

# Consumer Purchase Decision Process

In order to understand the purchase decision process, we have to be aware of the following questions:

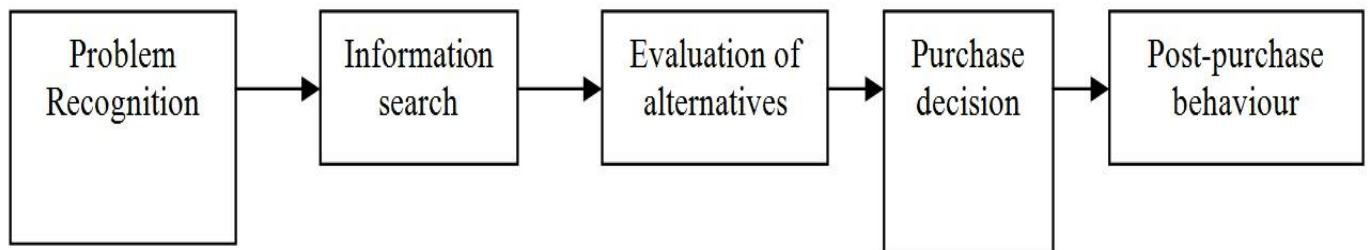
- What is to be purchased?
- What is the objective to purchase?
- Who is purchasing?
- How is the product purchased?
- On what occasion, is the product purchased?

The John Dewey model outlined the following five stages of decision-making:

- A difficulty is felt
- The difficulty is located and defined
- Possible solutions are suggested
- Consequences are considered
- A solution is accepted

This model has been modified and the new model of purchase-decision process has been proposed by Robinson, Faris and Wind in 1967. This model has 5 steps, which are illustrated in following table and described thereafter.

### Model of purchase-decision process



## Problem Recognition

The buying process starts when the buyer recognises a problem or need. The need can be triggered by internal stimuli such as hunger, thirst etc. or external stimuli such as looking at items in the shop, neighbour's purchase etc. Marketers need to identify the circumstances that trigger a particular need. By gathering information from a number of consumers, marketers can identify the most frequent stimuli that spark an interest in a product category.

Need becomes apparent when there is a divergence of the desired and actual states. The motivation that arises from this depends on the level of disparity between the *actual state* and the *desired state*. For example, a driver who is late for an appointment may be thirsty, but not thirsty enough to stop the car at a roadside shop. Likewise, a householder might have run out of one or two items, but still has enough food in the house to get by on; as the days go by, more and more items are used up, and eventually a trip to the nearby discount store becomes essential. The disparity between the actual and desired states grows greater, in other words, and therefore the householder becomes more strongly motivated to do something about it.

There are two possible reasons for a divergence between the desired and the actual states: one is that the actual state changes; the other is that the desired state changes. In practice, it is rare for the actual states and the desired states to be the same, since this would imply that the consumer would be perfectly happy and have everything that he or she could possibly want, which is rarely the case in an imperfect world.

Causes of shift of the *actual* state might be from the following list:

- *Assortment depletion*: This involves consumption, spoilage or wear and tear on the stock of goods or products within the individual's assortment.
- *Income change*: This can be upwards, through a salary increase or wind fall, or downwards, through (say) redundancy.

Causes of shifts in the *desired* state often have more to do with marketing activities. This is because *new information* may change the individual's aspirations. If the individual sees a better car, hears a better stereo, or otherwise becomes aware that there is a better solution to the problem than the one currently in use, there is likely to be a shift in the desired state.

From a marketing viewpoint, this approach is most effective when the consumers are not satisfied with their present products.

*Changing desire* is often brought on by a change in actual state: getting a new job may mean moving house, for example. Sometimes a pay increase (which is a shift in the actual state) will raise the individual's aspirations and s/he will consider purchases that previously had been out of reach and therefore not even considered. For example, a lottery win might prompt an individual to book the holiday of a lifetime somewhere.

The *psychology of complication* says that people complicate their lives deliberately by seeking new products, even though they are fairly satisfied with the old one. (This may account in part for the high divorce rate). The psychology of complication is the opposite of the *psychology of simplification*, which says that consumers try to simplify their lives by making repeat purchases of the same old brand. Probably both these mechanisms act on consumers at different times.

Conditions causing shifts in actual and desired states are interdependent: that is to say, a shift in the actual state (sudden redundancy, for example) will cause a shift in the desired state (instead of looking for a promotion, the individual would now be glad just to have a job at the old grade): Likewise a shift in the desired state (seeing a programme about a holiday in Goa and wanting to go there) will cause a shift in the actual state as soon as the consumer tries to save for the trip.

## Information Search

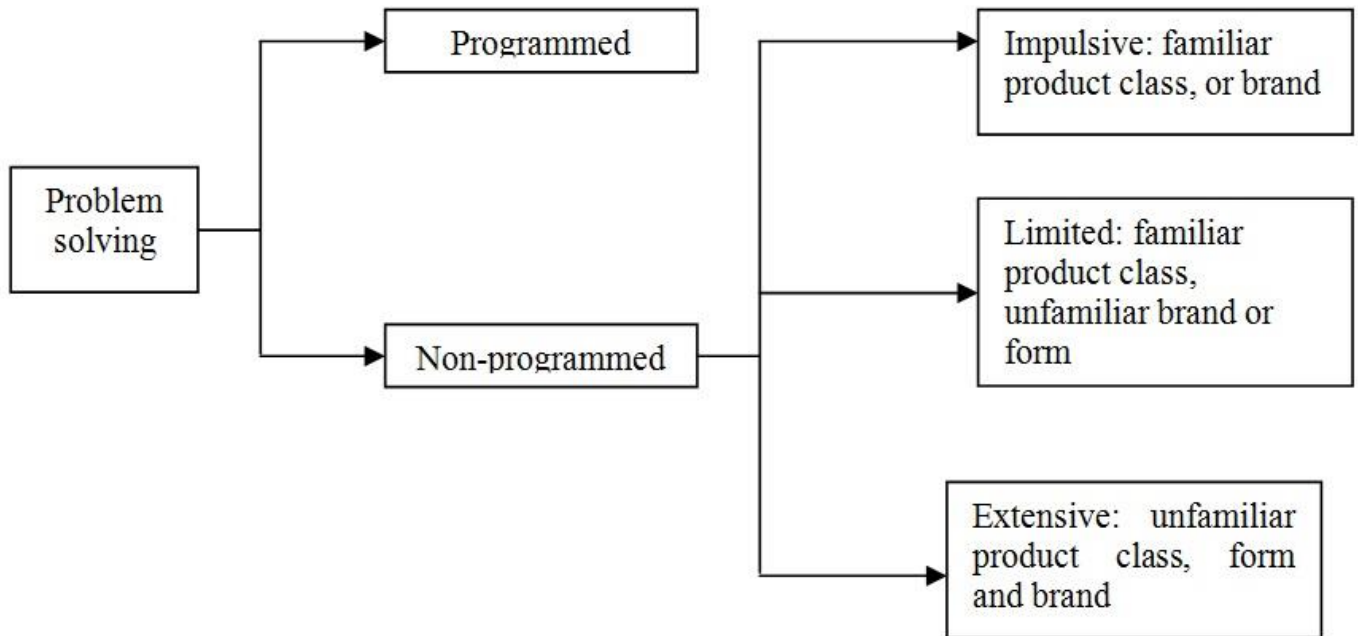
Having recognised the need, the consumer will undertake a series of pre-purchase activities. The *information search* comes from two sources: an *internal* search (from memory), and an *external* search (from outside sources). In both cases most of the information originates from seller-based sources, and is therefore readily available and low cost. If the internal information search is insufficient - that is, the individual does not have enough knowledge of the product category to be able to make a choice - an external search will be undertaken.

Sometimes an individual will set out with the belief that s/he has sufficient internal information to make the purchase, but is then presented with new information at the point of purchase. For example, somebody who owned a cordless telephone ten years ago and would now like to buy another might already feel familiar with the product. On entering the shop, the individual might be presented with a staggering array of cordless telephones with features, which were not available ten years ago, and which might even be incomprehensible. In that case the consumer may feel the need to ask questions of the shop assistants in order to gain enough information to make an informed decision. Incidentally, it is very common for people with limited information to base the decision on price simply because they lack the necessary understanding to make a judgement based on other features of the product.

Search efforts are not very extensive under most circumstances, because of the amount of time and effort that has to be expended. Usually consumers will continue to search until they find something that is adequate to meet the need, and will then not look any further.

*Assortment adjustment* is the act of entering the market to replenish or exchange the assortment of products that the consumer owns. Assortment adjustment can be *programmed* (habitual) or *non-programmed* (new purchases) (see following figure).

### Classification of problem solving



Non-programmed assortment adjustment divides into three categories. *Impulse* purchases are not based on a plan, and usually just happen as the result of a sudden confrontation with a stimulus. Such purchases are not always of familiar products; sometimes consumers will spend quite substantial amounts on a whim, perhaps a sudden urge to buy a particularly attractive jacket or to buy a fancy electronic gadget. Impulse buying has been further subdivided into four categories: *pure* impulse, based on the novelty of a product; *reminder* impulse, which relates to a product, which has been left off the shopping list; *suggestion* impulse, which is about products that fulfil a previously unmet need; and *planned* impulse, which occurs when the customer has gone out to buy a specific type of product, but is prepared to be swayed by special offers.

For example, a consumer may set out to the supermarket to buy the week's groceries, plus something for lunch today. On the way round, he sees a jar of imported almond-stuffed olive jam and decides to buy some to try (pure impulse). Next he notices the mustard sauce that reminds him that he is out of it (reminder impulse), and also on the shelf near, he saw a special pack for keeping mustard sauce separate while it is cooking (suggestion impulse). Finally, he notices that

the chicken leg roast is on special offer, and decides to buy some for lunch (planned impulse). This type of scenario is familiar to most people, who shop in supermarkets, and indeed supermarkets will often capitalise on this in the way the shelves are stocked and in the way the store is laid out.

The other types of non-programmed decision making involve either limited decision-making or extended decision-making. Of the two, limited decision-making is probably the most common.

**Limited decision-making** takes place when the customer is already familiar with the product class and merely wants to update his or her information, or fill in a few gaps revealed by the internal search. This is typical behaviour for someone who is replacing a car: since this is usually an infrequent activity, consumers often find it necessary to check out what new models are available and renew acquaintance with the price levels being charged, even though (as a driver) the consumer will have considerable knowledge of what a car is and what it can be expected to do. Limited decision-making tends to occur when the consumer is not completely satisfied with the existing product and seeks a better alternative. Here the consumer is only looking for something that overcomes the perceived problem with the existing product.

**Extended decision-making** occurs when the consumer is unfamiliar with the product class, form and brand. For example, for most people a mobile telephone would be a completely new class of product and they would have to undertake a fairly extensive information search before committing to a telephone or network. Extended decision-making is caused by unfamiliarity: consumers, who do not know much about the product category, brands, etc. will tend to shop around more.

**Factors affecting the external search for information:** The extent and nature of the external search for information will depend on a range of factors connected with the consumer's situation, the value and availability of the information, the nature of the decision being contemplated, and the nature of the individual.

*Assortment adjustment* can take two forms i.e. *assortment replenishment*, replacing worn-out or

consumed products, or assortment *extension*, adding to the range of products owned. Assortment replenishment will usually require very little information searching or risk, since the product is already known. Assortment extension is more likely to lead to an extensive problem-solving pattern.

The type of problem solving adopted will depend on the task at hand. A *programmed* decision pattern will lead almost immediately to purchase, these are the regular, always-buy-the-same-brand type of decisions. *Non-programmed* decisions may still lead immediately to a purchase by impulse, but this type of decision pattern will more probably lead to limited or extensive information search patterns.

The *perceived value* of the information is important in terms of how extensive the information search will be. In other words, the extent of the external search depends on how valuable the information is. If there is plenty of information in the 'internal files' within the consumer's mind, the extent of external information seeking will be correspondingly less: consumers who are highly familiar with the product will search less than those who are only moderately familiar.

The *relevance* of this information is also a factor: if it is a long time since the last purchase, the stored information may no longer be relevant. New alternatives may have developed or the product may have improved. If the consumer was satisfied with the last product (which may by now have been consumed or have worn out), the internal information will probably be regarded as relevant, and the search will be less extensive or non-existent.

Any action by a consumer produces unpredictable consequences, some of which might be unpleasant. These consequences form the *perceived risk* of the transaction. *Financial risk* is present since the consumer could lose money; for houses, cars and other major purchases the risk is great because the commitment is long term. Because the risk is reduced as knowledge increases, greater perceived risk will tend to lead to greater information search efforts, and the benefits of such a search will be correspondingly better. If the consumer feels certain about the decision already, there will be correspondingly less benefit in carrying out a search for

information.

The fear of losing face with friends and associates is the major component of *social risk*. It is determined in part by product visibility; consumers who buy Ambassador 4-wheelers can risk ridicule from their friends and colleagues, and might therefore carry out a more extended information search to ensure that the car will not provoke this reaction.

***Perceived cost*** is the extent to which the consumer has to commit resources to the search. People will frequently cut the search down simply because it is taking too much time, money or effort. This is because the potential loss of making a wrong purchase decision is seen as being less than the cost of making a full search.

***Time*** is a cost relating to search. It is sometimes measured in *opportunity cost*, or in terms of what the person could be doing instead of spending time searching. For example, highly paid people may value their time highly because they can earn more money at a desk than they save by shopping around, so they are prepared to spend money in order to save time. Poorer consumers may be more prepared to spend time shopping around in order to save money.

Money costs are the out-of-pocket expenses of searching. Clearly a consumer who wants to buy olive oil might compare different brands in Big Bazaar, but is unlikely to go to Giant to check their prices.

The ***psychological costs*** of the information search include frustration, driving, chasing around to different shops, talking to shop assistants, and generally giving a lot of thinking time to the search. Often the consumer will become overwhelmed with the quantity of information available, and will be unable to reach a decision because of information overload.

Sometimes the reverse happens and the consumer actually enjoys the shopping experience as an entertainment. ***Ongoing search*** is different from external search, in that consumers go to look for product information to augment stored product knowledge, and just for the fun of it. In other words, some people go shopping just for fun, and this is often a more important motivator than a



genuine need to buy something.

**Situational factors** will also affect the product information search. If there is urgency for the product, the search will be limited. If the car has broken down, the driver is unlikely to phone around for cheapest breakdown van. Other variables might include product scarcity and lack of available credit.

In terms of **product classification**, *shopping goods* are those for which a new solution has to be formulated every time. **Non-shopping** are those for which the consumer already has a complete preference and specification, and the consumer almost always buys the same brand. For example, tomato ketchup is usually a non-shopping product, whereas a stereo is a shopping product.

**Consumer characteristics** are those features of the consumer, which affect the information search. Demographics affect the search, in those *outshoppers* (people who shop outside the area in which they live) have higher incomes, and are mobile. This factor may be product specific, since outshopping most frequently occurs when buying groceries at an out-of-town shopping centre or buying consumer durables. Outshopping can also occur in the form of the shopping trip to Dubai free trade zone. An aroused consumer will be inclined to search for more information. An individual passes through two stages of information search:

- **Heightened attention stage:** In this first stage, buyers undertake a milder search where s/he simply becomes more receptive to information about a product.
- **Active information search:** In this second stage, the buyer looks for reading material, phoning friends and visiting stores to learn more about the product.

An individual gets information from the following four sources:

- **Personal Sources:** family, friends, neighbours, acquaintances
- **Commercial Sources:** Advertising, sales persons, dealers displays, packaging, displays
- **Public Sources:** Mass media, consumer-rating organisations

- **Experiential Sources:** Handling, examining and using the product

The relative amount and influence of these information sources vary with the product category and the buyer's characteristics. The consumer receives most information from commercial sources, as this source performs the informing function. Personal sources perform the evaluation function and are the most effective source.

## Evaluation of Alternatives

Through gathering information an individual comes to know about competing brands and their features. Having gone through the procedures of collecting information, whether by a lengthy search or by simply remembering all the necessary facts, the consumer will make a choice based on the collected information. The first procedure is to establish a *consideration set*, which is the group of products from which the final choice is to be made. This consideration set will only usually contain a small subset of all the possible alternatives, so from the marketer's viewpoint it is essential to be included in the consideration set, and this is the role of much of the advertising activity undertaken.

Consumers construct the consideration set from the knowledge obtained in the information search. Consumers will often use *cut-offs*, or restrictions on the minimum or maximum acceptable values. Typically, consumers will have a clear idea of the price range they are willing to pay, for example, and any product priced outside this zone will not be included. Incidentally, this price range may have a minimum as well as a maximum: many executive type car buyers will not want to be seen driving a very cheap car. Again, marketers need to know what the consumer's cut-off point is on given specifications; this can be determined by market research.

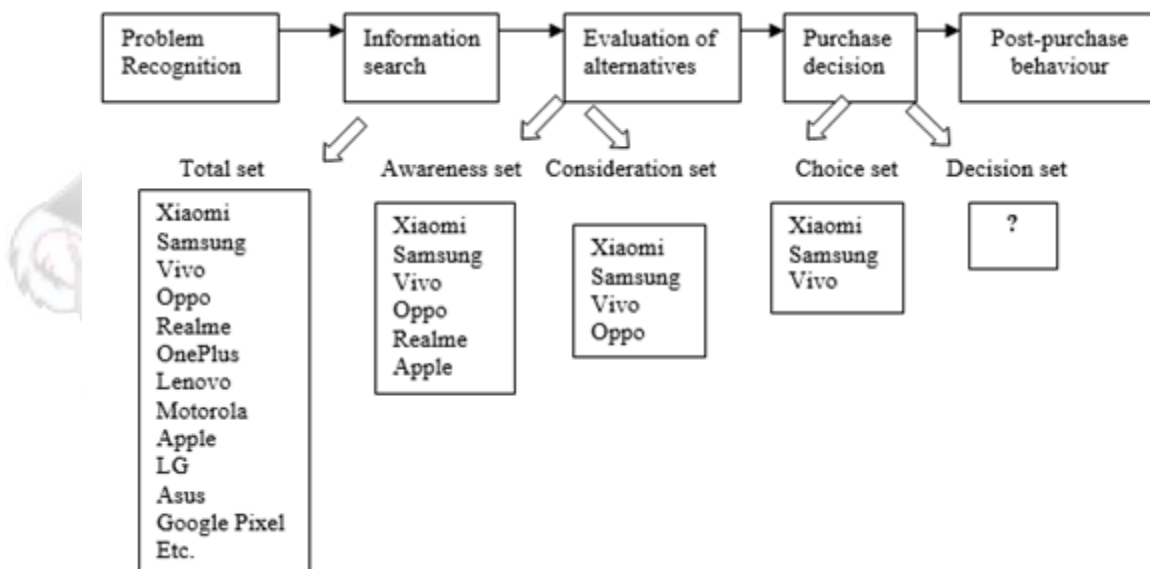
*Signals* are important to consumers when judging product quality. A signal could be a brand name, a guarantee or even a price tag. It is very common for consumers to equate quality with a high price, so a useful tactic for low-priced manufacturers is to undermine this perception in as many ways as possible. The use of price as a quality signal is somewhat reduced when other signals are present. For example, if the consumer is easily able to judge the quality by inspecting

the product, the relationship may not apply.

Finally, consumers will often select a *decision rule* or *heuristic*. Consumers develop these rules over a period of time: for example, a rule might be always to buy the best quality one is able to afford at the time. Some consumers have rules about brand names, or shops they know and trust, or people whose preferences they will always respect.

The following figure shows the successive sets in the consumer decision process for CTV purchase.

Successive sets in the Consumer Decision Process



The total set shows the brands available to the consumer, awareness set shows the brands out of total set known by the consumer, consideration set shows the brands which meet the initial buying criteria and choice set includes a few brands, which remain as strong contenders. Then the person makes a final choice from this set.

Therefore a company must strategise to get its brand into the prospects' awareness set, consideration set and choice set. It must also be aware of the other brands in the consumers' choice set so that it can plan a strong competitive appeal. In addition, the company should identify the consumer's information sources and evaluate their relative importance. Consumers

should be asked how they first heard about the brand, what information came in later and the relative importance of the different information sources. The answer will help the company prepare effective communications for the target market.

But how does the consumer process the competitive brand information and make a final judgement of value? It turns out that there is no simple and single evaluation process used by all consumers or even by one consumer in all buying situations. There are several decision evaluation processes. Most current models of the consumer evaluation process are cognitively oriented-that is, they see the consumer as forming product judgements largely on a conscious and rational basis.

Certain basic concepts will help us understand consumer evaluation processes. We see the consumer as trying to satisfy a need. The consumer is looking for certain benefits from the product solution. The consumer sees each product as a bundle of attributes with varying capabilities of delivering the sought benefits and satisfying this need. The attributes of interest to buyers vary by product:

- *Mobile phones*: Showy, hardy, connectivity, value-added features like game, ring tones etc.
- *Car*: Mileage, attractiveness, after-sales service etc.
- *Cinema*: Star casting, music, story, action

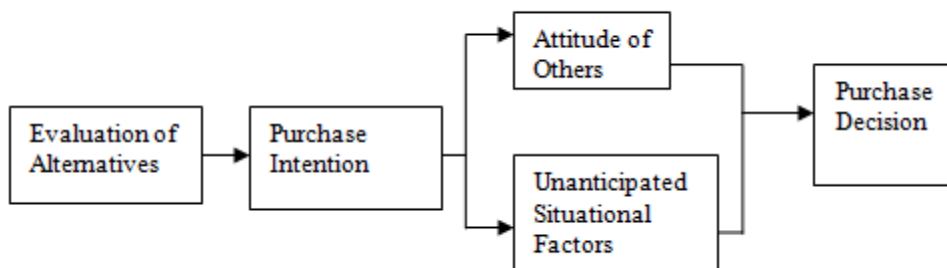
Consumers differ as to which product attributes they see as relevant or salient. They will pay the most attention to the ones that will deliver the sought benefits. The market for a product can often be segmented according to the attributes that are suitable to different consumer groups.

But, the most salient attributes may not be the most important ones. Marketers should be more concerned with the importance of attributes than with their salience. They should measure the importance weights that consumers attach to the various attributes. The consumer is likely to develop a set of brand beliefs about where each brand stands on each attribute. The brand beliefs make up the brand image. The consumer's brand beliefs will vary with his or her experiences and the effect of selective perception, selective distortion and selective retention.

## Purchase Decision

In the evaluation stage, the consumer forms preferences among the brands in the choice set. The consumer may also form a purchase intention to buy the most preferred brand. However, two factors can intervene between the purchase intention and the purchase decision.

### Steps between evaluation of alternatives and purchase decision



The first factor is the attitudes of others. The extent to which another person's attitude reduces one's preferred alternative depends upon two things:

- (1) The intensity of the other person's negative attitude toward the consumer's preferred alternative and
- (2) The consumer's motivation to comply with the other person's wishes.

The more intense the other person's negativism and the closer the other person is to the consumer, the more will consumer adjust his or her purchase intention. The converse is also true. A buyer's preference for a brand will increase if someone he or she likes favors the same brand. The influence of hold others becomes complex when several people close to the buyer contradictory opinions and the buyer would like to please them all.

Purchase intention is also influenced by unanticipated situational factors. The consumer forms a purchase intention on the basis of such factors as exp the family income, expected price and expected product benefits. When consumer is about to act, unanticipated situational factors may erupt to change the purchase intention. Thus preferences and even purchase intentions are not completely reliable predictors of purchase behaviour.

A consumer's decision to modify, postpone or avoid a purchase decision is heavily influenced by perceived risk. Expensive purchases involve some risk taking. Consumers cannot be certain about the purchase outcome. This produces anxiety. The amount of perceived risk varies with the amount of money at stake, the amount of attribute uncertainty and the amount of consumers' self confidence. A consumer develops certain routines for reducing risk, such as decision avoidance, information gathering from friends, and preference for national brand names and warranties. The marketer must understand the factors that provoke a feeling of risk in consumers and provide information and support that will reduce the perceived risk.

Recognition of the idea that customers do not buy products but are instead interested in the benefits gained from using the product has long been at the heart of successful marketing. This has been commented on by, among others, Malcolm McDonald. The difference between benefits and products is not just a question of semantics. It is crucial to the company seeking success. Every product has its features viz. size, shape, performance, weight, the material from which it is made, and so on. Many companies fall into the trap of talking to customers about these features rather than what those features mean to the customer. This is not surprising. For example, if, when asked a question about the product, the salesman could not provide an accurate answer, the customer might lose confidence and, doubting the salesman will soon doubt the product he is selling. Most salesmen are therefore very knowledgeable about the technical features of the products they sell. They have to have these details at their fingertips when they talk to buyers, designers and technical experts. However, being expert in technical detail is not enough. The customer may not be able to work out the benefits, which particular features bring and it is therefore up to the salesman to explain the benefits, which accrue from every feature he mentions. A simple formula to ensure that this customer-oriented approach is adopted is always to use the phrase 'which means that' to link a feature to the benefit it brings. Two such examples are "Maintenance time has been reduced from 4 to 3 hours which means that most costs are reduced by....." and "The engine casing is made of aluminium which means that six more units can be carried on a standard truck load, which means that transport costs are reduced by..."

McDonald argued that companies should undertake detailed analyses to identify the full range of benefits that they are able to offer to the customer as a prelude to identifying the range of benefits that customers actually want or will respond to. Benefits typically fall into four categories:

- 1) *Standard benefits*: arise from the company and its products;
- 2) *Double benefits*: bring a benefit to the customer and subsequently, through an improvement in the customer's product, to the end user;
- 3) *Company benefits*: emerge as the result of a relationship that develops by virtue of having bought a particular product - a typical example would be worldwide service back-up;
- 4) *Differential benefits*: distinguish the product from those offered by competitors.

Among others to have discussed the significance of benefits is Theodore Levitt who takes as an example of drilling machines. The customer, he suggests, does not buy a quarter-inch drill for its own sake, but for the quarter-inch holes it gives. The implication for the manufacturer is that he needs to define his business in terms of the means of making holes in materials. By limiting the definition to the manufacture of drills he is likely to fail to recognize the opportunity offered by, for example, industrial lasers which are capable of making holes more rapidly and accurately.

Nevertheless, there are several influencing factors, which merit consideration. These include:

- The product's attributes such as its price, performance, quality and styling;
- Their relative importance to the consumer;
- The consumer's perception of each brand's image;
- The consumer's utility function for each of the attributes.

By understanding consumers' perceptions in this way, the marketing strategist can then begin modifying the product offer. This can be done in one of six ways:

- 1) Changing the physical product by, for example, adding features (real repositioning);

- 2) Changing beliefs about the product by giving greater emphasis to particular attributes (psychological repositioning);
- 3) Changing beliefs about competitors' products by comparative advertising and knocking copy' (competitive depositioning);
- 4) Changing the relative importance of particular attributes as a product moves through the product life cycle, for example, and consumers become more familiar with the concept and the technology, the emphasis in the advertising can be shifted from, say, reassuring consumers about reliability and service back-up, to a range of additional uses;
- 5) Emphasizing particular product features which previously have been largely ignored;
- 6) Changing buyers' expectations.

Against the background of these comments, the strategist should then be in a position to consider the act of purchase itself, and in particular *where* the purchase will be made, the *quantities* in which it will be made, the *timing*, and the *method* of payment.

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### **Post-Purchase Behaviour**

After purchasing the product, the consumer will experience some level of satisfaction or dissatisfaction. The consumer will also engage in post-purchase actions and product uses of interest to the marketer. The marketer's job does not end when the product is bought but continues into the post-purchase period.

**Post-purchase Satisfaction:** After purchasing a product, a consumer may detect a flaw. Some buyers will not want the flawed product, others will be indifferent to the flaw and some may even see the flaw as enhancing the value of the product. Some flaws can be dangerous to consumers. Companies making automobiles, toys and pharmaceuticals must quickly recall any product that has the slightest chance of injuring users.

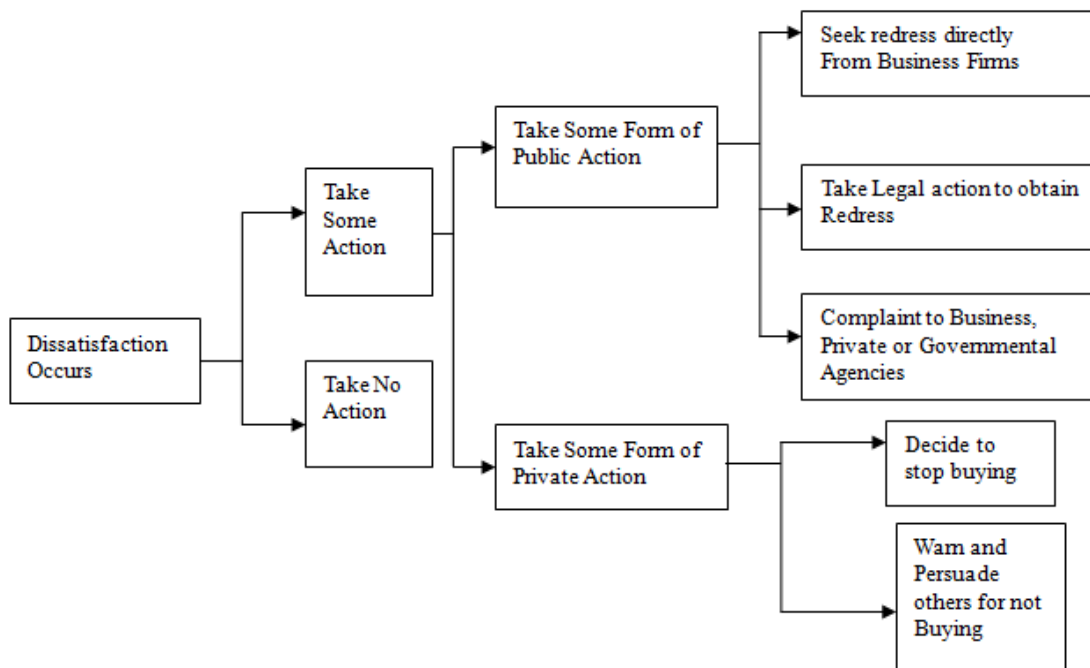
What determines whether the buyer will be highly satisfied, somewhat satisfied or dissatisfied with a purchase? The buyer's satisfaction is a function of the closeness between the buyer's product expectations and the product's perceived performance. If the product's performance falls



short of customer expectations, the customer is disappointed; if it meets expectations, the customer is satisfied; if it exceeds expectations, the customer is delighted. These feelings make a difference in whether the customer buys the product again and talks favourably or unfavourably about the product to others.

**Post-purchase Actions:** The consumer's satisfaction or dissatisfaction with the product will influence subsequent behaviour. If the consumer is satisfied, s/he will exhibit a higher probability of purchasing the product again. The satisfied customer will also tend to say good things about the brand to others. Marketers say: "Our best advertisement is a satisfied customer". On the other hand, a dissatisfied consumer responds differently. The dissatisfied consumer will try to reduce the dissonance because a human being strives "to establish internal harmony, consistency or congruity among his opinions, knowledge and values". Dissonant consumers will resort to one of two courses of action. They may try to reduce the dissonance by abandoning or returning the product or they may try to reduce the dissonance by seeking information that might confirm its high value (or avoiding information that might confirm its low value).

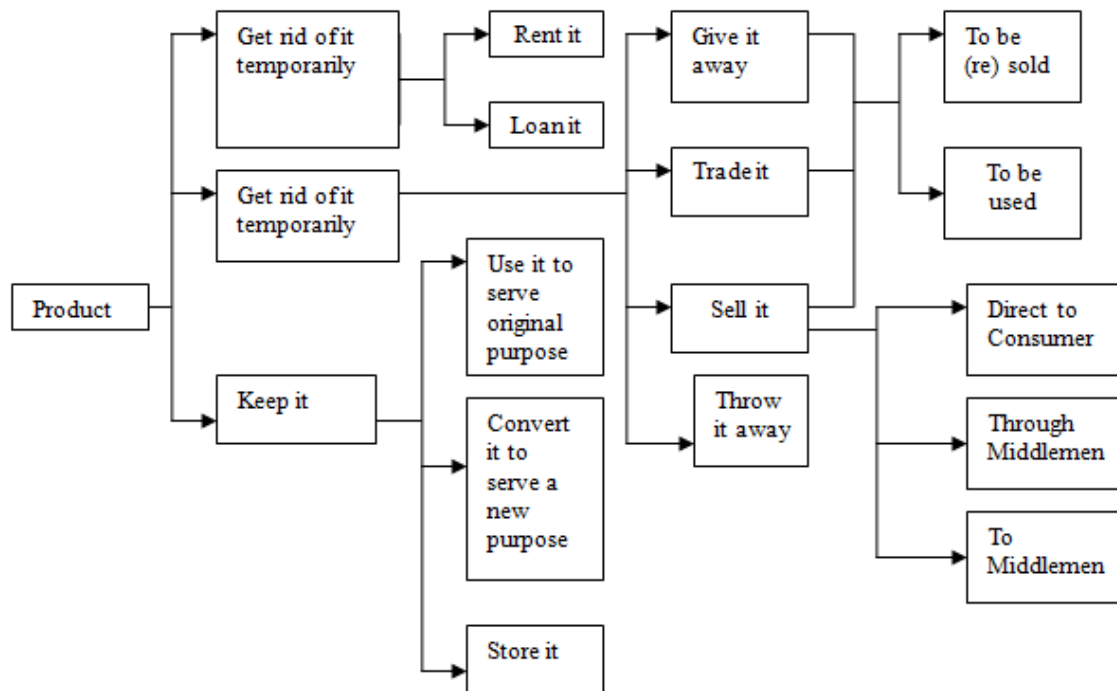
How Customers Handle Dissatisfaction



They can send owners a magazine containing articles describing new features of product. Post-purchase communications to buyers have been shown to result in fewer product returns and order cancellations. In addition, they can provide good channels for customer complaints and for speedy redress of customer grievances. In general, companies should provide consumers with maximum channels for venting complaints to the company. Smart companies will welcome customer feedback as a way to continually improve their offer and performance.

**Post-purchase Use and Disposal:** Marketers should also monitor how the buyers use and dispose of the product. If consumers find new uses for the product, these should interest the marketer because these uses can be advertised. If consumers store the product in their closet, this indicates that the product is not very satisfying and word-of-mouth would not be strong. If they sell or trade the product, new-product sales will be depressed. If they throw the product away, the marketer needs to know how they dispose of it, especially if it can hurt the environment, as is the case with beverage containers and disposable diapers. All said, the marketer needs to study product use and disposal for clues to possible problems and opportunities.

How Customers Use or Dispose of Products



Understanding consumer needs and buying processes is essential to building effective marketing strategies. By understanding how buyers go through need recognition, information search, evaluation of alternatives, the purchase decision and post-purchase behaviour, marketers can pick up clues as to how to meet buyer needs. By understanding the various participants in the buying process and the major influences on their buying behaviour, marketers can design effective marketing programs for their target markets.

