choosing the same brand over and over, with little rationale except to reduce unwanted stimulation. Another stream of research argues that most consumers desire an intermediate level of stimulation.²⁰ Thus, clever marketers who provide variety on the premises, say in a retail environment, can encourage brand laziness within a product class. For example, a retailer such as Macy's may constantly change the store décor and limit the number of non-store brands offered. In this way, the shopping environment may satisfy consumers' need for stimulation, and subsequently, routine buying behavior is encouraged, i.e., the Macy's brand becomes the choice. Similarly, a restaurant might provide a wide variety of appetizers, but limit the entrée choices to high-margin items, such as steak and lobster. Variety seeking can also depend on individual differences. Those individuals who crave variety are more likely to engage in variety seeking behavior than in repeat purchasing.²¹

The introduction of low-involvement product categories and brands can elicit variety seeking behavior. For example, Gatorade's powder packets, a single-serving water beverage mix, may require more than minimal information processing because consumers have no prior exposure to the product. However, the category is low risk, so consumers are likely to exhibit low levels of emotional involvement. Here, consumers might examine the package and purchase the



Steve Cukrov/Alamy

Some traditional products are inherently limited in the amount of variety that they can offer to consumers.

product on a trial basis as a substitute for a more familiar product (e.g., lemonade or other sports drinks), or as a complement to an existing product, like bottled water.

Variety seeking is also prevalent among products offering hedonic rewards, such as beer and candy,²¹ particularly if the category is comprised of **parity products**, i.e., brands that possess functionally equivalent attributes, making one brand a satisfactory substitute for most others. Some researchers maintain that advertising and promotion messages are especially effective for this type of decision making (quadrant 3 in Figure 9.2). They reason that in low-involvement product categories, such as sports drinks and chewing gum, consumers either don't care which brand they buy, or their propensity to seek variety leaves them open to minimal involvement. Put simply, consumers just look for interesting new items. Thus, repetitive advertising and promotional incentives can tip the balance in favor of a heavily exposed brand.²²

Problem Solving

The fourth type of decision combines high involvement with high levels of information processing. Represented in quadrant 4 of Figures 9.1 and 9.2, this is referred to as **problem solving**. Decision making of this type often involves unfamiliar, expensive products that are purchased infrequently. Consumers who shop for their first automobile, home, or insurance policy often exhibit problem solving. Because their involvement is high and the search task is new, consumers try to collect as much information as possible and carefully evaluate each brand. At this level of decision making, consumers need extensive information to understand the various brand attributes as well as the relative performance of these attributes for each brand. For example, a consumer who shops for dining room furniture first needs to determine which attributes to include in the decision process. Does furniture construction make a difference—veneer or solid? Does the type of wood matter (cherry versus oak)? Is the warranty important? Is the source of the wood significant (domestic versus imported)? How critical is price? What about architecture, delivery, size, weight, and brand name? Considering all criteria can be difficult, particularly if competing brands closely resemble one another. Consequently, consumers typically identify one or more **determinant attributes**, characteristics of a product that are most likely to affect the buyer's final choice.²³ Attributes can be described according to their *importance* and *uniqueness*. Important attributes matter deeply to consumers, often producing emotional responses. For instance, a consumer may insist, "I've always wanted oak," or "I'm not putting veneer in my new dining room." On the other hand, some attributes can be trivial. For example, a consumer may proclaim, "Money is no object," or "Color doesn't matter much to me." Uniqueness, on the other hand, embodies the perceived variation among alternatives on a particular attribute. If all brands offer a solid oak finish, then wood type is not a unique attribute. In contrast, if only one brand features Alaskan spruce and another firm exclusively offers wormy chestnut, then wood type is a unique attribute. Figure 9.4 provides an overview for assessing determinant attributes.²⁴

Consumers could, potentially, place any attribute in one of the four quadrants of this figure. For example, a consumer shopping for a set of golf clubs might consider spin-milled technology important to iron play; Titleist, TaylorMade,

FIGURE 9.4 | Assessing Determinant Attributes

		Perceived Attribute Variation (Uniqueness)	
		Low	High
Perceived Attribute Importance	Low	1. Irrelevant Attribute <i>Who cares?</i>	2. Optional Feature <i>That's nice.</i>
	High	3. Defensive Attribute <i>Keep up with the competition</i>	4. Determinant Attribute <i>A positioning opportunity</i>

SOURCE: Based on Guiltinan, J. P., Paul, G.W., and Madden, T. J. (1997). *Marketing Management: Strategies and Programs*, 6th ed. New York: The McGraw-Hill Companies, Inc.

and other brands offer this important feature. Thus, a spin-milled iron surface is categorized as a defensive attribute, and brands not offering it would be at a disadvantage. Alternatively, a consumer may consider forged (versus cast iron) construction inconsequential with respect to the performance of an iron. All brands offer this feature. Thus, forged technology is labeled an irrelevant attribute. In other words, who cares? In contrast, when brands provide unique attributes that matter very little to consumers, they are known as optional features. For example, if a consumer doesn't care whether golf clubs feature a "blade" style (versus cavity back), then a firm that differentiates itself by offering this option may elicit a humdrum "that's nice" response. Finally, when a firm is fortunate enough to develop a unique attribute important to consumers, it has a potentially powerful positioning opportunity. Let's say that a firm develops a golf club with an innovative, dual-angle hosel for independent loft and lie adjustments. Most consumers care deeply about the accuracy of their ball flight. Thus, if only one firm offers this technology, then it becomes a distinctive competency around which the firm is likely to position a brand.

Consumer problem solving corresponds closely to the traditional perspective in consumer behavior, where consumers are thought to proceed through a series of deliberated steps prior to and after making a purchase.²⁵ This approach views consumers as highly involved information processors, i.e., *problem solvers*. Next, we'll examine the traditional model of consumer decision making.

OBJECTIVE

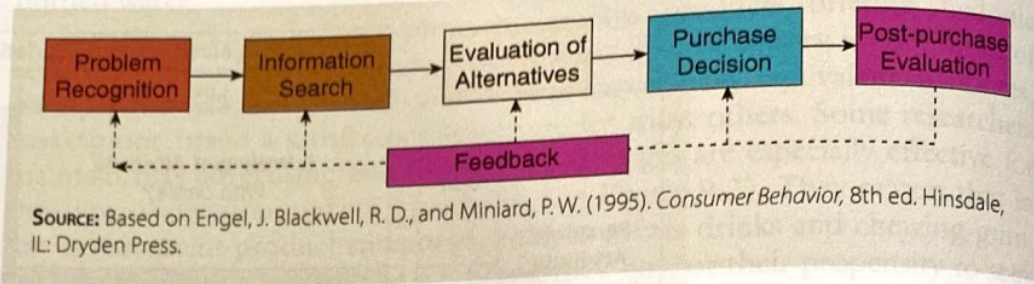
2

The Traditional Model of Consumer Decision Making

All consumer purchase decisions are not alike. Routine decisions involve little risk and low involvement. At the other extreme, emotionally involving decisions entail substantial risk and extensive problem solving. Figure 9.5 shows the five sequential stages of consumer problem solving:

1. Problem recognition
2. Information search

FIGURE 9.5 | The Traditional Model of Consumer Decision Making



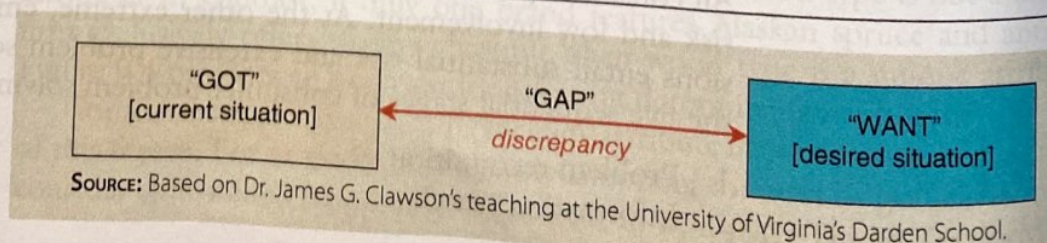
3. Evaluation of alternatives
4. Purchase decision
5. Post-purchase evaluation.²⁶

Problem recognition takes place when consumers experience a disparity between what they have and what they want. This inconsistency creates arousal and motivation to act, leading to information search, which involves both the active and passive processing of data aimed at solving the problem. Information search is closely linked to evaluation of alternatives, where consumers must determine which characteristics or attributes of a product are important and which brands to evaluate on the basis of these criteria. Eventually, consumers cease gathering information and comparing alternatives, and they make a purchase decision. Purchase decisions do not always result in actual purchases. Instead, they represent consumers' predispositions or intentions to buy a brand. Finally, post-purchase evaluation provides an opportunity for consumers to assess their decisions. This traditional model of consumer decision making flows in a linear fashion, one stage following the next. Let's examine these stages in detail.

OBJECTIVE 3 **The Nature of Problem Recognition**

The first step in the traditional model of consumer decision making is problem recognition. It occurs when a consumer acknowledges a significant difference between what is perceived as the desired state and what is perceived as the actual state. In short, a *discrepancy* exists between what the consumer wants the situation to be and what the situation really is. We call this discrepancy a **want-got gap** (see Figure 9.6).²⁷

FIGURE 9.6 | The Want-Got Gap



These gaps between consumers' acceptable and actual states do not always trigger problem recognition. First, the gap must be substantial. After all, consumers rarely attend to trivial differences between their desired and actual states. For example, a consumer may momentarily perceive a gap between her actual and desired states of hunger. But, it's just a small grumble in her stomach, and she doesn't give it a second thought. On the other hand, sometimes the psychological or physical discomfort derived from a discrepancy is of sufficient magnitude to compel us to action. For example, if the same consumer experiences the effects of low blood sugar (e.g., mild shaking, grouchiness), she may be motivated to reduce her hunger immediately. Not coincidentally, Snickers implemented a successful campaign targeting consumers' mild afternoon hunger. The strategy was simple but effective: they encouraged consumers to pay attention to their want-got gap. Snickers' prominent tagline, coupled with familiar packaging, ensured that consumers would connect the "want" of midday hunger with the "got" of a tasty candy bar.



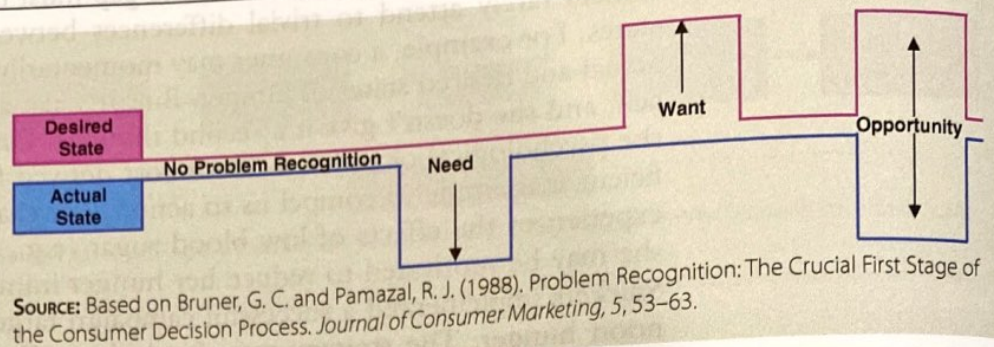
Snickers captured an opportunity by acknowledging consumers' late afternoon hunger.

Jeff Greenberg/Alamy

Second, the discrepancy must relate to a problem that is readily solvable. In other words, dreams and fantasies rarely constitute want-got gaps. As far as the psychological process of problem recognition is concerned, consumers must reasonably understand the desired state as one that he or she can attain. Let's say you perceive a want-got gap regarding your automobile. You've "got" a 2000 Ford Focus, and you "want" a new Bentley. Assuming you're a typical college student, this discrepancy is not likely to be recognized as a problem, because college students rarely possess the means to obtain a Bentley. Alternatively, if you envision a more realistic trade-up to a 2010 Toyota Camry, true problem recognition is more likely to follow.

Given that the want-got gap is substantial and attainable, problem recognition is triggered in three ways: the actual state changes, the desired state changes, or the actual and desired states change simultaneously.²⁸ All three situations are depicted in Figure 9.7.²⁹

FIGURE 9.7 | Problem Recognition: Needs, Wants, and Opportunities



Needs

When consumers' desired and actual states are relatively close together, *problem recognition* does not occur. However, when consumers' actual states fall below their desired states, *needs* emerge. A **need** is a fundamental state of felt deprivation. Thus, needs are not created by marketing efforts directly. This is consistent with the marketing concept, which describes marketing as an outside-in process designed to anticipate and satisfy consumer needs and wants—not create them. It may be helpful to think of needs as internal states that fall below a threshold of acceptability. Consumers possess a variety of needs, as described by Maslow's hierarchy of needs. Following Maslow's approach for understanding human motivation, when you feel hungry or dehydrated, you experience a basic physiological need. While marketing cannot make you hungry or thirsty, marketing activities can remind you of your deprivation. For example, Wendy's "Eat great—open late" campaign draws attention to consumers' potential late night hunger. Similarly, when you feel deprived of love or affection, you are experiencing a fundamental social need. Again, marketing activities cannot directly withhold from you or provide love and affection. Those satisfiers come from people. But marketing activities can indirectly influence perceptions about your current state of belonging. Not surprisingly, eHarmony.com advertises its patented compatibility matching system designed to reduce loneliness among singles. If you perceive personal neglect in your attitude toward conserving the environment, then you are experiencing a psychological need, i.e., a gap between a current and desired way of thinking. Marketing is not capable of dictating your thoughts, but marketing activities often trigger latent psychological problem recognition. For example, Shell Oil boasts of its partnership with the National Fish and Wildlife Foundation. Given that most consumers consider gasoline brands at parity, Shell may appear to be a good choice for environmentally conscious consumers. In the same way, Honda advertises, "Accord drivability with a hybrid heart" for those concerned about global warming.

A "need" depicted in Figure 9.7 shows an actual state that has dropped below the threshold of acceptability, a baseline ideal state. Given that the need is substantial, problem recognition occurs, and consumers are motivated to reduce this gap. Some researchers describe needs as *informational* or *negative-oriented motives* because when a consumer's actual state drops below the ideal, it creates a negative condition and a desire for information.³⁰ **Motives** are internal drives

that push people to resolve a problem or reduce a need. The greater the disparity between a consumer's actual and ideal state, the stronger the motive is to satisfy the need. Informational motives come in a variety of forms, including problem removal, problem avoidance, incomplete satisfaction, and normal depletion.

Although marketing activities cannot create needs directly, marketers are eager to identify and satisfy needs. For example, if your car's transmission breaks down, your actual state of affairs will fall dramatically below the acceptable level, and you will follow a problem removal motive. Fortunately, the market stands ready to offer services (automobile repair), products (automobiles), and substitutes (public transportation) to help bring into equilibrium your ideal and actual states. Similarly, problem avoidance motives occur when consumers proactively avoid negative outcomes such as burglary (e.g., installing ADT Systems), heartburn (e.g., taking Prilosec), or drowsiness (e.g., drinking Red Bull). Here, consumers take action to prevent their actual states from declining. In contrast, incomplete satisfaction motives arise when products fail to live up to our expectations. Perhaps a consumer's laundromat has become too busy, or her hairdresser now keeps odd hours. Maybe a consumer's favorite restaurant recently increased prices, or a new brand of shampoo makes her hair too dry. Each of these examples creates a need on the basis of dissatisfaction. Consequently, a consumer's motive is to reverse this condition, i.e., to bring her actual state back to an acceptable level. Consumers also experience normal depletion when they exhaust supplies of products such as aspirin, orange juice, and frozen vegetables. Marketers are eager to replenish those supplies through well-established distribution systems.

In some cases marketers come very close to creating consumer needs. For example, producers of personal hygiene products, such as mouthwash, antiperspirants, and beauty aids, sometimes enlist marketing programs to create insecurities that consumers can resolve by purchasing these products.²⁶ Sports franchises regularly alter their logos to encourage the sales of new licensed products. Fashion clothiers also change styles in order to draw attention to consumers' outdated wardrobes. Nevertheless, assuming that marketers obey the regulatory system and follow ethical guidelines set forth by their appropriate trade associations, consumers ultimately determine whether their actual state has dropped below the threshold of adequacy.

Wants

When consumers' ideal states rise above their actual states, *wants* occur. **Wants** are *need satisfiers* that are shaped by a consumer's personality, experiences, and culture—including marketing. In fact, marketing activities deliberately create wants. The distinction between needs and wants is important. Needs occur when consumers' real conditions decline while their desired conditions remain stable. On the other hand, wants occur when consumers perceive an increase in their desired states while their actual states remain constant. As depicted in Figure 9.7, wants represent a consumer's perceptions that they can improve their current situations by obtaining better goods and services. Earlier, needs were depicted as *informational* motives, because they are negatively reinforcing, i.e., the motive is to remove something negative. In contrast, wants can be thought of as *transformational motives* and positively reinforcing. Here,

consumers are driven to purchase products and services that will produce benefits beyond their normal states.³¹

Marketing activities famously influence consumers' perceptions as to what their ideal states should be via advertising, promotion, endorsements, product placements, buzz marketing, and the like. For example, Dell tells us how much more productive we can be with Bluetooth and mobile broadband options; Verizon elevates our ideal states regarding mobile communication with VZ Navigator and Family Locator apps; and Subaru raises our perceptions of automobile reliability via exceptional service history.

By exposing consumers to new and better products, marketers induce problem recognition and provide a means for consumers to attain their ideal states or wants. But want creation also has a dark side. Targeting vulnerable audiences such as children, the elderly, and disadvantaged consumers can produce a wide range of deleterious effects on society. Likewise, a plethora of ethical concerns such as puffery and stereotyping surround the advertising business. Unscrupulous practices such as spamming, spyware, pyramid schemes, planned obsolescence, telemarketing fraud, and infomercial schemes also dot the marketing landscape with unsightly blemishes. Each of these unethical practices, though beyond the scope of this text, has generated considerable research in marketing.³²

Some researchers have linked marketing to various problems in society, including pollution, materialism, alcohol and nicotine addictions, obesity and poor nutrition, and the denigration of cultural values.³³ Others argue that marketing has positively contributed to consumers' quality of life by reducing search costs, fostering innovation and broad product choices, facilitating product acquisition (e.g., e-commerce), and reducing prices via increased price competition. The overarching philosophy of this text maintains that individuals, businesses, and public policy can benefit from the study of consumer behavior. Following this perspective, the reader is encouraged to evaluate both sides of this complicated, global debate.³⁴

Marketers are not alone in creating wants. Life changes also influence consumers' perceptions of their actual and ideal states. By virtue of time and circumstance, consumers' lives do not stand still. Human bodies and minds mature with age, people's relationships change, and consumer preferences shift accordingly. When you were in high school, you probably desired less autonomy and independence than you do today. If so, your ideal state has increased over time, creating a "want" for independence. Also, when you graduate from college, your lifestyle, financial situation, and employment status will change, altering perceptions of both your ideal and actual states. A steady job may trigger a desire for more expensive clothing, a sporty automobile, and a wider range of food choices (wants). In short, your standards of comparison will change, and firms such as Brooks Brothers, BMW, and Foods of All Nations will be eager to provide products and services to help you attain your wants. Marketers are also keenly aware of major life changes in the family life cycle, such as marriage, having children, and divorce. For example, Procter & Gamble dedicates an entire website to *Pampers*, which includes advice on pregnancy and preparing for the arrival of new babies. Life insurance firms encourage customers to consider increasing their levels of coverage as family size increases. Taken together, both marketing activities and various aspects of consumers' lives trigger problem recognition in the form of wants.

Opportunities

When a consumer's ideal and actual states simultaneously move in opposite directions, this combination creates a sizable want-got gap, or an **opportunity**. See Figure 9.7. Perhaps disenchantment with a current job is accompanied by a desire to experience a more promising future. Many non-traditional students describe their motivation to attend college in these terms. Alternatively, if a personal relationship begins to feel stifling at a time when a person's need for autonomy increases, she is likely to perceive a significant want-got gap and the motivation to close it. In a market context, if a consumer's favorite running shoes split and separate (a reduced actual state), and at the same time Nike introduces shoes with more advanced features and improved durability (an elevated ideal state), the consumer may feel motivated to pursue the new product offer. In this sense, an opportunity can be viewed as a chance to dramatically shift a consumer's reduced state to an elevated, ideal state.

Firms spend considerable time and effort identifying tactical opportunities in the marketplace. For example, Americans have repeatedly indicated their interest in fitness and health and at the same time, have reported feeling time-impooverished. As a consequence, clever marketers now offer time-saving, low-calorie foods (e.g., Lean Cuisine and Weight Watchers) and home fitness equipment (e.g., Nordictrack and Bowflex). Opportunities to close want-got gaps are emerging also in markets like China, whose 800 million rural citizens both need and want access to personal computing. In sum, opportunities depict the joint interplay of needs and wants because consumers' actual and ideal states diverge concurrently.

Researching consumers' discomforts and desires enables marketers to design and implement strategies that satisfy needs, wants, and opportunities, which is the essence of target marketing. Whether our want-got gaps are physiological, safety-oriented, social, or psychological in nature, marketers attempt to communicate benefits that shrink the gap between our ideal and actual states. But marketers are not always successful at closing these gaps completely. Consumers must perceive the benefits to be real (not just fluff), better than what they currently possess, and affordable. Furthermore, marketers must be able to articulate the benefits of their products. For example,

despite millions of dollars aimed at educating consumers about its benefits, TiVo's digital video recorders (DVRs) initially generated disappointing market share because consumers did not understand what problems it would solve. Is the benefit of digital recording really worth the extra cost? How does "time shifting" work? Can consumers watch other programs while recording their favorite shows? Furthermore, many consumers would rather walk on hot coals than program a VCR, and TiVo was perceived to be *more* complicated than traditional recording devices. By the time consumers understood the benefits of DVRs, cable companies began offering similar features to their current customers—a captive audience.



TiVo failed to capitalize on an opportunity by inadequately communicating its benefits to consumers.



Global Perspectives

Lenovo Builds Computers for Chinese Farmers

Incorporated in Hong Kong, and headquartered in Raleigh, North Carolina, Lenovo Group Ltd. has a personal computer for China's 800 million rural inhabitants. Lenovo Group is the world's third-largest computer company by shipments and wants to increase global market share. Enter the bare-bones, low-cost PC aimed at China's farmers. The PC will sell for between \$199 and \$399, and include only a keyboard and processor. Televisions will have to substitute as monitors. Software designed to help farmers gather information about agricultural products is included.

As PC sales reach the maturity phase of the product life cycle in the United States, computer manufacturers are beginning to develop simple, lower-cost products aimed at first-time buyers in emerging markets, such as rural areas of China and India. China is now the largest PC market in the world (The United States is second). PC sales in China

exceeded \$11 billion during the second quarter of 2011. However, less than 10% of Chinese people own a computer. In contrast, more than 86% of Americans own a PC.

Lenovo's marketing plan is not without challenges. Although a \$199 PC may appear to be a bargain to Westerners, it may be a difficult sell in rural China, where the average annual income is less than \$600. However, Lenovo hopes to establish a dominant presence in China, despite new competition from Hewlett-Packard, and Dell. Currently, about one-third of all computers sold in China are made by Lenovo. Some experts claim that the PC may not be the triumphant technology in the developing world. For instance, in India, the rapid adoption of cell phones in rural areas suggests that high-tech handheld mobile devices could surpass the personal computer as the primary method for gaining access to the Internet.³⁵

OBJECTIVE

4

The Nature of Information Search

Once a problem is recognized, consumers often gather information to inform their purchase decisions. Researchers refer to this activity as **prepurchase search** because the information gathered relates directly to a consumption problem at hand.³⁶ Prepurchase search follows the linear pattern of decision making outlined by the traditional model, where consumers first recognize a want-got-gap and subsequently perform search activities to help close it. During prepurchase search efforts, consumers may access information from their long-term memories to recall past experiences with brands, potential options, and relevant evaluative criteria.³⁷ This deliberate retrieval of information, known as **internal search**, is common with low involvement decisions that comprise much of consumers' day-to-day activities. When internal search fails to provide adequate problem-solving information, consumers actively seek external sources (friends and relatives), market sources such as advertisements and brochures, public sources (e.g., *Consumer Reports*, *Epinions*, and *ConsumerSearch.com*), and product trials, i.e., examining or testing products on a limited basis.

Consumers also obtain product information *without* recognizing a consumption problem. In these situations, consumers are not yet in the market for the products they examine and consider. Instead, they simply browse through catalogs, window shop, surf the Internet, or read specialty magazines without the intent of making a purchase. This type of information gathering, known as **ongoing search**, involves external search activities independent of solving an immediate purchase problem.³⁸

Influences on Search

The extent of information processing is determined by consumer involvement, the marketing environment, situational influences, and individual differences. Researchers have identified two distinct types of consumer involvement: enduring and situational.³⁹ **Enduring involvement** describes a consumer's long-term and continuous interest in a brand or product category. Here, personal relevancy resides in the product itself and the inherent satisfaction that consumption or use brings to a consumer.⁴⁰ Most of us maintain enduring involvement with certain products. Fashion-conscious consumers enjoy clothes and jewelry, so they sustain long-term relationships with these products. Golf enthusiasts are drawn to new golf clubs, training aids, and apparel, and they relish the opportunity to play new golf courses. Wine connoisseurs seek out new varieties, build wine cellars, collect rare vintages, and visit vineyards. They are deeply and permanently involved with their avocation.

In contrast, **situational involvement** reflects a consumer's relatively temporary and context-dependent interest in a product or category. For example, an infrequent flyer who decides to visit a foreign country may suddenly find airline services and luggage products personally relevant. However, the level of involvement is related only to this specific situation. After returning from her trip, her involvement with travel-related products and services all but disappears—until the next journey. In a prepurchase situation, search generally derives from situational involvement with the consumption problem. To a large extent, consumers enlist prepurchase search strategies to reduce perceptions of risk.⁴¹ Quite the reverse, ongoing search necessitates enduring involvement. This reflects more permanent interest and enthusiasm for a product or category on the part of the consumer, and not just a temporary concern triggered by immediate needs.

The marketing environment influences both prepurchase and ongoing search. Product information from advertising, salespeople, promotions, and the Internet can increase consumers' search efforts, along with highly accessible distribution channels (e.g., well-placed stores, retail catalogues, and e-commerce). Research shows that the location, availability, and distance between retail stores in a given geographic area can affect the number of visits consumers make prior to purchase. Thus, close proximity among stores can increase consumers' external search efforts.⁴² Consumers' perceptions of wide price ranges can also increase external search. A recent study shows that consumers reduce information search when retailers offer *price-matching refunds*, because such policies are seen as a signal of low store prices.

External information search is not free—it takes time and effort. Traveling, parking, and dealing with crowds extract both monetary and psychological costs. Thus, consumers weigh the benefits of additional search against the costs of conducting it. Not surprisingly, the Internet can be an effective tool at reducing search costs, especially for those who are relatively young and well educated.⁴³ As a general rule, the greater the number of products in a category, the greater the external search is. More brands require more information processing. Too many choices, however, can cause psychological distress for consumers, causing them to end their search and select the most recognizable brand, a special case of brand laziness. Have you ever felt overwhelmed by the

sheer number of available brands and as a result quickly grabbed the one most familiar to you? We call that type of information overload **brand overload**, a condition brought on by the proliferation of brands that offer few distinctive attributes or benefits.

Situational variables (separate from the market environment) can affect consumers' information search. For example, *time constraints* can pressure consumers into reducing their information processing. A recent study demonstrates that, under time constraints, consumers evaluate fewer alternatives and tend to ignore moderately important attributes.⁴⁴ Perceptions of crowding also cause people to reduce external search. As more people enter a store or restaurant, or as the store becomes packed with displays and merchandise, consumers are likely to experience discomfort. As a result, they process less information, make quicker decisions, and spend less time in the store. In addition, satisfaction with their shopping experience declines.⁴⁵ Other research reveals that consumers increase external search efforts when the purchase is important, information is highly accessible, and perceived risk is high.⁴⁶

Individual differences influence both prepurchase and ongoing search activities. In general, younger, better-educated consumers expend more effort searching than those who are older and less educated. Also, middle-income consumers engage in more external search than both lower- and upper-income groups. For some individuals, gathering information about products and services is a full-time hobby. If you need to replace your cell phone or want a laptop, to whom would you turn for product information? You might seek out **market mavens**, people who search, accumulate, and share product knowledge with others. In some circles, market mavens are known as "price vigilantes" because they keep the marketplace honest through their vigilant watch over marketers' pricing tactics and trends. They are also regarded as product data banks. Market mavens are not just passive collectors of information; they also initiate discussions with other consumers and eagerly respond to requests



A single shopping center can offer dozens of stores stocked with a seemingly infinite number of brands, which sometimes results in brand overload for the consumer.

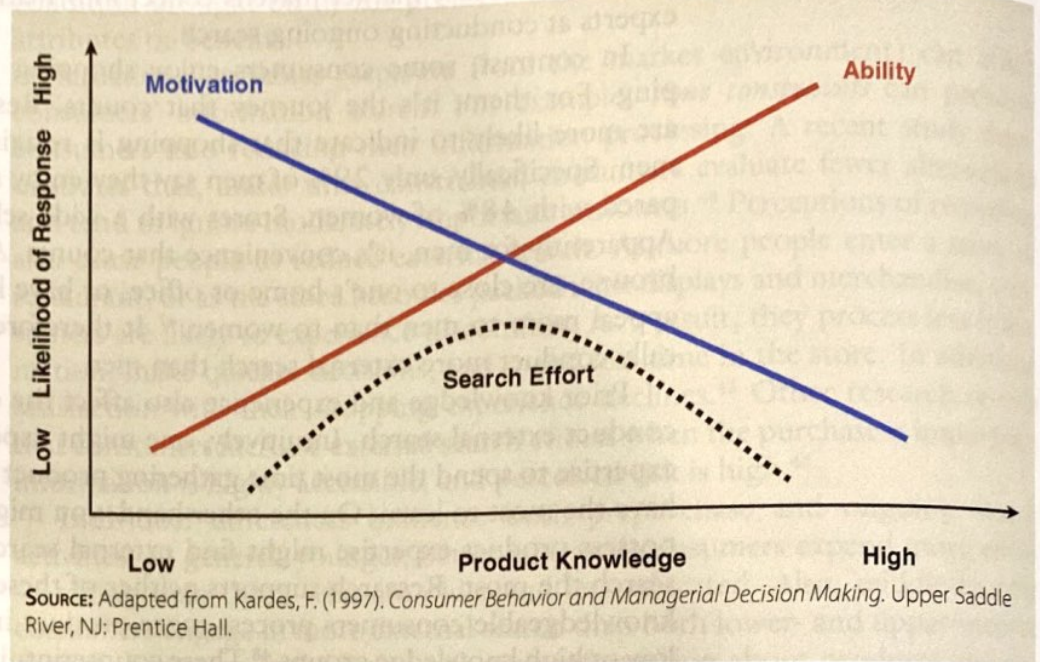
for information. They read more magazines and newspapers than the average consumer; they examine junk mail; and they regularly scrutinize *Consumer Reports*.⁴⁶ Because market mavens collect information for future use, they are experts at conducting ongoing search.

In contrast, some consumers enjoy shopping just for the sake of shopping. For them, it's the journey that counts. Research reveals that women are more likely to indicate that shopping is relaxing and enjoyable than are men. Specifically, only 29% of men say they enjoy shopping for clothes, compared with 48% of women. Stores with a wide selection appeal less to men. Apparently for men, it's convenience that counts. Also, stores that are easy to browse, are close to one's home or office, or have knowledgeable salespeople, appeal more to men than to women.⁴⁷ It therefore follows that women typically conduct more external search than men.

Prior knowledge and experience also affect the extent to which consumers conduct external search. Intuitively, one might expect those with low levels of expertise to spend the most time gathering product information. After all, they have the most to learn. On the other hand, you might say that consumers who possess product expertise might find external search easy to process and also search the most. Research supports neither of these views. In fact, moderately knowledgeable consumers process more product information than either the low or high knowledge groups.⁴⁸ These counterintuitive results can be explained as a function of two determinants of information processing: motivation and ability. Those low in product knowledge and experience are likely to be motivated to gather information, but without requisite knowledge, they couldn't make sense of the data even if they gathered them. Thus, because they view the task as too difficult, they give up searching and seek a simple solution. In contrast, those high in experience and knowledge—although perfectly capable of understanding the information—are not motivated to search. Instead, they rely on their past experiences and memory to guide their decisions. The moderately experienced consumer, on the other hand, may possess just enough motivation and ability to devote substantial search effort to the decision task. Figure 9.8 depicts search effort as a joint function of motivation and ability. The inverse U function illustrates that consumers who are both low and high with respect to product knowledge are less likely to conduct extensive search than those with moderate levels of product knowledge. This is consistent with classic personality research, which demonstrates that the greatest attitude change occurs at an intermediate level of a personality trait (e.g., knowledge).⁴⁹

Motivation to Search

Regarding prepurchase search, consumers' motives are straightforward—to make a better purchase decision. For ongoing search, however, two separate motives emerge: to acquire a data bank of product information for future use⁵⁰ and pleasure or recreation. The first motive centers on consumers' desire for product knowledge, while the second motive derives from consumers' consumption experience.⁵¹ Building a warehouse of product knowledge involves increasing product expertise for reasons other than optimizing an immediate decision. It can make consumers feel well informed, improve future choices, and enhance self-actualization.⁵² Ongoing search activities can also be fun.

FIGURE 9.8 | Search Effort and Product Knowledge

Many consumers simply enjoy seeking information about products, whether by surfing the Internet or browsing through a traditional bricks-and-mortar store. For these consumers, shopping doesn't need to be purposeful. Shopping represents a leisure pursuit in and of itself, similar to attending a concert or movie or participating in a softball game. As the weekend approaches, listen to your friends discuss their alternative plans. They are likely to include shopping—in terms of ongoing search—in the same consideration set as watching a movie, taking a road trip, or going to a sporting arena. Shopping is similar to other activities that compete for consumers' time; it's considered an *event*.

Results of Search

The outcomes or results of information search differ for prepurchase versus ongoing search. When consumers search for product information explicitly to solve a problem, prepurchase search can increase knowledge, optimize brand choice, and heighten satisfaction. For example, a consumer dedicates considerable prepurchase search effort to finding a brand of moisture-rich cosmetics to keep her delicate skin comfortable during a grueling business conference. If successful, she will have attained important information to reduce her search the next time she's in the market for cosmetics (e.g., Elizabeth Arden's Flawless Finish Radiant Moisture Makeup SPF 8 works well for her skin type). Perhaps most important, this consumer will have made a good choice, giving rise to satisfaction, i.e., comfortable skin.

Ongoing search can increase consumers' efficiency by allowing them to rely on less costly internal sources of information (e.g., memory). For example, most consumers realize that they will eventually need to replace their automobile tires. Ongoing searchers keep their "antennae" active long before the

decision is necessary. They may read blogs on the Internet, pay attention to magazine and newspaper ads, and query friends who enthusiastically relay their experiences with various brands. Thus, when the decision is imminent (the tires won't pass the penny test!), ongoing searchers may be prepared to make a wise choice, without costly external search. Ongoing searchers also like to disseminate their stored knowledge to friends and family. Perhaps this is how market mavens are born. Being regarded as a product expert or opinion leader can enhance self-esteem. Finally, ongoing search engenders **impulse buying**, i.e., purchases made without prior planning. The more frequently consumers surf the Web and browse through traditional stores, the higher the probability is that they will eventually purchase on impulse.⁵³

Economics of Search

Economic psychologists often describe two extreme cases of industry structure. In *perfect competition*, there are many firms, but competition among them is so intense that anytime one of them achieves a market advantage, the others quickly duplicate it. As a result, the firms end up producing identical products. In perfect competition, brands do not have identities because the "sameness" of the products makes the concept meaningless. For example, while you are likely to recall the brand of cereal you ate for breakfast this morning, you probably do not know the brand of the milk you poured on the cereal. Milk comes close to satisfying the requirements of a perfectly competitive product; a gallon of milk from one producer is virtually identical to a gallon of milk from any other producer. At the other extreme of industry structure is *monopoly*, in which case, there is only one producer. For example, almost everyone who owns a PC needs a copy of the *Windows* operating system, and that is offered by only one producer, Microsoft Corp.

What do these two extremes of industry structure have in common? In both cases, the consumer decision making process is simple, and information search is virtually eliminated. In the case of perfect competition, while there are many competing brands (e.g., gasoline), the fact that the products are virtually identical means that consumers need not compare brands. Instead, consumers only need to answer the question, "Do I want this product at the going price?" In the case of monopoly (e.g., a local electric company), there is only one brand and so again, the only relevant question is, "Do I want this product?"

Most consumer choices take place in the intermediate case of industry structure known as *monopolistic competition*. In a monopolistically competitive industry, consumers are faced with many competing brands, each of which is different from the other in one or several attributes. Monopolistic competition creates a unique problem for consumers: it is nearly impossible to obtain full information about all competing brands prior to making a purchase decision. In fact, fully aware that they may choose the wrong brand, consumers try to make the *best* choice, given limited information search. In general, researchers refer to this concept as **bounded rationality**, the idea that consumers can only make rational decisions within the limits of time and cognitive capability.⁵⁴ Economic psychologist Antony Davies has developed a way to explain how consumers interpret the marketplace, given their limited rationality. The model provides a foundation for examining product consideration, evaluation, and choice.



Milk comes very close to being a perfectly competitive product, as a gallon of milk from one supplier will likely taste nearly identical to a gallon of milk from another supplier.

OBJECTIVE 5

Evaluation of Alternatives: An Uncertainty-Reduction Model

We have discussed why consumers conduct information search. But exactly what information do consumers need? There are three pieces of information necessary to conduct prepurchase and ongoing search: the number of available brands, the determinant attributes for the product category, and how an individual thinks he will react to a brand after it is purchased. In practice, consumers almost never know even one of these three pieces of information. For example, how many brands of beer can the average consumer recall? Beer connoisseurs (product experts) might recall as many as 20 or more brands. Nevertheless, approximately 500 brands of beer exist in U.S. markets alone. Even the most avid beer expert would not be aware of all these! Next, suppose that a consumer considers six important attributes for the product category, beer: color, aroma, taste, alcohol content, carbonation, and price. Can this consumer rate each brand on these six attributes? Probably not (unless the consumer's list is very short). Lastly, this consumer probably does not know exactly how well he would like these brands, even if he could rate them all. For example, he may claim not to like dark beer, but it's possible that he might like a dark beer brewed with a lot of hops, or a dark beer with heavy carbonation. Thus, consumers' inability to perfectly predict how much they will like a brand is another source of uncertainty.

Given enough search effort, consumers could, potentially, acquire all the information necessary to make a rational purchase decision. The term *rational* means that, with complete information, consumers would make decisions that maximize their satisfaction. However, the cost of acquiring information often exceeds the benefits of making the best decision.⁵⁵ For example, no one is willing to spend five years of research just to find the single best cereal. Instead, we settle for the good-though-perhaps-not-best cereal. Gathering and using product information under uncertainty is the focus of the **uncertainty-reduction model**.

Consumer Uncertainty

The uncertainty-reduction model describes how consumers attempt to reduce their uncertainty when they search and evaluate product information. Like the traditional model of consumer decision making, the uncertainty-reduction model views consumers as relatively involved problem solvers. Accordingly, consumers must come to terms with the actual brands available in the market. The set of **actual brands** represents all brands that exist along with measures of each of their attributes. The set of actual brands is an objective reality. Because it is prohibitively costly to gather complete and fully accurate information about all existing brands and their attributes, what is in a consumer's head is not the set of actual brands but a set of **perceived brands**. The set of perceived brands includes only those brands that a consumer acknowledges—whether real or not. Three sources of **external uncertainty** create noise during information search and cause a consumer's perceived brands to differ from actual brands. The sources of external uncertainty are incomplete information, measurement error, and obsolete information. *Incomplete information* suggests that consumers may be unaware of all the existing or actual brands. For example, if you have never heard of Castle Rock beer, then your perceived brand set suffers from incomplete information. Quite the reverse, if you mistakenly perceive a brand that doesn't exist, your perceived brand set also contains incomplete information. *Measurement error* describes a condition in which consumers may measure brands' attributes inaccurately or may be unaware of a particular attribute. For example, you may believe that all dark beers are sour tasting. However, because some are actually sweet, your perceived brand set suffers from measurement error. Finally, *obsolete information* describes a situation such that consumers fail to update their perception of the actual brand set as quickly as the actual brand set evolves. Perhaps the last time you purchased an Apple laptop computer, the price was double that of other brands. Since then, Apple has lowered its prices to be more competitive with Dell and other brands. If you do not revise your perception of Apple's price to match the changed reality, your perceived brand set suffers from obsolete information.

Consumers must also come to understand the *true pleasure* they are likely to derive by using various combinations of brands or brand attributes. For example, some consumers obtain more pleasure from coffee than tea. In the same way, a consumer may gain more pleasure from a dark roast Columbian variety versus a decaffeinated coffee. A consumer's **true preference** is the actual pleasure she will obtain from consuming various brands, i.e., another objective reality. However, consumers don't know as much about their own preferences as they think they do. It is time-consuming and expensive to sample every existing brand. So, even when consumers fully understand a brand's attributes, their reactions to those attributes may be different from what they anticipated. Thus, a consumer's **perceived preference**, what she believes her reaction will be to various brands and their attributes, differs from her true preference.

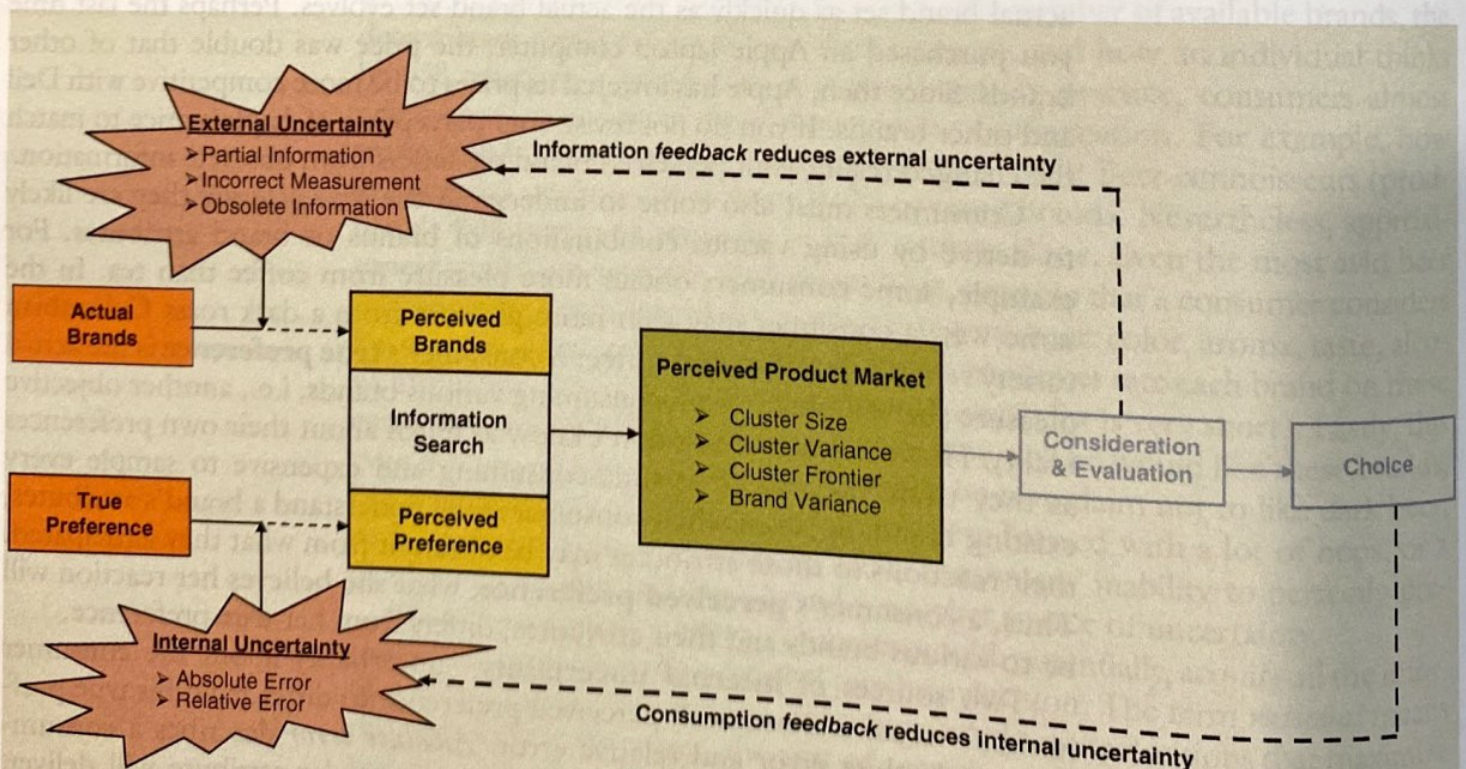
Two sources of **internal uncertainty**—uncertainty about the consumer himself—cause a consumer's perceived preference to differ from his true preference: absolute error and relative error. *Absolute error* describes a consumer's uncertainty regarding satisfaction that a particular attribute will deliver. Through experience, consumers learn how much pleasure they will gain by using or consuming various products. For example, a consumer may have full information about a car's auto parking system, but he may incorrectly believe

that auto parking is less important than it truly is. It may not be until he has driven the car for a while that he realizes auto parking is very rewarding. In contrast, *relative error* describes situations where consumers are uncertain about the relative influence or weight of *each* attribute on his true preference. For example, a consumer may be fully aware of a car's gas mileage and engine power. However, he may incorrectly gauge his willingness to reduce mileage to increase performance. It may not be until he has purchased the car and filled it up a few times that he realizes he would have preferred to give up some engine power in exchange for more miles per gallon.⁵⁶ In sum, because consumers cannot know every brand in the market or how much they will like those brands, they cannot know either the set of actual brands or their true preferences. Accordingly, consumers construct a mental picture of their reactions (perceived preference) and the world around them (perceived brands). Bounded by our rationality, consumers then organize that mental picture to form their notion of the overall market, or the perceived product market.

The Perceived Product-Market

Regardless of whether consumers conduct prepurchase or ongoing search, their perceptions of existing brands, along with their perceived preferences, influence how they construe the marketplace (see Figure 9.9). Here, the old adage, "perceptions are greater than reality" holds true. A consumer's **perceived**

FIGURE 9.9 | An Uncertainty-Reduction Model



SOURCE: Davies, A., and Cline T. W. (2005). A Consumer Behavior Approach to Modeling Monopolistic Competition. *Journal of Economic Psychology*, 26, 797-826.

product-market represents a patterned organization of brands in her mind. Consider the market for ice cream. Suppose a consumer views the product-market as possessing two determinant attributes: taste and calories. Furthermore, let's assume she is aware of six brands: Weight Watchers, Carvel, Edy's, Häagen-Dazs, Ben & Jerry's, and Breyers. These brands and the consumer's belief about their attributes constitute the consumer's perceived brands. Although limited by internal uncertainty, this consumer is also aware how she "feels" about ice-cream taste and ice-cream calories. These feelings constitute the consumer's perceived preference. When this consumer combines her perceived brands with her perceived preference, she forms an intuitive image of the product-market. Her perceived product-market for ice cream is represented in Figure 9.10. Each dot represents the consumer's perception as to the pleasure she will obtain from the attributes she perceives each brand to have. The further up and to the right a dot is located, the more (perceived) pleasure the consumer obtains from the brand's attributes.

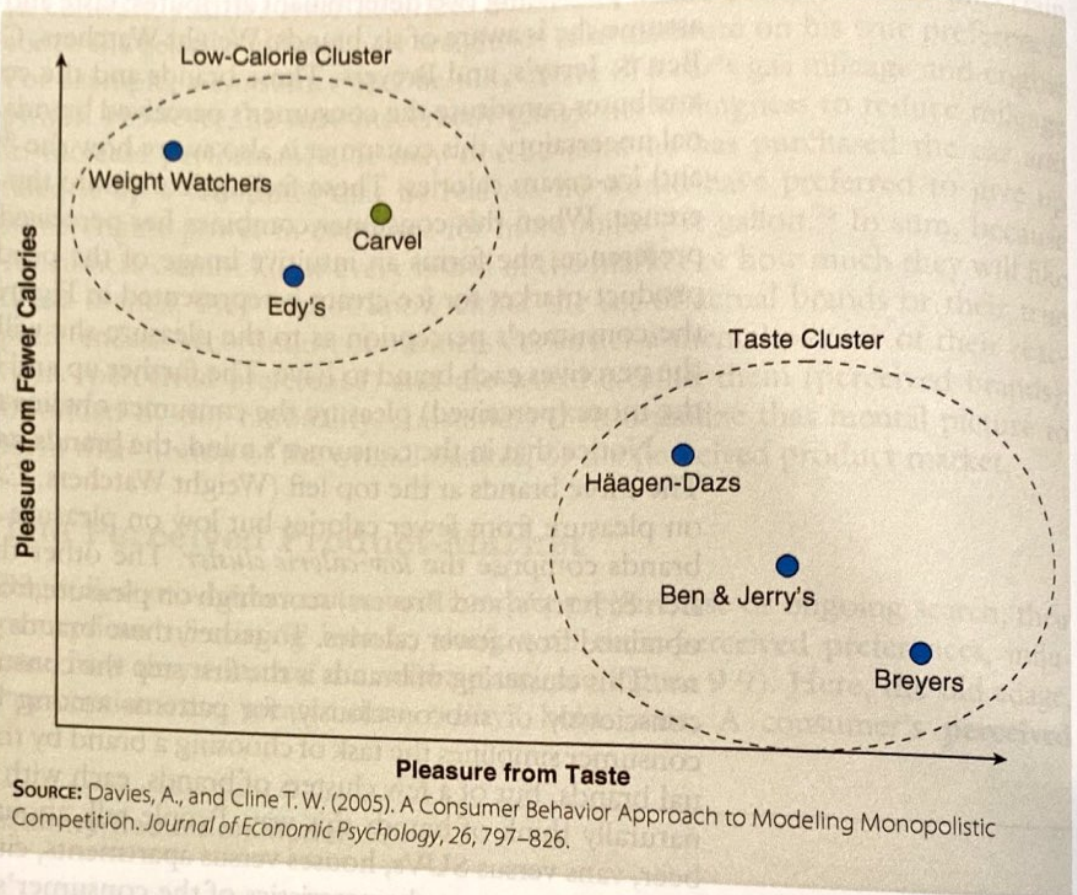
Notice that in the consumer's mind, the brands naturally fall into two *clusters*. The three brands at the top left (Weight Watchers, Carvel, and Edy's) score high on pleasure from fewer calories but low on pleasure from taste. Together, these brands comprise the *low-calorie cluster*. The other three brands (Häagen-Dazs, Ben & Jerry's, and Breyers) score high on pleasure from taste but low on pleasure obtained from fewer calories. Together, these brands comprise the *high taste cluster*. This clustering of brands is the first step the consumer takes in looking, either consciously or subconsciously, for patterns among brands. By **clustering**, the consumer simplifies the task of choosing a brand by thinking not of many individual brands, but of a few clusters of brands, each with a key attribute. Consumers naturally think of brands this way. People talk about domestic versus imported beer, vans versus SUVs, houses versus apartments, city versus suburb, and so on.

Four important characteristics of the consumer's perceived product-market describe something about the product-market that is relevant to the consumer's subsequent choice:

1. **Cluster size**, the number of brands the consumer places in the cluster
2. **Cluster variance**, the degree to which brands within a single cluster are dissimilar from each other
3. **Cluster frontier**, the best possible combination of attributes observed within a cluster
4. **Brand variance**, a consumer's awareness of uncertainty as to an individual brand's attributes

Consideration and Choice

After constructing perceptions of the product-market, consumers follow a two-stage choice process of *consideration* and *choice*. In the consideration stage, consumers often select a single cluster of brands via a non-compensatory process.⁵⁷ A **non-compensatory process** is a simple, although error-prone, way to make a decision in which the person does not consider trade-offs. For example, it is easier to decide whether to drink a caffeinated drink or a caffeine-free drink (a non-compensatory decision) than it is to decide *which* caffeinated drink or *which* caffeine-free drink to drink (a compensatory decision). The non-compensatory decision is easy because it is binary—"I want caffeine" versus "I don't want caffeine."

FIGURE 9.10 | Two-Dimensional Perceived Product-Market for Ice Cream

SOURCE: Davies, A., and Cline T. W. (2005). A Consumer Behavior Approach to Modeling Monopolistic Competition. *Journal of Economic Psychology*, 26, 797–826.

In the choice stage, consumers evaluate the brands in the considered cluster via a **compensatory process**. The compensatory process is difficult because it requires weighing trade-offs—“Red Bull tastes better than Hype, but Hype is less expensive,” and “Is Red Bull’s additional taste worth the additional price?” While a non-compensatory process requires less thought and fewer facts, a compensatory process requires the person to consider and weigh much more information. Why do consumers use this two-stage process? When faced with many competing brands, the consumer is confronted with the conflicting goals of making a decision with little effort and making an optimal decision. The consumer balances these two conflicting goals by employing a non-compensatory process so as to “whittle down” the field of competing brands to a manageable subset. The consumer then applies a compensatory process to evaluate the smaller set of brands and select a single brand for purchase.⁵⁷ For example, when looking for student housing, one person may begin by considering only apartments with two or more bathrooms, while another student may begin by considering only locations convenient to the university. In terms of the perceived product-market, consumers apply non-compensatory decision making in selecting a single cluster (“consideration”) followed by compensatory decision making to select a single brand from within the considered cluster (choice). The product-market characteristics suggest heuristics—or “rules of thumb”—that the consumer will use in consideration and choice. Let’s focus on a set of heuristics that derives from consumers’ perceptions of a product-market.

Cluster Size Consumers may interpret larger cluster size as an indication of lesser *external uncertainty* because:

1. Observing more brands can imply that a greater proportion of the actual brands has been observed (reducing partial information).
2. Observing more brands with similar attributes (i.e., brands in the same cluster) can provide confirmation that the consumer has correctly observed attribute levels (reducing measurement error).
3. Observing more brands in a specific cluster can imply a lesser probability of a brand having altered its attributes; the cluster may be stable over time (reducing obsolete information).

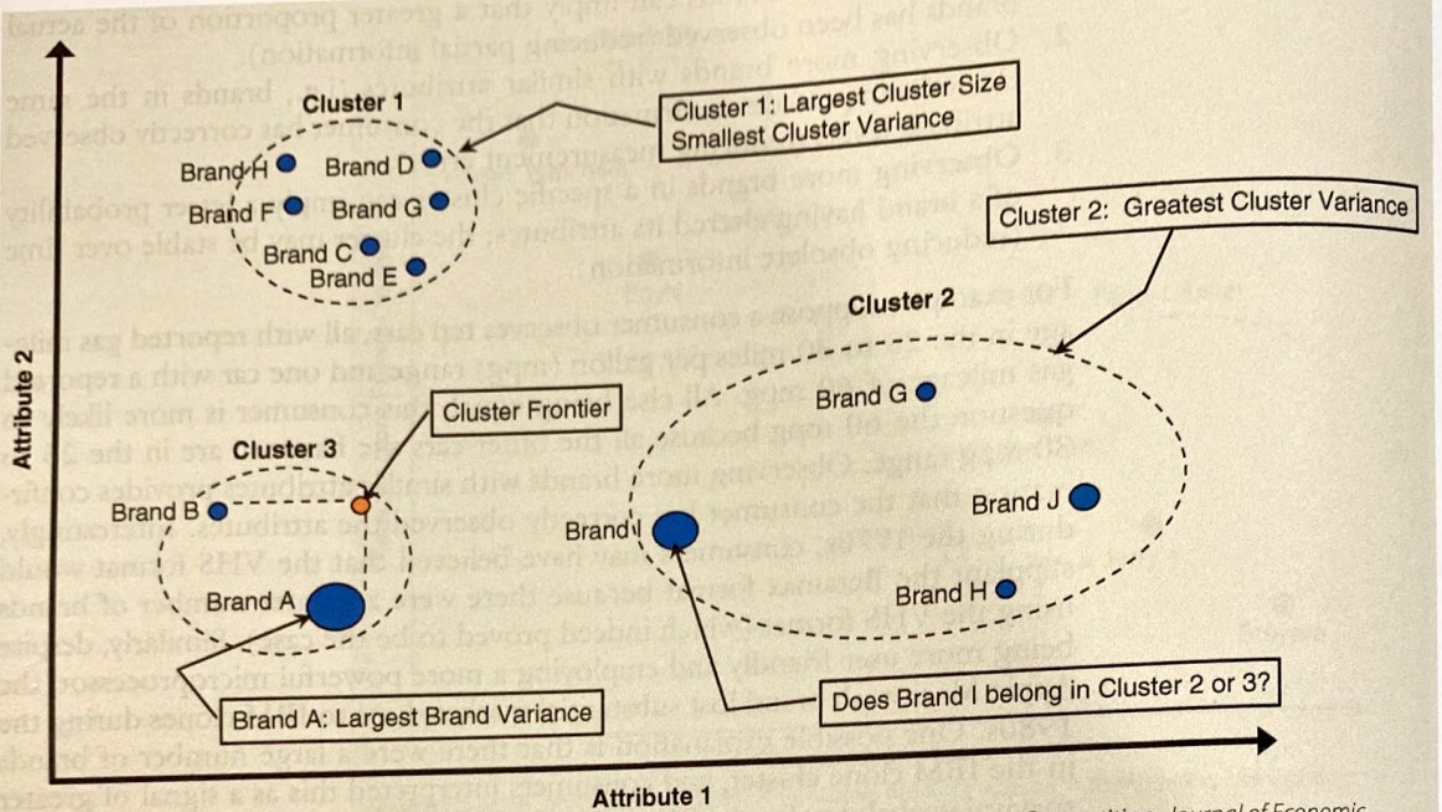
For example, suppose a consumer observes ten cars, all with reported gas mileage in the 25 to 30 miles per gallon (mpg) range and one car with a reported gas mileage of 60 mpg. All else being equal, this consumer is more likely to question the 60 mpg because all the other cars she has seen are in the 25 to 30 mpg range. Observing more brands with similar attributes provides confirmation that the consumer has correctly observed the attributes. Interestingly, during the 1970s, consumers may have believed that the VHS format would supplant the Betamax format because there were a greater number of brands using the VHS format (which indeed proved to be the case). Similarly, despite being more user-friendly and employing a more powerful microprocessor, the Apple Macintosh brand lost substantial market share to IBM clones during the 1980s. One possible explanation is that there were a large number of brands in the IBM clone cluster, and consumers interpreted this as a signal of greater survival probability for the PC cluster. See Figure 9.11—Cluster 1 is the largest because it contains the most brands.

Consumers may also interpret the number of brands in a cluster as a proxy for the demand for brands in that cluster.⁵⁸ Thus, a larger cluster size can signal less *internal uncertainty* because observing more brands implies that consumers' preferences are being satisfied. This is consistent with evidence that consumers make use of other people's experience when making purchase decisions.⁵⁹ For example, suppose a consumer investigates ten cell phone plans, nine of which come with free texting, with one plan charging for texting. All else being equal, the consumer is likely to judge that other consumers like free texting and that, consequently, he will also like free texting. In addition, people have inherent motives to justify their decisions to others and to themselves,⁶⁰ i.e., to bolster self-esteem,⁶¹ to alleviate cognitive dissonance,⁶² and to reduce anticipation of regret.⁶³ A larger set of brands in a cluster can help consumers justify their behavior to others and confirm their behavior to themselves. In sum, because a large cluster size decreases both perceived internal and external uncertainties, as the size of a cluster increases, the likelihood that a consumer will consider that cluster increases.

Cluster Variance Consumers may interpret larger cluster variation as an indication of greater *external uncertainty* because observing large differences among brands within a cluster could indicate:

1. Consumers have incorrectly grouped dissimilar brands into the same cluster.
2. Consumers have erroneously measured some of the attributes of the brands in the cluster.

FIGURE 9.11 | Characteristics of the Perceived Product Market



SOURCE: Adapted from Davies, A., and Cline T. W. (2005). A Consumer Behavior to Modeling Monopolistic Competition. *Journal of Economic Psychology*, 26, 797–826.

Consumers may also interpret larger cluster variance as an indication of greater *internal uncertainty* because

1. Observing a large difference among brand attributes within a cluster implies greater uncertainty regarding the consequences of a purchase from this cluster.
2. High cluster variance may send confusing signals about the *importance* of the various attributes.

For example, suppose a consumer observes four brands of hair coloring. The brands require that the coloring treatment be left in for 1 minute, 5 minutes, 10 minutes, and 20 minutes, respectively. The large variation among the treatment times can make the consumer less certain as to the benefit of treatment time, increasing internal uncertainty. In sum, cluster variance increases the likelihood of a consumer making a bad purchase decision. Therefore, as cluster variance increases, the likelihood of the consumer considering that cluster decreases (see Figure 9.11). Because the brands in Cluster 1 are relatively similar, i.e., close together, Cluster 1 has the smallest cluster variance. In contrast, Cluster 2 shows the greatest variation. In fact, one might argue that Brand I belongs in Cluster 3, not Cluster 2.

consumers' feedback loop. Figure 9.5 shows that, after consumers conduct "post-purchase evaluation," they integrate this information into their future decisions by informing any of the previous processes. In some cases, post-purchase evaluation may send consumers back to the drawing board with problem recognition. Perhaps the purchase created a new problem or failed to solve the old one. In either case, the extensive information processing and high levels of involvement necessitate an entirely new problem-solving process. On the other hand, a successful choice may require only that consumers loop back to the "choice" phase. Perhaps a successful low involvement purchase decision leads to brand laziness, or a higher involvement purchase encourages brand loyalty. In any event, consumers are not likely to conduct new search or re-evaluate alternatives. The intermediate case of variety seeking suggests that, even with a moderately successful post-purchase evaluation, consumers may return to the "evaluation of alternatives" or "information search" phases of decision making, seeking and processing new information that will lead to a different choice. How do consumers decide if the purchase was successful? In a word—*satisfaction*.

Consumer Satisfaction

Consumer satisfaction is determined by consumers' post-purchase evaluations of their decisions. Consumers constantly evaluate their choices as they integrate products into their daily lives.⁶⁴ Satisfaction is important to marketers because it influences future purchases. The marketing concept suggests that consumer satisfaction should be the focal point of marketing activities. Research shows that satisfaction positively influences consumers' repeat purchase intentions and leads to higher spending. Another study demonstrates that satisfied customers are willing to spend more on a brand that they like.⁶⁵ But these effects can be offset by competitive intensity, i.e., the number of available alternatives.⁶⁶ In the same vein, research demonstrates that customer retention is driven by a brand's advantage over other choices, not just consumers' overall evaluations of the chosen brand.⁶⁷ Finally, a recent study reveals that extremely high levels of satisfaction can translate into brand loyalty, the most important strategic objective of marketing managers worldwide. However, consumers who have a longstanding relationship with a brand demonstrate a high risk of switching when their loyalty is weakly held.⁶⁸

Dissonance-Reduction Consumers ask themselves a number of questions after purchasing a brand. Was this brand the right choice? Is it better than alternative choices? One of the strategies consumers use to assess their satisfaction is to compare the chosen brand with a rejected alternative. The chosen brand is the product the consumer actually purchased, while the rejected alternative is a brand considered, but not chosen. If the chosen brand seems superior to the rejected alternative during post-purchase evaluation, then consumers experience satisfaction and minimal cognitive dissonance. The converse is also true: if the chosen product appears inferior to a rejected alternative, then cognitive dissonance sets in, leading to dissatisfaction. Evidence of post-purchase dissonance may include comments such as, "Gee, I wish I had purchased the other brand," and, "I paid too much. I should have searched more stores." Cognitive dissonance involves behavior-attitude inconsistency



Marketing in Action

Ben and Jerry's and Miller Brewing: Changing Consumer Perceptions

At the height of the weight-conscious 1990s, Ben and Jerry's launched an ad campaign highlighting the fact that their brand was *not* low in calories. The ad went on to claim that Ben and Jerry's great taste was worth the higher calories. Perhaps unwittingly, the campaign altered consumers' perceptions of the cluster frontier among premium ice creams. Let's take a look at Figure 9.12, which shows a hypothetical consumer's perceived product-market for ice cream.

Among the high taste cluster, the consumer is aware of Häagen-Dazs, Ben and Jerry's, and Breyers. The consumer also perceives that the "ideal" premium ice cream is one that has the flavor of Breyers, but the calories of Häagen-Dazs. This point is labeled *original cluster frontier*. The point of the Ben and Jerry's ad campaign was to convince consumers that there is a trade-off between taste and calories, such that it is impossible for a brand to possess the taste of Breyers and the calories of Häagen-Dazs. As a result, Ben and Jerry's hoped that consumers

would shift their perceptions of the cluster frontier to the point labeled *new cluster frontier*. Why? Given that Ben and Jerry's is positioned between Häagen-Dazs and Breyers, moving the cluster frontier in this way puts Ben and Jerry's closer to this ideal point, resulting in an increase in market share for Ben and Jerry's at the expense of Häagen-Dazs and Breyers.

Similarly, in the early 1990s, the Miller Brewing Company introduced a new brand, Red Dog. With respect to taste and price, two of the most salient attributes for beer, Miller positioned Red Dog to be similar, although inferior, to its flagship brand, Miller Genuine Draft (MGD). Market analysts warned that, by introducing a new brand so similar to its flagship brand, Miller risked siphoning off market share from the flagship brand, a phenomenon known as *cannibalization*. What happened, however, was the reverse—Red Dog attained market presence while increasing MGD's market share. The uncertainty-reduction model offers an explanation for these unexpected

FIGURE 9.12 | Cluster Frontiers for Ice Cream

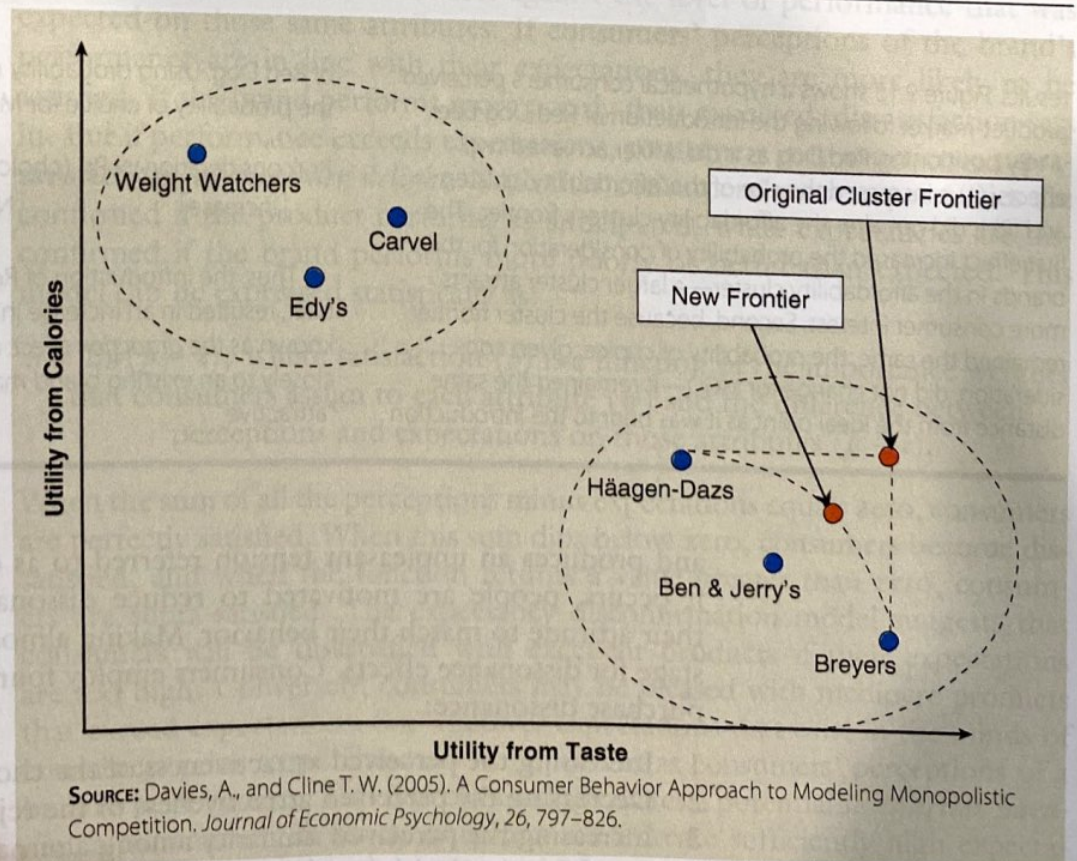
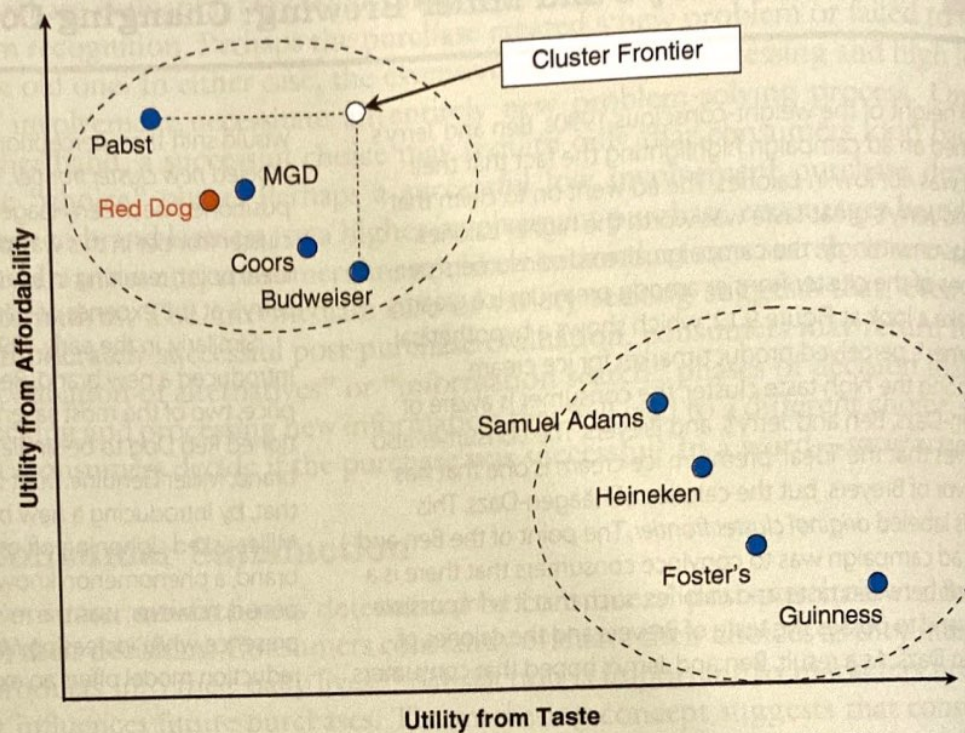


FIGURE 9.13 | Cluster Frontiers For Beer

SOURCE: Reprinted from the *Journal of Economic Psychology*, Vol. 26, Davies, A., and Cline T.W., A Consumer Behavior Approach to Modeling Monopolistic Competition, Pages 797–826, Copyright 2005, with permission from Elsevier.

results. Figure 9.13 shows a hypothetical consumer's perceived product-market following the introduction of Red Dog beer.

By positioning Red Dog as it did, Miller achieved two effects: (1) it increased the size of the "affordability" cluster, and (2) it did not alter the affordability cluster's frontier. The first effect increased the probability of consideration for the brands in the affordability cluster—a larger cluster attracts more consumer interest. Second, because the cluster frontier remained the same, the probability of choice, given consideration, did not change for MGD—it remained the same distance from the ideal point as it was prior to the introduction

of Red Dog. Using probability notation, the overall impact on the probability of choice for MGD is:

$$\text{Pr}(\text{consideration}) \times \text{Pr}(\text{choice} \mid \text{consideration}) = \text{Pr}(\text{choice})$$

[Increase] [No Change] [Increase]

Thus, the introduction of Red Dog, an objectively inferior beer, resulted in an increase in market share for MGD. This is known as the *attraction effect*: an inferior brand positioned closely to an existing brand makes the existing brand more "attractive."

and produces an unpleasant tension referred to as dissonance arousal. When it occurs, people are motivated to reduce dissonance arousal by changing their attitude to match their behavior. Making almost any decision can set the stage for dissonance effects. Consumers employ four strategies to reduce post-purchase dissonance:

1. Increasing the perceived attractiveness of the chosen alternative
2. Decreasing the perceived attractiveness of the rejected alternative
3. Increasing the perceived similarity among alternatives
4. Revoking the decision

The first strategy, known as *sweet lemons*, involves attempts to raise the positive qualities of the chosen alternative. The second strategy, called *sour grapes*, entails disparaging the qualities of rejected alternatives. The third strategy attempts to level the playing field by interpreting all alternatives as similar. The final strategy involves reversing the choice. For example, you might attempt to return the chosen brand in exchange for one of the alternatives.

In a classic study of post-purchase dissonance, consumers were asked to rate the attractiveness of several products, including a stopwatch, silk screen print, portable radio, and fluorescent lamp.⁶⁹ They were also told that, at the end of the study, they would receive one of these products as a gift. In the high-dissonance condition, consumers were asked to choose between two products they rated nearly equal in desirability. In the low-dissonance condition, consumers were asked to choose between a product they rated highly and a product they rated much lower in desirability. After receiving their gifts, consumers were asked again to rate all the products. Large shifts in attitude occurred in the high-dissonance condition. The chosen product was rated slightly higher and the rejected product was rated much lower after the decision was made. In contrast, smaller shifts in attitude occurred for the low-dissonance condition. Only the chosen product was rated slightly higher after the choice occurred.

Expectancy Disconfirmation Model In assessing their satisfaction, consumers may also want to know the extent to which their chosen product lived up to its expectations. The **expectancy disconfirmation model** suggests that consumers form expectations about product performance prior to purchasing a brand.⁷⁰ After buying a product, people compare their perceptions of its performance on various key attributes against the level of performance that was expected on those same attributes. If consumers' perceptions of the brand's performance are in line with their expectations, they are more likely to be satisfied. If the brand performs more poorly than expected, dissatisfaction sets in. But if performance exceeds expectations, consumers may experience *supra-satisfaction*, or *customer delight*. Note that consumers' prior expectancies are confirmed if the product performs as anticipated, while expectancies are disconfirmed if the brand performs more poorly or better than expected. This model can be expressed statistically as:

$$S = \sum w(p - e),$$

where satisfaction (S) is a function of the importance weights that consumers assign to each attribute (w) and the difference between perceptions and expectations on those attributes ($p - e$).

When the sum of all the perceptions minus expectations equals zero, consumers are perfectly satisfied. When this sum dips below zero, consumers become dissatisfied, and when the function returns a value greater than zero, consumers are supra-satisfied. The expectancy disconfirmation model suggests that consumers will be dissatisfied with excellent products if their expectations are too high. Conversely, consumers may be pleased with mediocre products that exceed expectations. So, whatever expectations that exist in the minds of consumers prior to purchase are as important as consumers' perceptions of a brand's performance. This line of thinking creates a potential *satisfaction paradox*, a conundrum in which marketers must create sufficiently high expectations to induce brand trial, but not so high as to engender disappointment. In

other words, brands that generate extremely low expectations will experience difficulty in getting consumers to try them. Conversely, when marketers build unrealistic expectations for brands, they are destined to disappoint.

Performance-Based Satisfaction The expectancy disconfirmation model assumes that product performance is always compared to consumers' *initial* expectations or goals. When those goals are met, satisfaction results; if they are not met, dissatisfaction follows. This model also implies that consumers who attain low expectations will be just as satisfied as consumers who achieve higher expectations. Recent research on **performance-based satisfaction** shows the opposite can be true: consumers who set and meet lower expectations are typically less satisfied than consumers who set and meet higher expectations. This occurs because consumers' initial expectations do not always serve as the standard of comparison for evaluating performance.⁷¹ Instead, consumers often compare the performance of a product with the product's best possible outcome, or its *potential*. For example, let's say John invests in a low-risk mutual fund and expects an 8% annual return. Jane, on the other hand, picks a riskier portfolio and a target return of 14%. Both investors believe that the best possible annual return of mutual fund is about 20%. At the end of the year, John's fund earned 8% and Jane's earned 14%, exactly meeting their expectations. Whereas the expectancy disconfirmation model predicts that John and Jane will be equally satisfied, performance-based satisfaction research demonstrates that this will only be the case if John is reminded of his initial, *lower* goal. Without a deliberate reminder from his fund adviser, John is likely to use the fund's potential (20%) as a standard of comparison, and he will see a relatively higher gap between performance and potential than will Jane. Why do consumers use a brand's potential rather than their initial expectations or goals? Some psychologists believe that people are wistful of "what could be," particularly if they believe they cannot attain the best possible outcome. If consumers are naturally forward-looking, it is easier for them to think about a brand's potential, which relates to the future rather than their expectations, which relate to the past.⁷²

Complaining Behavior Because consumers are not always satisfied with their product experiences, effective resolution of consumer complaints can have a dramatic effect on customer retention, reduce the spread of damaging word-of-mouth, and improve profitability.⁷³ Complaint handling strategies are particularly critical in the service industry, where customer satisfaction leads to long-term trust with and commitment to an organization. One framework for managing complaining behavior views customer complaints as a sequence of three events: (1) a *procedure* beginning with communicating the complaint, (2) an *interaction* between the customer and representatives of the organization, and (3) a *distribution* of benefits to the dissatisfied customer.⁷⁴ From a consumer's perspective, each of these events translates into a specific *justice*. *Procedural justice* indicates that the company has assumed responsibility for the problem and is providing a timely resolution. *Interactional justice* involves a polite, honest, and empathetic response from the service provider. *Distributive justice* focuses on compensation issues such as refunds, replacements, and repairs, along with an apology. In order to achieve even a modest level of satisfaction with complaint handling, an organization must perform relatively high on all three justice components. Failure on just one of the three leads to consumer dissatisfaction.

Research dealing with online complaining behavior demonstrates the potential for customers to punish and avoid firms that fail to resolve their complaints.⁷⁵ While customers' feelings for revenge eventually dissipate over time, their avoidance behavior increases with time. In other words, online complainers maintain grudges through their increasing desire to completely disengage with firms. Most alarming, a firm's best customers—those who believe they have a strong relationship with the firm—feel more betrayed and show stronger revenge and avoidance desires than do customers who have a weaker relationship with the firm. Postcomplaint resolution can reduce consumers' desire for revenge, but only if the resolution immediately follows the complaint. Moreover, best customers do not need expensive compensation (e.g., refund) to assuage their feelings of revenge. On the other hand, resolving online complainers' problems does not seem to bring back their business. The implications are clear: the best marketers can do with online complainers is eliminate their desire to punish with additional public complaints. Accordingly, marketers should encourage consumers to resolve complaints directly with the firm, demonstrating a positive resolution process that engenders trust and commitment. By the time complaints reach the Internet, it may be too late.



Ethics

Would you like a better deal when negotiating the price of a car, a house, or a service contract? Would it be ethical for a consumer to fake anger if it got him a better deal? According to professors Eduardo B. Andrade and Teck-Hua Ho from the University of California, Berkeley, showing anger can

work to a haggler's benefit.⁷⁶ These researchers set up a series of "emotion gaming" experiments and discovered that not only does displaying emotions work to a haggler's benefit, but those who show emotions often pretend they're upset for the purposes of financial gain.⁷⁷ One particular experiment simulated a retail environment. Sellers offered to divide a pot of money and receivers now had the option of accepting or rejecting the offer. A rejected offer, just like in the consumer world, meant that both the seller and buyer received no gains.

Researchers told half of the angry buyers that their irateness would be shown to the sellers. The results show that those who knew that their anger would be revealed added a little drama. Equally interesting, buyers received a better offer from sellers as long as sellers thought that the buyer's feelings were genuine. When sellers learned that buyers might be inflating their anger, the effect attenuated. Have you ever faked anger to get a better deal? Did it work? Is it ethical?

Chapter Summary

This chapter focused on how consumers recognize problems, define their markets, gather information related to their consideration and purchase decisions, and determine their satisfaction. Consumer decision making can be defined by the amount of effort people exert to solve a problem. Routine response behavior involves minimal effort, intermediate problem solving entails mid-level effort, and extensive

problem solving requires a great deal of effort. Consumer decision making can also be characterized as a joint function of processing effort and involvement, which creates four distinct types of decisions. When both involvement and information processing are low, consumers typically make choices as a matter of habit, or exhibit brand laziness, as opposed to a fundamental commitment to the brand. When

consumer involvement is high and information processing is low, consumers exhibit brand loyalty, an intrinsic commitment to a brand based on the benefits or values it provides consumers. When consumers experience low involvement and high information processing, they exhibit variety seeking behavior, the desire to choose new alternatives over more familiar ones—just for the sake of change. Finally, when both involvement and information processing are high, consumers engage in genuine problem-solving strategies. Because consumers cannot consider all the features of a brand, they must identify one or more determinant attributes, characteristics of a product that are both important and unique, and thus, most likely to affect the buyer's choice. Problem solving is the focus of the traditional model of consumer decision making because the decision involves relatively high levels of risk.

The traditional model of consumer decision making involves five stages of consumer problem solving. Problem recognition takes place when consumers experience a disparity between what they have and what they want. This is known as a want-got gap. Needs, wants, and opportunities trigger problem solving. Information search involves both the active and passive processing of data aimed at solving the problem. The level of search is determined by consumer involvement, the marketing environment, situational influences, and individual differences. Evaluation of alternatives requires consumers to determine which product attributes are important and which brands to evaluate on the basis of these attributes. Purchase decisions represent consumers' predispositions or intentions to buy a brand. Finally,

during post-purchase evaluation, consumers compare their perceptions of a brand with their expectations and determine their satisfaction.

The uncertainty-reduction model recognizes that consumers can only make rational decisions within the limits of time and cognitive capability. This approach to decision making involves four stages that specifically deal with consumers' bounded rationality. First, consumers develop perceptions of what the product-market looks like. Next, they whittle down the vast number of brands into a single subset of brands for consideration. Then, consumers choose one brand from the consideration set. Finally, based on their consumption experiences, consumers adjust their perceptions of product-markets in an attempt to make better future decisions. This model emphasizes that consumers continuously sort out and manage information about their chosen brands in an attempt to reduce uncertainty. One of the ways that consumers evaluate their purchases is by assessing their satisfaction. A popular strategy that consumers use to assess their satisfaction is to compare the chosen brand with a rejected alternative. This strategy is known as dissonance-reduction. Another way consumers determine satisfaction is by comparing a brand's performance against expectations of that performance. If the performance equals expectations, then consumers are satisfied. If it exceeds expectations, consumers are delighted. And if the brand fails to live up to expectations, people become dissatisfied. Some consumers imagine a product's best possible outcome to determine their satisfaction. Here, expectations are less important than whether the product achieved its potential.

Key Terms

actual brands
bounded rationality
brand laziness
brand loyalty
brand overload
brand variance
cluster frontier
cluster size

cluster variance
clustering
compensatory process
derived varied behavior
determinant attributes
enduring involvement
expectancy disconfirmation
model

extensive problem solving
external search
external uncertainty
impulse buying
intermediate problem solving
internal search
internal uncertainty
intrinsic variety seeking

market mavens
 motives
 need
 non-compensatory process
 ongoing search
 opportunities
 parity products

perceived brands
 perceived preference
 perceived product-market
 perceived risk
 performance-based satisfaction
 prepurchase search
 problem solving

routine choice
 true preference
 situational involvement
 uncertainty-reduction model
 variety seeking
 want-got gap
 wants

Review and Discussion

1. What distinguishes *brand loyalty* from *brand laziness*? Which of the two is more likely to result in long-term repeat purchase behavior?
2. How are consumers' perceptions of *risk* related to their level of product *involvement*?
3. Which categories of risk do you think have the greatest influence on the purchase of: (a) fashion clothing, (b) a laptop, (c) real estate, (d) sushi, and (e) a smartphone?
4. Why is variety seeking prevalent among parity product categories?
5. What's the difference between a *defensive* and *determinant* attribute? Both types of attributes are important to consumers.
6. Under what conditions are consumers likely to follow the five stages of the traditional model of Consumer Decision Making?
7. What are the two conditions necessary for problem recognition to occur?
8. Discuss the differences among *needs*, *wants*, and *opportunities*.
9. Predict the level of search for
 - a. A beginning skier interested in new skis
 - b. A frequent flyer looking for a flight to New York
 - c. A stay-at-home-dad who has moderate knowledge regarding baby foods
10. How do *external* and *internal* uncertainties cloud consumers' perceptions of the true brand universe and their true utility functions, respectively?
11. Review the two types of satisfaction models: dissonance-reduction versus expectancy disconfirmation. Which model would a consumer most likely use if she recently switched to a new brand after years of loyalty to one brand? Which model would a consumer use if he were processing information from advertisements and opinion leaders' word-of-mouth?

Short Application Exercises

1. Use Figure 9.4 (Assessing Determinant Attributes) to identify attributes in each of the four quadrants for *blue jeans*. On the basis of your analysis, what are the determinant attributes?
2. Identify a product category for which you feel *enduring involvement* and a product category for which you show only *situational involvement*. Explain why these product categories affect you differently.
3. Interview a friend regarding her search activities in a recently purchased, high-involvement product (e.g., automobile, computer, graduate school). Identify whether she relied primarily on *prepurchase* or *ongoing* search to make her choice.

Managerial Application

Imagine that you work for a well-known marketing research firm. Your supervisor has asked you to use the expectancy disconfirmation model to evaluate a consumer's post-hoc satisfaction level for a recent purchase of running shoes.

Your Challenge:

1. Identify three determinant attributes for this consumer (e.g., comfort, style, durability).
2. Determine the consumer's importance weights for each attribute, such that they total 100%. For example, comfort = 30%, style = 10%, and durability = 60%.
3. On a 1 to 7 scale, ask the consumer to rate how he expected the brand to perform on each of these attributes, *prior* to purchase (for example, comfort = 6, style = 4, and durability = 6).
4. Also on a 1 to 7 scale, ask the consumer to rate his actual perceptions of how the shoe has performed on each of these attributes.
5. Plug in the weights, expectations, and perceptions into the formula: $S = \sum w(p - e)$. Does the outcome of the function suggest that this consumer is satisfied, delighted, or dissatisfied? To see if the model is consistent with the consumer's response, ask the consumer if he is satisfied.

End Notes

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MARKETING METRICS

Measuring Consumer Satisfaction

Imagine that you are a consultant who is building a statistical model to predict how long a customer will remain with a firm (i.e., customer retention). Research demonstrates that both consumer satisfaction and calculated brand commitment should help predict customer retention. Consumer satisfaction is defined as a customer's overall evaluation of the performance of a product or service to date.⁷⁸ Calculated brand commitment is a consumer's dependence on a brand's benefits due to a lack of choices or switching costs.⁷⁹ The following table provides data for twenty wireless phone customers. All twenty have used wireless services for 10 years. Column 1 shows the customer number. Column 2 provides consumers' ratings for overall satisfaction to date on a seven-point scale, where 7 represents the highest rating for satisfaction, and 1 represents the lowest. Column 3 shows consumers' estimated switching costs, i.e., the cost of switching from their current wireless service provider to a competitor. Finally, column 4 shows how long consumers have been with their current wireless service provider, a surrogate for customer retention.

Wireless Phone Customer Data [DT9-1.Xls]

(1) Customer Number	(2) Overall Satisfaction (1-7 Scale)	(3) Switching Costs (\$)	(4) Months with Firm (Customer Retention)
1	6	120	28
2	4	25	6
3	7	200	48
4	2	20	12
5	5	75	18
6	3	0	2
7	6	50	24
8	4	50	16
9	5	70	20
10	1	0	2
11	6	180	48
12	5	85	20
13	4	80	18
14	2	40	2

(continued)

(1) Customer Number	(2) Overall Satisfaction (1-7 Scale)	(3) Switching Costs (\$)	(4) Months with Firm (Customer Retention)
15	7	90	48
16	7	110	30
17	1	0	8
18	5	75	12
19	3	60	6
20	6	90	24

Your Task

Use the Excel file (DT9-1.xls) to execute the following analyses:

- Conduct a Pearson correlation for (1) *switching costs* and (2) *retention*. Recall that a correlation (r_{xy}) measures the extent to which two variables are associated with each other. The value of r_{xy} always falls between -1 and 1 . A positive correlation would indicate that higher switching costs are associated with longer customer retention, whereas a negative correlation would indicate the opposite. A correlation of $r_{xy} > 0.75$ would be considered large. What is r_{xy} ? Does it indicate that higher switching costs are associated with customers' duration with the firm?
- Conduct a univariate, multiple linear regression analysis using *retention* as the dependent (y) variable and (1) *satisfaction* and (2) *switching costs* as the independent, or predictor (x) variables. Find the data analysis tab and click "regression." Use the third column (retention) for the y-range and the first two columns for the x-range. Click "labels" so that Excel knows the column titles aren't data. Click "new worksheet ply" and provide a name. Then click "OK." Examine the output.
 - Adjusted R-square* indicates the proportion of variation in retention explained by satisfaction and switching costs. An adjusted R-square greater than 0.50 means that satisfaction and switching costs account for more than 50% of the number of months consumers remain with the firm. What is the adjusted R-square in your model? Does it indicate that satisfaction and switching costs explain customer retention?
 - The *Satisfaction Coefficient* indicates the number of *additional* months a consumer would remain with his wireless provider if he were to rate the firm one point higher on the 7-point satisfaction scale. According to your model, how many additional months of retention will one satisfaction point bring a wireless provider?
 - Now it's time to predict how long a customer will remain with a wireless provider based on a specific satisfaction score and switching cost. Use 5 as the customer satisfaction score and \$100 as the switching cost, and plug these two numbers into your model: $\text{Intercept Coefficient} + (5) \times \text{Satisfaction Coefficient} + (100) \times \text{Switching Costs Coefficient} = \text{Retention}$ (in months). What is your prediction for how long this particular customer will be retained?