

Chapter 2:

DECISION MAKING AND CONSUMER BEHAVIOR

CHAPTER OBJECTIVES

When students have finished reading this chapter, they should understand why:

1. The three categories of consumer decision-making are cognitive, habitual, and affective.
2. A cognitive purchase decision is the outcome of a series of stages that results in the selection of one product over competing options.
3. We often rely upon “rules-of-thumb” or cues in the environment to make routine decisions.
4. We make some decisions on the basis of an emotional reaction rather than as the outcome of a rational thought process.

CHAPTER SUMMARY

The three categories of consumer decision-making are cognitive, habitual, and affective.

Consumer decision-making is a central part of consumer behavior, but the way we evaluate and choose products (and the amount of thought we put into these choices) varies widely, depending on such dimensions as the degree of novelty or risk related to the decision. Perspectives on decision-making range from a focus on habits that people develop over time to novel situations involving a great deal of risk in which consumers must carefully collect and analyze information before making a choice. Many of our decisions are highly automated; we make them largely by habit. The way we evaluate and choose a product depends on our degree of involvement with the product, the marketing message, and/or the purchase situation. Product involvement can range from very low, where purchase decisions are made via inertia, to very high, where consumers form very strong bonds with what they buy.

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

A typical decision involves several steps. The first is problem recognition, when we realize we must take some action. Once the consumer recognizes a problem and sees it as sufficiently important to warrant some action, he or she begins the process of information search. In the evaluation of alternatives stage, the options a person considers constitute his or her evoked set. Members of the evoked set usually share some characteristics; we categorize them similarly. The way the person mentally groups products influences which alternatives she will consider, and usually we associate some brands more strongly with these categories (i.e., they are more prototypical). When the consumer eventually must make a product choice from among alternatives, he uses one of several decision rules. Noncompensatory rules eliminate alternatives that are deficient on any of the criteria we've chosen. Compensatory rules, which we are more likely to apply in high-involvement situations, allow us to consider each alternative's good and bad points more

carefully to arrive at the overall best choice. Once the consumer makes a choice, he or she engages in post purchase evaluation to determine whether it was a good one; this assessment in turn influences the process the next time the problem occurs.

We often rely upon “rules-of-thumb” or cues in the environment to make routine decisions. In many cases, people engage in surprisingly little search. Instead, they rely on various mental shortcuts, such as brand names or price, or they may simply imitate others’ choices. We may use heuristics, or mental rules-of-thumb, to simplify decision-making. In particular, we develop many market beliefs over time. One of the most common beliefs is that we can determine quality by looking at the price. Other heuristics rely on well-known brand names or a product’s country of origin as signals of product quality. When we consistently purchase a brand over time, this pattern may be the result of true brand loyalty or simply inertia because it’s the easiest thing to do. Principles of mental accounting demonstrate that the way a problem is framed and whether it is put in terms of gains or losses influences what we decide.

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

Affective decision-making occurs when our emotional reactions determine how we react to a product. Marketers often try to elicit a positive emotional response via advertising or other communication channels so that consumers form a bond (or love mark) with their offering. A lot of the content on social media reflects affective responses that people post, so these platforms are a rich source of information for marketers to gauge how consumers feel about their brands.

CHAPTER OUTLINE

I. What’s Your Problem?

Researchers realize that decision makers actually possess a repertoire of strategies. We use a thought process called **constructive processing** to evaluate the effort we will need to make a decision and then tailor our cognitive effort to the task. In some cases we may create a **mental budget** to help us make estimates over time. Figure 2.1 reveals three types of decision-making: cognitive, habitual, and affective.

*******Use Figure 2.1 Here *******

A. Consumer Involvement

Consumer involvement can help to explain why some consumers approach the same choice situations differently. Involvement is a person’s perceived relevance of the object based on their inherent needs, values, and interests. Figure 2.2 shows the factors that may create involvement. Table 2.1 shows one of the most widely used scales to assess level of involvement. Inertia describes consumption at the low end of involvement. Figure 2.3 summarizes the relationship between involvement and our three types of decision-making.

*******Use Figure 2.2 and 2.3 Here *******

B. Types of Involvement

1. **Product involvement** refers to the consumer's level of interest in a particular product. Product decisions are likely to be highly involving if the consumer believes there is **perceived risk**. Figure 2.4 lists five kinds of risk.
 - Monetary risk
 - Functional risk
 - Physical risk
 - Social risk
 - Psychological risk

*******Use Figure 2.4 Here; Use Consumer Behavior Challenge #26 Here *******

Discussion Opportunity—Ask students to think of products that they use that pose a risk. Ask: How does this risk affect your decision-making? Try to think of products that have a social risk. What are they? What products have you not used because of the risk? How could marketers of these products overcome this risk function and get you to use their products?

2. When a consumer is highly involved with a specific product, it may mean that she exhibits **brand loyalty**. Though sometimes people may engage in **variety seeking**.
3. Message involvement refers to the different qualities media vehicles possess that may influence our motivation to pay attention. Print is high-involvement while television is low-involvement. Some messages are so involving that they trigger a state of narrative transportation, where people become immersed in the storyline. There are several things that can boost a person's motivation to process information including using novel stimuli, using celebrity endorsers, and providing value.
4. Situational involvement is accomplished by enhancing the consumers' experiences.

II. Cognitive Decision-Making

A. Steps in the Cognitive Decision-Making Process

*******Use Figure 2.5 Here *******

1. Step #1: Problem recognition. **Problem recognition** occurs when we experience a significant difference between our current state of affairs and some state we desire. Figure 2.6 illustrates the shifts in actual and ideal states.

Discussion Opportunity—Provide an illustration that demonstrates the actual and ideal states. Demonstrate how a gap between the two can occur.

*******Use Figure 2.6 Here *******

Discussion Opportunity—Ask: How do sellers convince you that you have a problem that they can solve?

2. Step #2: Information search. **Information search** is the process by which we survey the environment for appropriate data to make a reasonable decision.
 - Consumers differ in the amount of search they tend to undertake.
 - **Cybermediaries** help consumers to filter and organize online market information so that customers can identify and evaluate alternatives more efficiently. **Intelligent agents** are sophisticated software programs that use collaborative filtering technologies to learn from past user behavior in order to recommend new purchases.
 - Figure 2.7 illustrates the relationship between amount of information search and product knowledge.

******Use Figure 2.7 Here******

3. Step #3: Evaluation of alternatives. We call the alternatives a consumer knows about the **evoked set** and the ones he or she seriously considers the **consideration set**.
 - How do people put products into categories? We cognitively represent information in a knowledge structure, a set of beliefs we organize in our minds. We represent a product in a cognitive structure at one of three levels: basic, superordinate, subordinate. Figure 2.8 illustrates this.
 - *Basic level category*—typically most useful; items have a lot in common but broad range of alternatives can be considered.
 - *Superordinate category*—abstract concepts.
 - *Subordinate level*—individual brands; *prototypical* items help describe subordinate level.

***** *Use Consumer Behavior Challenge #20 Here* *****
Use Figure 2.8 Here

- Product categorization has many strategic implications. Some of these are:
 - a. **Position a product**—The conception of the product relative to other products in the consumer’s mind, or positioning strategy, hinges on the extent to which the consumer categorizes a product.
 - b. **Identify competitors**— Do different products act as substitutes?
 - c. **Create an exemplar product**— The most known, accepted product or brand can be a category exemplar that exerts disproportionate influence on how people think of the category.
 - d. **Locate products in the store**—Consumers often expect to find certain products within certain places within the store environment.
- **Evaluative criteria** are the dimensions we use to judge the merits of competing options. **Determinant attributes** are the features we actually use to differentiate among our choices.

*****Use Table 2.2 Here *****

4. Step #4: Product choice. In this stage the consumer decides. There are decision rules that may guide our choices. Simple decision rules are *non-compensatory* decision rules, meaning a product with a low standing on one attribute cannot make up for this position by being better on another attribute. Rules within this structure can be:
- The *lexicographic rule*—the brand with the best attribute is selected.
 - The *elimination-by-aspects rule*—must have a specific feature to be chosen.
 - The *conjunctive rule*—the consumer processes products by brand. Cutoffs are established for each brand. Failure to meet one cutoff means the brand will be rejected.

*****Use Consumer Behavior Challenge #21 Here *****

Discussion Opportunity—Provide an example of how you could use a non-compensatory decision rule. How could a marketer deal with this if you were not selecting their brand?

5. Step #5: Post purchase evaluation. **Post purchase evaluation** occurs when we experience the product or service we selected and decide whether it met our expectations. Our reaction is consumer satisfaction or dissatisfaction. According to the expectancy disconfirmation model, we form beliefs about product performance based on our prior experience with the product or communications about the product that imply a certain level of quality. If the experience matches our beliefs, we are satisfied. If not, we are dissatisfied.

*****Use Figure 2.5 Here *****

III. Habitual Decision-Making

Habitual decision-making occurs with little to no conscious effort.

Ask students if they've made a snap judgment that turned out to be correct before.

A. Priming and Nudging

Priming refers to environmental cues that influence us. A **nudge** is a subtle change that influences behavior. The **default bias** refers to a tendency for people to comply with a requirement rather than to make the effort not to comply.

B. Decision-making Biases and Shortcuts

We can distinguish between a decision strategy that seeks to deliver the best possible result (**maximizing**) and one that yields an adequate solution and minimizes decision-making costs (**satisficing**). The idea that we will settle for a solution that is good enough because we lack the resources to weigh every possible factor is called the **bounded**

rationality perspective on decision-making. **Mental accounting** helps to explain the way we post a problem (called **framing**) and whether it is phrased in terms of gains or losses influences our decision. The **sunk-cost fallacy** says that having paid for something makes us reluctant to waste it. **Behavioral economics** blends psychology and economics to study how consumers make decisions. **Loss aversion** says that people put more emphasis on loss than on gain in a situation. **Prospect theory** defines choice in terms of gains and losses.

Discussion Opportunity—Ask: What biases do you have when you search for (a) a car, (b) a computer, and (c) a university or college?

C. Heuristics: Mental Shortcuts

1. **Covariation** means that we tend to assume certain attributes covary. For instance, we may believe that a clean car is in good mechanical condition.
2. **Country of origin** is a determinant attribute in the decision-making process.
 - a. Consumers strongly associate certain items with specific countries and products from those countries benefit from these linkages.
 - b. The tendency to prefer products or people of one's own culture over those from another country is called **ethnocentrism**.

*****Use Consumer Behavior Challenge #33 Here *****

3. Familiar brand names is a short cut.
4. Higher prices may indicate higher quality.

IV. Affective Decision-Making

A. Emotions and Consumption

Emotions are called affect.

B. Positive Affect

A passionate commitment to a brand is called a lovemark.

C. Negative Affect

Negative emotions like disgust work to influence consumers to avoid some things.

D. How Social Media Tap Into Our Emotions

Marketers use sentiment analysis to capture and analyze emotions expressed in social media vehicles.

End-of-Chapter Support Material

SUMMARY OF SPECIAL FEATURE BOXES

1. Marketing Opportunity

Cult products like Apple and Harley-Davidson command fierce consumer loyalty.

2. Marketing Opportunity

Mass customization describes the personalization of products and services for individual customers at a mass-production price.

3. Marketing Pitfall

Variety seeking is the desire to choose new alternatives over more familiar ones. We're especially likely to look for variety when we are in a good mood. When the situation is ambiguous, we tend to opt for the safe choice.

4. Marketing Opportunity

A campaign to promote hip-hop mogul Jay-Z's autobiography Decoded illustrates the power of message-response involvement. It took the form of a scavenger hunt.

5. Marketing Pitfall

Product labels assist us with problem-solving but some are more useful than others. This box illustrates some less than useful labels.

6. Net Profit

Customer product reviews are a key driver of satisfaction and loyalty. The long tail theory suggests that we can make money selling small amounts of items that people want.

7. Marketing Opportunity

Neuromarketing uses functional magnetic resonance imaging (fMRI) to track blood flow as we perform mental tasks. Using this technology, we can see how loyalty to a brand affects our reactions even at a physiological level.

8. Marketing Pitfall

According to the expectancy disconfirmation model, we form beliefs about product performance based on our prior experience with the product or communications about the product that imply a certain level of quality.

9. CB As I See It

Professor Gavan Fitzsimmons discusses research that indicates consumers are influenced by stimuli that are outside of their conscious awareness and engage in behaviors of which they are not conscious. **Incidental brand exposure**, where consumers are exposed to a brand when they are not actively searching for information about it, can activate a goal in consumers.

10. Marketing Opportunity

Emotion is especially important for decisions that involve outcomes a person will experience shortly as opposed to those that are in the distant future. Researchers call the emotional oracle effect when people who trust their feelings are able to predict future events.

11. CB As I See It

Professor Laurie Meamber discusses how marketers can apply the immersive sensorial experiences attendees experience at art events to marketing.

12. Marketing Opportunity

Coca-Cola set up a vending machine that trades free coke beverages for hugs as part of its global “Open Happiness” campaign.

13. Net Profit

We can expect to see more services that monitor consumer moods on a large scale using big data techniques.

REVIEW QUESTIONS

- 2-1. Why do we say that “mindless” decision-making can actually be more efficient?
Sometimes the decision-making process is almost automatic; we seem to make snap judgments based on very little information. At other times, coming to a purchase decision begins to resemble a full-time job. A person may literally spend days or weeks thinking about an important purchase such as a new home, even to the point of obsession. Mindless decision-making is more efficient because we do not waste time seeking information when the decision is not as important or we have previously made the decision.
 (5 minutes, Chapter Objective 1, AACSB: Reflective Thinking, Course Learning Outcome 10)
- 2-2. List the steps in the model of cognitive decision-making.
Problem recognition, information search, evaluation of alternatives, product choice, and outcomes.
 (5 minutes, Chapter Objective 2, AACSB: Reflective Thinking, Course Learning Outcome 10)
- 2-3. What is purchase momentum, and how does it relate (or not) to the model of cognitive decision-making?
Purchase momentum occurs when these initial impulses actually increase the likelihood that we will buy even more (instead of less as our needs are satisfied), as if we are “revved up” and plunged into a spending spree. It does not follow the traditional model of cognitive decision making because there is less time for information search and evaluation of alternatives, and the act of buying something else helps trigger the need recognition.
 (5 minutes, Chapter Objective 3, AACSB: Reflective Thinking, Course Learning Outcome 10)
- 2-4. Give an example of the type of purchase that each of the three types of decision-making – cognitive, habitual, and affective - would most likely explain.
A cognitive decision is one that would involve rational thought such as choosing a new vacuum cleaner. Habitual decision-making is one that is made by habit such as making a repurchase of one’s favorite shampoo. Affective decision-making involves emotion – such as choosing a gift.
 (5 minutes, Chapter Objective 1, AACSB: Application of Knowledge, Course Learning Outcome 10)
- 2-5. Name two ways a consumer problem can arise.
1) A person’s standard of comparison may be altered, 2) the quality of the consumer’s actual state can move downward, and 3) the consumer’s ideal state can move upward.
 (3 minutes, Chapter Objective 2, AACSB: Application of Knowledge, Course Learning Outcome 10)
- 2-6. Give an example of the sunk-cost fallacy.
Simply put, the sunk-cost fallacy occurs when someone has paid for something and is therefore reluctant to waste it. When someone attends a sporting event even though weather may put him or her at personal risk is an example.

(5 minutes, Chapter Objective 3, AACSB: Application of Knowledge, Course Learning Outcome 10)

- 2-7. What is prospect theory? Does it support the argument that people are rational decision makers?

Prospect theory, a descriptive model of how people make choices, finds that utility is a function of gains and losses, and risk differs when the consumer faces options involving gains versus those involving losses. Losses are perceived as more important than gains. This says that the factors of decision-making are relative. That would imply that we are not rational.

(5 minutes, Chapter Objective 3, AACSB: Reflective Thinking, Course Learning Outcome 10)

- 2-8. Describe the relationship between a consumer's levels of expertise and how much he is likely to search for information about a product.

The relationship between prior knowledge/expertise of a product and information search is an inverted-U. When prior knowledge is very little or very great, then little information is sought. However, when prior knowledge is moderate, that is when the most information is sought.

(5 minutes, Chapter Objective 2, AACSB: Reflective Thinking, Course Learning Outcome 10)

- 2-9. List three types of perceived risk, giving an example of each.

There are five types of perceived risk listed in the text: monetary (high dollar items, e.g. car), functional (product use requires exclusive commitment, e.g. cell phone provider), physical (things that are perishable or potentially hazardous, e.g. bungee jumping), social (socially visible or symbolic goods, e.g. car), and psychological (goods that may engender guilt, e.g. fur coat).

(10 minutes, Chapter Objective 1, AACSB: Application of Knowledge, Course Learning Outcome 10)

- 2-10. "Marketers need to be extra sure their product works as promised when they first introduce it." How does this statement relate to what we know about consumers' evoked sets?

People are more likely to add a new brand to the evoked set than one that we previously considered but passed over, even after additional positive information has been provided for that brand. For marketers, consumers' unwillingness to give a rejected product a second chance underscores the importance of ensuring that it performs well from the time it is introduced.

(5 minutes, Chapter Objective 2, AACSB: Reflective Thinking, Course Learning Outcome 10)

- 2-11. Describe the difference between a superordinate category, a basic level category, and a subordinate category.

Categories exist in a taxonomy from most concrete to most abstract. The middle level, known as a basic level category, is typically the most useful in classifying products, because items grouped together tend to have a lot in common with each other but still permit a range of alternatives to be considered. The broader superordinate category is

more abstract, whereas the more specific subordinate category often includes individual brands.

(5 minutes, Chapter Objective 2, AACSB: Reflective Thinking, Course Learning Outcome 10)

2-12. What is an example of an exemplar product?

If a product is a good example of a category, it is more familiar to consumers and they more easily recognize and recall it. Judgments about category attributes tend to be disproportionately influenced by the characteristics of category exemplars.

(5 minutes, Chapter Objective 2, AACSB: Reflective Thinking, Course Learning Outcome 10)

2-13. List three product attributes that consumers can use as product quality signals and provide an example of each.

1) Price: Consumers commonly associate a higher price as an indicator of a higher level of quality. 2) Country-of-origin: A common U.S. perception is that watches that are made in Switzerland are of a higher quality than watches made in any other country. 3) Brand name: Some brands have developed an image of quality (i.e., Mercedes Benz, Toyota, etc.) more so than others (i.e., Kia).

(10 minutes, Chapter Objective 3, AACSB: Application of Knowledge, Course Learning Outcome 10)

2-14. How does a brand name work as a heuristic?

Branding is a marketing strategy that often functions, as a heuristic because people assume top brands can be trusted. People form preferences for a favorite brand, and then they literally may never change their minds in the course of a lifetime.

(5 minutes, Chapter Objective 3, AACSB: Reflective Thinking, Course Learning Outcome 10)

2-15. Describe the difference between inertia and brand loyalty.

Inertia exists when we buy a brand out of habit merely because it requires less effort. For brand loyalty to exist, a pattern of repeat purchase must be accompanied by an underlying positive attitude toward the brand. The underlying attitude makes the consumer less likely to switch in response to a promotion than if they simply behaved based on inertia.

(5 minutes, Chapter Objective 1, AACSB: Reflective Thinking, Course Learning Outcome 10)

2-16. What is the difference between a non-compensatory and a compensatory decision rule? Give one example of each.

Non-compensatory decision rules are choice shortcuts where a product with a low standing on one attribute cannot make up for this position by being better on another attribute. Unlike non-compensatory decision rules, compensatory decision rules give a product a chance to make up for its shortcomings. Consumers who employ these rules tend to be more involved in the purchase and thus are willing to exert the effort to consider the entire picture in a more exacting way. The willingness to let good and bad product qualities balance out can result in quite different choices.

(5 minutes, Chapter Objective 2, AACSB: Reflective Thinking, Course Learning Outcome 10)

- 2-17. What is consumer involvement? How does this concept relate to consumer decision-making?

Involvement is a person's perceived relevance of the object based on their inherent needs, values, and interests. The more involved a consumer is in a decision, the more likely it is that the consumer will use cognitive or emotional decision-making.

(5 minutes, Chapter Objective 1, AACSB: Application of Knowledge, Course Learning Outcome 1)

- 2-18. What are some strategies marketers can use to increase consumers' involvement with their products?

Marketers can use several tactics such as the following:

Use novel stimuli, use prominent stimuli, such as loud music and fast action, include celebrity endorsers, provide value that customers appreciate, and solicit customers' feedback.

(5 minutes, Chapter Objective 1, AACSB: Application of Knowledge, Course Learning Outcome 1)

CONSUMER BEHAVIOR CHALLENGE

Discussion Questions

- 2-19. If people are not always rational decision makers, is it worth the effort to study how these decisions are made?

In discussing the utility of studying cognitive decision-making, the instructor should stress the importance of using different methods in investigating the complex nature of consumer decision-making. The challenge will be applying this disparate information to marketing strategy.

(15 minutes, Chapter Objective 2, AACSB: Reflective Thinking, Course Learning Outcome 10)

- 2-20. Why is it difficult to place a product in a consumer's evoked set after it has already been rejected? What strategies might a marketer use in an attempt to accomplish this goal?

It is difficult to place a product into an evoked set after it has been rejected because consumers are "cognitive misers." This means that people conserve their mental resources and expend only a minimum effort required to solve a problem. Once a product has been eliminated from consideration based on some evaluation process, consumers are not likely to expend additional cognitive resources to re-evaluate that product.

Promotional strategies can be used to get the consumer to reconsider the product. Price discounts, coupons, special offers, rebates, or free samples will increase the possibility that a product will re-enter the evoked set. Any other means to get the consumer to try the product will increase the possibility of consideration of the product, and successful trial will increase the chances of a product being included in the consumer's evoked set.

(15 minutes, Chapter Objective 3, AACSB: Reflective Thinking, Course Learning Outcome 10)

- 2-21. Technology has the potential to make our lives easier by reducing the amount of clutter we need to work through in order to access the information on the Internet that really

interests us. However, perhaps intelligent agents that make recommendations based only on what we and others like us have chosen in the past limit us—reducing the chance that we will stumble onto something (e.g., a book on a topic we’ve never heard of, or a music group that’s different from the style we usually listen to). Will the proliferation of “shopping bots” make our lives too predictable by only giving us more of the same? If so, is this a problem?

This question poses an interesting dilemma for the students—how can you get information and still have your new and interesting experiences? The instructor should begin by pointing out the benefits of being able to search for information via the Internet. Then examine the cost associated with this information search. Be sure to indicate that companies are provided data for consumers at considerable cost to themselves and are perhaps justified in their desire to be able to direct consumer purchases. The consumer is free to use information obtained to make product decisions (from the ease and convenience of their homes). How can the system be useful but still be changed to allow for originality? This should provide for a good discussion. How would students like the system to be? How could this be accomplished? What might be the cost? Would they pay for it?

(10 minutes, Chapter Objective 4, AACSB: Reflective Thinking; Course Learning Outcome 10)

- 2-22. It’s increasingly clear that many posting on blogs and product reviews on websites are fake or are posted there to manipulate consumers’ opinions. How big a problem is this if consumers increasingly are looking to consumer-generated product reviews to guide their purchase decisions? What steps, if any, can marketers take to nip this problem in the bud?

Consumers want to get genuine reviews from genuine customers. Short of verifying ID’s or customer/order numbers to see if the blogger is a real customer, marketers have few options to combat this problem.

(10 minutes, Chapter Objective 4, AACSB: Ethical Understanding and Reasoning Abilities, Course Learning Outcome 10)

- 2-23. The chapter notes that people respond to very subtle cues in the environment even when they are very unaware of these effects. Can or should marketers exploit these influences? *Students will have different opinions about the ethics associated with exploiting the influence of environmental cues, particularly when the consumer is unaware. You can prompt the students to think about the potential harm that could be caused to the brand’s image and/or the consumer’s trust in the brand if the consumer learns of the effects after the fact.*

(5-7 minutes, Chapter Objective 1, AACSB: Ethical Understanding and Reasoning Abilities, Course Learning Outcome 10)

- 2-24. The chapter mentions new facial recognition technology that marketers will soon use to classify shoppers in terms of their appearance so they can serve up ads that appeal to people in certain demographic categories. This makes advertising more useful because it reduces the amount of irrelevant information we will see. However, is there a downside to this technique? Do you see any potential for negative applications that use (for

example) racial profiling to decide what information consumers should receive? Do the potential benefits outweigh these negative applications?

Student responses will vary but will likely note the potential perception that one's privacy is being invaded.

(10 minutes, Chapter Objective 3, AACSB: Ethical Understanding and Reasoning Abilities, Course Learning Outcome 10)

- 2-25. Commercial Alert, a consumer group, is highly critical of neuromarketing and has called it Orwellian. The group's executive director wrote, "What would happen in this country if corporate marketers and political consultants could literally peer inside our brains and chart the neural activity that leads to our selections in the supermarket and voting booth?" "What if they then could trigger this neural activity by various means, so as to modify our behavior to serve their own ends?" What do you think? Is neuromarketing dangerous? *The idea that neuromarketing is any more dangerous than more traditional methods of market research rests on two assumptions. 1) These methods allow marketers to read minds. While the technologies employed are advanced, reading minds is far down the path. Of course, one never knows what the future will bring. 2) If marketers could read minds, then they would have the capability to trigger certain responses through any means. The bottom line is that consumers still have freedom to choose.*
(10 minutes, Chapter Objective 3, AACSB: Ethical Understanding and Reasoning Abilities, Course Learning Outcome 10)

Application Questions

Individual

- 2-26. Interview members of a celebrity fan club. Describe their level of involvement with the "product" and devise some marketing strategies to reach this group. *Student answers will vary depending upon the fan club chosen. However, responses should address the high level of involvement common among fan groups and the prevalence of emotional decision-making.*
(15 minutes, Chapter Objective 4, AACSB: Reflective Thinking, Course Learning Outcome 10)
- 2-27. Find examples of electronic recommendation agents on the Web. Evaluate these—are they helpful? What characteristics of the sites you locate are likely to make you buy products you would not have bought on your own? *Amazon.com and Mysimon.com have intelligent agents. The students may have to spend a fair amount of time to come up with actual recommendation agents. Their responses to the second question are likely to vary and it may be unclear whether they would have come across the products via another source.*
(15 minutes, Chapter Objective 4, AACSB: Reflective Thinking, Course Learning Outcome 10)
- 2-28. Pepsi invented freshness dating and managed to persuade consumers that this was an important product attribute. Devise a similar strategy for another product category by coming up with a brand new product attribute. How would you communicate this attribute to your customers?
In order for a marketer to effectively recommend a new decision criterion, its

communication should convey three pieces of information:

1. *It should point out that there are significant differences among brands on the attribute.*
2. *It should supply the consumer with a decision-making rule, such as if (deciding among competing brands), then . . . (use the attribute as a criterion). It should convey a rule that can be easily integrated with how the person has made this decision in the past. Otherwise, the recommendation is likely to be ignored because it requires too much mental work.*
3. *These things should be applied to coming up with a new attribute and communicating it to the target market.*

(15 minutes, Chapter Objective 3, AACSB: Reflective Thinking, Course Learning Outcome 10)

- 2-29. Define the three levels of product categorization described in the chapter. Diagram these levels for a health club.

The text discusses the following levels of product categorization:

1. *Superordinate—the broadest and most abstract level (e.g., health clubs).*
2. *Basic—the most useful category to classify products because these items have much in common with each other (e.g., weight/powerlifting clubs).*
3. *Subordinate—the most specific category (e.g., Nautilus Fitness Clubs).*

(10 minutes, Chapter Objective 3, AACSB: Reflective Thinking, Course Learning Outcome 10)

- 2-30. Choose a friend or parent whom grocery shops on a regular basis, and keep a log of their purchases of common consumer products during the term. Can you detect any evidence of brand loyalty in any categories based on consistency of purchases? If so, talk to the person about these purchases. Try to determine if his or her choices are based on true brand loyalty or on inertia. What techniques might you use to differentiate between the two?

To begin with, the instructor should ask the students to differentiate between brand loyalty and inertia. Brand loyalty is represented by a pattern of repeat product purchases, accompanied by an underlying positive attitude toward the brand. Inertia describes consumption at the low end of involvement, where decisions are made out of habit because the consumer lacks the motivation to consider alternatives.

For example, a student said that her mother buys the same cereal every week. In discussing the reason for buying the cereal, her mother said she bought it because it was what the student's father liked. She considered him to be brand loyal. Techniques the student could use to find out if the father were truly brand loyal would be to ask him to try other cereals. After trying these alternatives, if he insisted that his was the best, he could be considered to be brand loyal. (Possible Field Project Idea)

(45 minutes, Chapter Objective 3, AACSB: Reflective Thinking, Course Learning Outcome 10)

- 2-31. (Group) Form a group of three. Pick a product and develop a marketing plan based on each of the three approaches to consumer decision making. What are the major differences in emphasis among the three perspectives? Which is the most likely type of problem-solving activity for the product you have selected? What characteristics of the product make this so?

The three approaches to consumer decision-making discussed in the book are:

1. *Cognitive—the consumer is a careful, analytical decision maker who tries to maximize utility in purchase decisions.*
2. *Affective—stresses the gestalt or totality of the product or service.*
3. *Habitual—stresses that consumer decisions are learned responses to cues.*

To provide an example for individual group exercises, the instructor could first ask the class as a whole to pick one product and make suggestions for a marketing plan. The class should then be encouraged to form their own groups and devise a marketing plan for their products. It would be interesting to have groups use different approaches to market the same product and other groups use the same approach to market different products. (Possible Field Project Idea)

(45 minutes, Chapter Objective 3, AACSB: Reflective Thinking, Course Learning Outcome 10)

- 2-32. Locate a person who is about to make a major purchase. Ask that person to make a chronological list of all the information sources consulted before making a decision. How would you characterize the types of sources used (e.g., internal versus external, media versus personal, etc.)? Which sources appeared to have the most impact on the person's decision?

The instructor could begin by reviewing the stages in the consumer decision-making process—problem recognition, information search, and evaluation of alternatives, product choice, and outcomes. The following scenario might be developed in the context of this exercise:

Jane Smith is in the market for a new computer. She looked at store ads first to compare features and prices of many computers. The next step was to ask friends and colleagues what they thought about the brands she was considering. After much research, she finally decided on a brand and made a purchase. (The sources used were external, media, and personal. Sources that had the most impact were external and personal.) (Possible Field Project Idea)

(45 minutes, Chapter Objective 3, AACSB: Reflective Thinking, Course Learning Outcome 10)

- 2-33. Perform a survey of country-of-origin stereotypes. Compile a list of five countries and ask people what products they associate with each. What are their evaluations of the products and likely attributes of these different products? The power of a country stereotype can also be demonstrated in another way. Prepare a brief description of a product, including a list of features, and ask people to rate it in terms of quality, likelihood of purchase, and so on. Make several versions of the description, varying only the country from which it comes. Do ratings change as a function of the country of origin?

Students may have strong associations for many countries tied to specific products or product categories. Examples might include European import/luxury cars, French wines, Italian leather goods, Swedish crystal, and Japanese electronics. It may be interesting to expand the notion of country of origin and ask students to talk about areas in the United States that are particularly well known for specific products. Alternatively, for both country and region of origin, students should be challenged to think of examples that

represent weak or poor association that marketers would want to avoid. (Possible Field Project Idea)

(60 minutes, Chapter Objective 3, AACSB: Reflective Thinking, Course Learning Outcome 10)

- 2-34. Ask a friend to “talk through” the process he or she used to choose one brand over others during a recent purchase. Based on this description, can you identify the decision rule that was most likely employed?

The instructor might begin by reviewing the two types of decision rules, namely, compensatory and non-compensatory. Compensatory decision rules involve averaging information about attributes of competing products where a poor rating on one attribute can be offset by a good rating on another. Non-compensatory decision rules, alternately, would find a brand with a low rating on one relevant/important attribute eliminated from the consumer’s choices, despite higher ratings on less relevant/important attributes. The specific types of compensatory and non-compensatory rules also should be reviewed.

(20 minutes, Chapter Objective 2, AACSB: Analytic Thinking, Course Learning Outcome 10)

- 2-35. Give one of the scenarios described in the section on biases in decision making to ten to twenty people. How do the results you obtain compare with those reported in the chapter? *This project will take some time and require a controlled structure. It is probably best done as a group project. One interesting way to accomplish this project quickly, however, is to use another class at the university or college (that would be willing to share in the learning process). In this way, the other class will not have read the material in the chapter and can honestly react to the material. Be sure to draw comparisons and analyze the effort (not only in results but also in methodology).*

(60 minutes, Chapter Objective 3, AACSB: Analytic Thinking, Course Learning Outcome 10)

- 2-36. Think of a product you recently shopped for online. Describe your search process. How did you become aware that you wanted/needed the product? How did you evaluate alternatives? Did you wind up buying online? Why or why not? What factors would make it more or less likely that you would buy something online versus in a traditional store?

This question will serve as a good application of the basic decision-making process or as a more specific illustration of the online buying process.

(20 minutes, Chapter Objective 2, AACSB: Reflective Thinking, Course Learning Outcome 10)

- 2-37. Imagine that a client hires you to launch a new energy drink. Propose a spectacle you could engineer that would attract potential customers to learn more about your product. *Student responses will vary but should reflect the kind of strategies suggested in the chapter for enhancing involvement such as using novel stimuli.*

(20 minutes, Chapter Objective 1, AACSB: Analytic Thinking, Course Learning Outcome 10)

- 2-38. Create a grid for a different product category that lists available brands and features each offers. Present this grid to several people and ask each to talk aloud as they evaluate their options. Based on their descriptions, identify the decision rules they used.

Student responses will vary based on their respective interviews but all should be tied back to the decision rules presented in the chapter.

(20 minutes, Chapter Objective 2, AACSB: Reflective Thinking, Course Learning Outcome 10)

- 2-39. Extraneous characteristics of a choice situation can influence our selections. Create two versions of the given scenario and ask a separate group of people to respond to each version. Researchers found that the price point was influenced by where the drink was sold. How do these results compare to yours?

Student responses will vary based on their scenarios and respective interviews.

(20 minutes, Chapter Objective 2, AACSB: Reflective Thinking, Course Learning Outcome 10)

CASE STUDY TEACHING NOTES

Chapter 2 Case Study: Netflix

Summary of Case

Viewing needs and preferences changed among the consumer audience and Netflix recognized this and used its ability to provide on demand entertainment as a differential advantage.

Suggestions for Presentation

This case can be taught as part of the decision-making process. If used in class, you can ask students to outline the stages of the decision-making process for choosing at-home entertainment.

Suggested Answers for Discussion Questions

1. How do you split your time between tradition television and streaming video?
Student responses will vary. Instructors can use the responses to relate to involvement and the three types of decision-making.
(10 minutes, Chapter Objective 1, AACSB: Reflective Thinking, Course Learning Outcome 10)
2. How might consumers use heuristics when choosing television shows to watch on Netflix?
Consumers may make this kind of decision habitually or may use a heuristic such as covariation or brand name. Covariation might mean that the viewer chooses the show that is recommended for them by Netflix or one with a high rating from other viewers. Brand name may mean that the viewer chooses shows with which they are already familiar.
(5 minutes, Chapter Objectives 1 and 3, AACSB: Reflective Thinking, Course Learning Outcome 10)

Additional Support Material

STUDENT PROJECTS

Individual Projects

1. As an in-class activity, discuss with the class the concept of risk. Distribute a list of several different consumer products or have a student do this. Then ask students what types of risk they would associate with each of the products. How could the risk be reduced?
Students may mention monetary, functional, physical, social and/or psychological risk. Seeking information is one way to reduce risk. Providing safety information, third party endorsements, reviews, or evaluations, offering product trials and/or warranties may also reduce perceived risk.
 (10 minutes, Chapter Objective 1, AACSB: Reflective Thinking, Course Learning Outcome 10)

2. Have individual students evaluate a recent purchase of a large-scale item (e.g., expensive clothing, car, stereo system, appliance, furniture, etc.) based on the stages in the Consumer Decision Making Process. Ask them if they think they gathered enough information before making their decision. See if they were satisfied with the quantity or quality of the information they had at their disposal.
Students may make assumptions about why information was or was not available.
 (15 minutes, Chapter Objectives 1 and 2, AACSB: Reflective Thinking, Course Learning Outcome 10)

3. Have students choose a specific type of product. Then, have them find product-rating reports from *Consumer Reports* or a similar organization that tests products. The students should evaluate the rating system the organization used. What other information would have been useful?
Students should select a higher involvement product if they want the information to be available via Consumer Reports. Student evaluations of missing useful information will depend on the product chosen.
 (20 minutes, Chapter Objective 2, AACSB: Reflective Thinking, Course Learning Outcome 10)

4. Ask a student to compile a description of three products that include both features and country of origin. Then have the student ask a few people to rate the quality of the products and whether they would probably buy them. See if he or she can find out why the respondents feel this way.
Some respondents may indicate that the country of origin is part of the issue, but many will not. Students may need to probe with specific questions about the country of origin. In addition, responses will likely differ by age group.
 (45 minutes, Chapter Objective 3, AACSB: Reflective Thinking, Course Learning Outcome 10)

5. It is often revealing when a student interviews a manager of a local retail store to determine how the store is attempting to meet the consumer's need for information. After the interview, suggest that the student use powers of observation to determine how effective the approach seems to be.
Retail products with high margins may use salespeople to provide information. Other retailers may use shelf-talkers, kiosks, Qcodes, and websites.
 (30 minutes, Chapter Objective 2, AACSB: Reflective Thinking, Course Learning Outcome 10)

6. In this field project, have a student design a project to illustrate when customers use internal versus external sources of information and deliberate versus accidental sources of information during the search process.
The design of the project will likely include some form of interview with consumers about their search process. As part of the design, students will reinforce the concepts.
(45 minutes, Chapter Objective 2, AACSB: Reflective Thinking, Course Learning Outcome 10)
7. Have a student identify countries-of-origin of popular U.S. cars. Find out how many cars that we identify as “American” are made in other countries and how many cars we identify as “foreign” are assembled in the United States. A variation on this would be to do the same with heavy equipment (such as John Deere) or with motorcycles or cars that are considered to be of Japanese origin.
Students may be surprised to learn about foreign brands that are assembled in the United States. In discussion, ask them if learning this changes their attitudes toward the brands.
(45 minutes, Chapter Objective 3, AACSB: Dynamics of the Global Economy, Course Learning Outcome 10)
8. What sources of information are most valuable to you when making a decision on purchasing (a) a computer, (b) an expensive piece of jewelry, (c) selecting a place to worship, and (d) something online? Explain.
Student responses may vary, particularly for d) something online, which is very vague. Look for students to explain why they rely on those sources of information.
(15 minutes, Chapter Objective 2, AACSB: Reflective Thinking, Course Learning Outcome 10)
9. Have the students keep a diary listing their highest and lowest involvement product purchases or service transactions for each day for a week. Have them identify the decision process they went through and how satisfied they were with their decision. Then have them write a short paper describing the lessons they learned from the purchases. What mistakes were made?
Students should be given enough time to reflect on the purchases so they have lessons they learned from the purchases available. Students should recognize the different between the high involvement decisions, which likely included the steps in the extensive decision making process, and the low involvement decisions.
(25 minutes, Chapter Objectives 1 and 2, AACSB: Reflective Thinking, Course Learning Outcome 10)
10. Ask a student to bring to class an advertisement that is designed to activate the problem-recognition process. Does the student think that the ad works on the consumer’s actual state or ideal state? See if the student can improve the problem recognition features of the advertisement.
This exercise will help students differentiate between the actual and the ideal state. Look for students to provide support for why their suggestions improve the problem recognition features of the advertisement.
(10 minutes, Chapter Objective 2, AACSB: Reflective Thinking, Course Learning Outcome 10)

Group Projects

1. This project will require student groups to conduct consumer interviews. They should contact people (acquaintances, friends, etc.) and ask them questions about a recent purchase or consideration of a purchase. Specifically, they should ask the consumer what factors led them to problem recognition. They should also ask the respondents to explain the similarities or differences that existed between their choices at decision time.
Students should ask for specific stimuli that led to problem recognition and note if the problem was recognized because of a difference from the ideal state or a deterioration of the actual state.
(120 minutes, Chapter Objectives 2, AACSB: Reflective Thinking, Course Learning Outcome 10)

2. Student groups should consider the product category of gas/electric hybrid vehicles. Based on the consumer decision-making process, they should design a strategy for a company selling this product. They should cover each stage of the decision-making model used in the chapter.
Students should include problem recognition, information search, evaluation of alternatives, purchase and post-purchase steps and design strategies that address consumer needs at each stage.
(45 minutes, Chapter Objective 2, AACSB: Reflective Thinking, Course Learning Outcome 10)

3. In groups, students should discuss popular stereotypes that discriminate against a company, person, country, or product. Having selected one of these, they should design a strategy that would help to reduce the stereotype's negative effects.
Stereotypes will vary, but students should recognize that they are often the result of associations that developed at some point in time (either through direct experience or from word-of-mouth). A strategy to help reduce the stereotype's negative effects may include developing an association with something positive.
(25 minutes, Chapter Objective 3, AACSB: Reflective Thinking, Course Learning Outcome 10)

4. Have student groups devise taxonomy of categories for a product category. Then, have them reposition certain brands at the subordinate level by modifying that taxonomy. How could the companies carry out such a repositioning?
Students should include the superordinate (abstract), basic (broad) and subordinate (brand) levels in their taxonomy and label each level accordingly. For the repositioning, students may identify alternate uses for a product (e.g. baking soda for cooking, cleaning, deodorizing).
(25 minutes, Chapter Objective 2, AACSB: Reflective Thinking, Course Learning Outcome 10)

5. Compile a list of four or five foreign countries or have a student do it. Ask the class to identify products or classes of products that they usually associate with that country. After they have selected their product categories, have the class evaluate the quality of the products that typically come from each country. What stereotypes were involved?
Student responses will vary. This exercise will help reinforce the concept of stereotypes. Probe students to learn how the stereotypes were formed.
(60 minutes, Chapter Objective 3, AACSB: Reflective Thinking, Course Learning Outcome 10)

Section 1: Consumers in the Marketplace

eLAB**Individual Assignments**

1. Go to **www.bose.com**. What makes the SoundDock Portable iPod docking station worth more than similar products by competitors? Demonstrate how a consumer might evaluate such a purchase. What decision rules might be used? What strategies might Bose use to educate the consumer as to the value of their product? The same question can be applied to iPhone from www.apple.com.

Students should consider heuristics (including brands and the price-quality heuristic) and consider compensatory and non-compensatory decision rules in their responses. For the last part of the question, Bose customers will probably engage in the cognitive decision making process, so students will want to provide strategies for each stage of the decision making process.

(20 minutes, Chapter Objective 2, AACSB: Reflective Thinking, Course Learning Outcome 10)

2. Go to **www.peapod.com**. Online grocery is alive and well. Although most grocery purchases that we make fall into the category of habitual decision-making, somehow, this concept is working for some people. Spend some time on this site and assemble a grocery order. What are the pros and cons of using an online service for habitual decision-making decisions?

Peapod.com and other grocery services allow you to recall your past grocery lists, which saves time and effort associated with choosing each product you want each time. This is particular valuable for habitual purchases. Buying online reduces the likelihood of impulse purchases that may increase the overall grocery bill, but it also may reduce the likelihood that a consumer sees a good deal on a substitute product.

(20 minutes, Chapter Objective 3, AACSB: Reflective Thinking, Course Learning Outcome 10)

Group Assignments

1. Go to **www.casino.com**. Become familiar with the concept of prospect theory. Spend some time as a group on this or other online gambling websites. What examples do you find of applying prospect theory?

Consumers may feel they are missing the jackpot. People are less willing to gamble with profits than with losses and losses are weighed more heavily than gains.

(20 minutes, Chapter Objective 3, AACSB: Reflective Thinking, Course Learning Outcome 10)

2. Go to **www.conagrafoods.com**. One of the mega-conglomerates of the modern age, ConAgra Foods boasts dozens of brands in numerous different product categories. As a group, create a categorization chart with at least three levels of abstraction to show how the brands of ConAgra fit under one umbrella category.

Students should include the superordinate (abstract), basic (broad) and subordinate (brand) levels in their taxonomy and label each level.

(45 minutes, Chapter Objective 2, AACSB: Reflective Thinking, Course Learning Outcome 10)