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## Decision-Making Process

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Business exists for creating customers, more customers, and many more customers.

*Problem recognition is the first stage in the decision-making process. It explains:*

- *Three types of decision-making*
- *Gap between the existing and desired consumer position*
- *Market strategy and problem recognition.*

# Decision-Making Process

*“A decision is the selection of an action from two or more alternative choices.”*

Everyday we take many decisions and sometimes stopping to think how we make these decisions and what is involved in its process. Before we take up a simple model of decision making. The consumer-related models of decision making are discussed below:

(i) **Economic Man Model:** Customer is characterized as an Economic MAN and he makes rational decision.

(ii) **Passive Man Model:** It is opposite to Economic Man model and describes the consumer as impulsive and irrational purchasers. They are ready to yield to the tactics of the consumer. The salesman takes the consumer through H stages (AIDA). These are:

Attention

Interest

Desire

Action

These models are also discussed in the chapter on Models of consumer behaviour.

(iii) **Cognitive Man Model:** It portrays the consumer as a thinking problem solver. It focusses on the process by which consumers seek and evaluate information on selecting brands and retail outlets. The information seeking is stopped as soon as sufficient information is received. It develops shortcut decisions. The consumer avoids Information Load *i.e.*, too much information.

The figure shows the INPUT, PROCESS and OUTPUT MODEL of decision making. The input factors are the external influences which are the 4 Ps of marketing. These socio cultural background of family, social class culture etc. forms the input. It is what the consumer is influenced by or what goes into his mind. This is known as input.

Next follows the process of decision making. These need recognition; prepurchase search which are dealt with in separate chapters in this book. These alongwith the psychological factors of motivation, perception, learning, personality, attitude and experience form the constituents of Decision Making.

Next is the post-purchase decision behaviour that is whether the product is bought or not, and whether it is taken for trial or purchased right away. The real test is the repeat

purchases. Repeat purchases confirm that product is liked by the consumer. Then we have the post-purchase evaluation, whether the customer is satisfied or not.

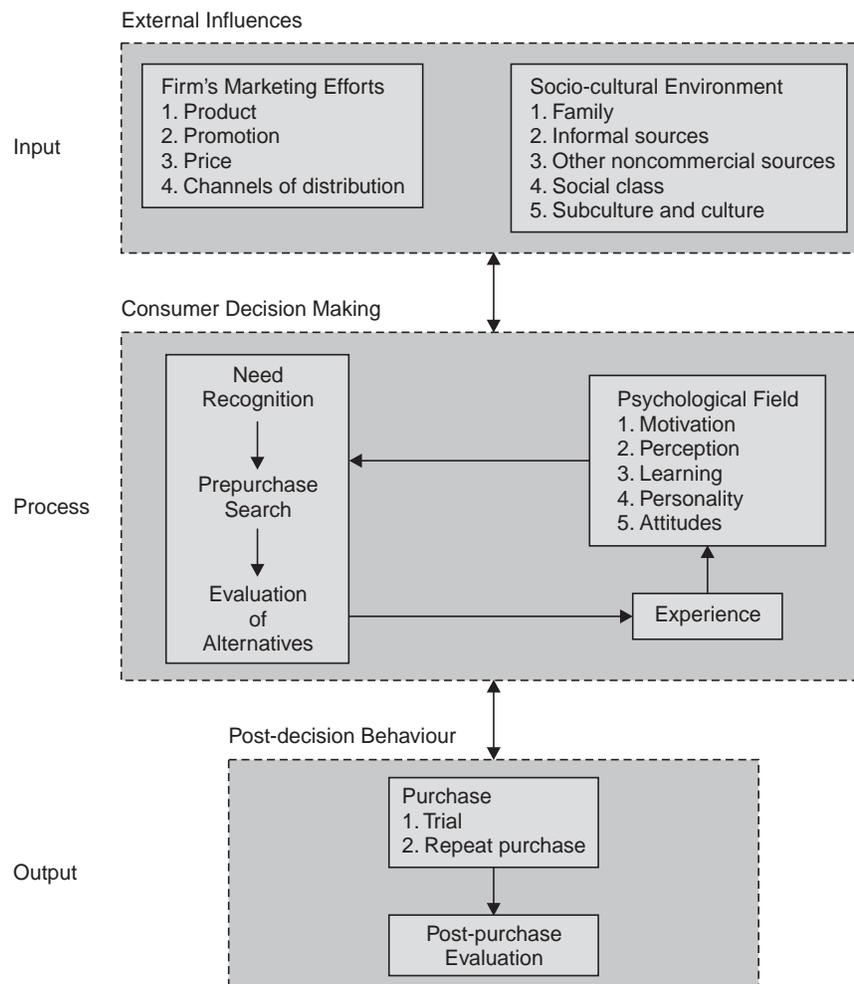


Fig. 15.1 A simple model of consumer decision making

## ■ 15.1 Problem Recognition and Purchase Behaviour

There are five stages in consumer decision making:

1. *Problem recognition:* A consumer recognises a need to buy a product.
2. *Information search:* Attempt is made to gain knowledge about the product.
3. *Evaluation and alternatives:* The products which can fulfil the needs are evaluated in terms of plus and minus points.

4. *Purchase action*: The actual purchase is made from store after consideration of a number of factors.

5. *Post-purchase behaviour* (followed sequentially): This is how a consumer feels after using the product, *i.e.*, satisfaction or dissatisfaction.

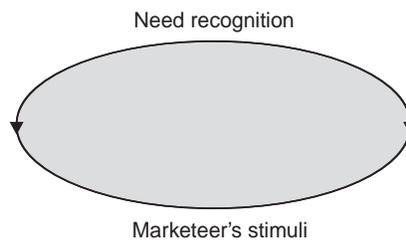
### Importance of Problem Recognition (Need Recognition) or Identification of Needs

It is the first stage in decision-making.

Problem recognition explains:

1. Why a buyer buys.
2. Gives definite direction to subsequent purchase behaviour.
3. Helps the marketer exert his influence, so that the need is to be recognised. A virtual circle exists between them (problem recognition and marketers stimuli).

The figure shows three types of decision-making:



**Fig. 15.2**

(i) *Habitual decision-making or routinised response behaviour*: Here the information search is low, the risk is low and the involvement is also low. These are products which are bought with greater frequency like a toothpaste, shaving cream, blades, cosmetics, etc. There is hardly any dissonance and very limited evaluation.

(ii) *Limited decision-making*: This is for products which have a higher time, risk and money involvement. In this, information search takes place and the buyer wants to find out a number of features, attributes and aspects of the product before finally making a decision to purchase. The purchase is for items like a TV, computer, a machine, motor cycle, etc. In this there can be limited dissonance if the product does not perform upto expectations.

(iii) *Extended problem solving*: In this category, the risk involved is high, the money involvement is much more. The goods are not purchased frequently. These involve a lot of information search and greater physical activity for finding out about the attributes of the products. These items include a house, a motor car, jewellery or something which is valued most. A professional photographer who is keen on taking pictures of very high quality, with a lot of gadgets may also go into his purchases after being highly involved in the same. He may have to undertake a high degree of information search, which is both internal and external. Extended problem solving is carried out in case of

- High-priced products
- Medical products associated with risk
- Automobiles associated with functions
- Complex products (computers)

- Products associated with one's ego or emotions (clothings, cosmetics etc.)
- When the product is of great interest to the consumer. It is identified with the norms of the group (all steps shown in Fig. 15.3).

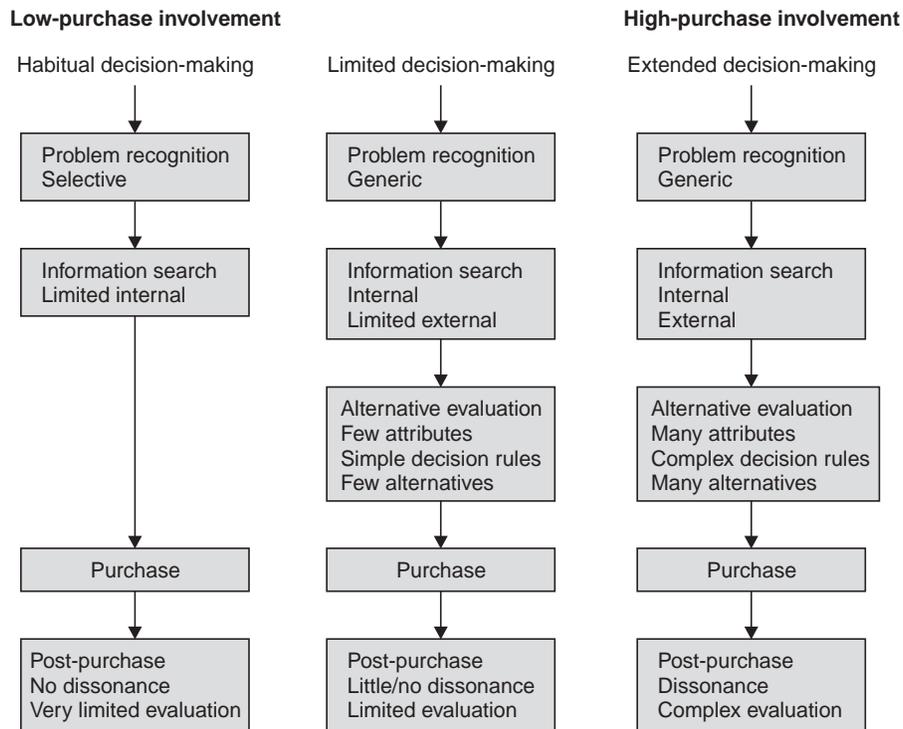


Fig 15.3 A consumer-market nexus

## Dissonance

In this type of decision making, one can feel pre- and post-purchase dissonance. Pre-purchase dissonance is when one gets confused with the many choices available and is unable to buy with the number of choices available and avoids the risk of not buying the best.

Post-purchase dissonance occurs when the product is not upto one's expectations and does not match with the need. This arouses anxiety and dissatisfaction with the product. This is known as post-purchase dissonance, because it is experienced after the purchase.

## Problem Recognition

Problem recognition occurs whenever consumption situations exist. Many situations prompt a consumer to buy. Some situations are common and can't be recalled. Some are special and can be recalled. This depends on the degree of involvement. Some purchases are recognised and concluded on the spur of the moment. These are impulse purchases.

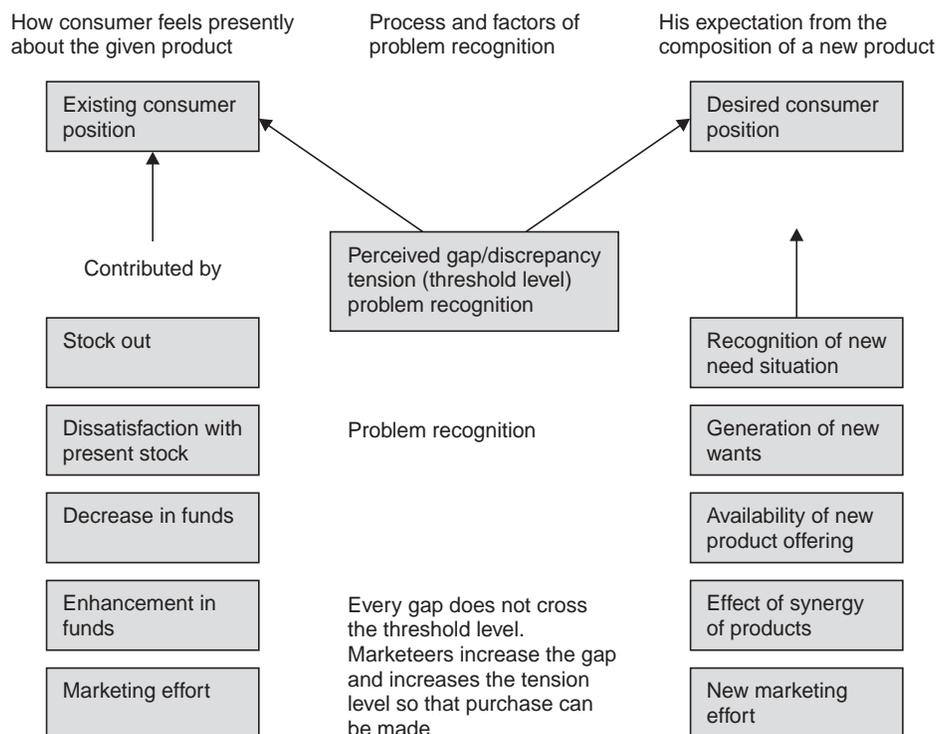
### Threshold Level

In problem recognition, this refers to the minimum amount of tension, energy or intensity which is necessary for the feeling or “need” to occur. Tension can be increased by enhancing peer comparison.

### Explanation of Problem Recognition

Problem recognition is a perceived gap between existing and desired consumer position. Existing consumer position is how one feels presently about the product.

Desired position is his expectation and anticipation about the products. The gap then results in natural fashion. As the consumers grows financially, physically and psychologically, a perceived gap is created between the existing and desired position, *e.g.*, growing child first needs a tricycle, then a bicycle, and then a motor cycle. Marketing stimuli influences the current or desired state of mind or both.



**Fig. 15.4** An overview of problem recognition

At the current state of mind, the marketer may induce dissatisfaction in a current in use product or, project their obsolescence of style and technology. Most efforts are made to condition the state of mind so that the new products are desired and bought.

Desired consumer position is achieved by advertising a new use of the product or, introducing new accessories or promising his satisfaction. The consumer gets tempted to buy new products, *i.e.*, picture in picture television, bike with gears, easy credit facility, etc. These

new attributes and facilities lure and, customers fall for the effective marketing strategies, and use the advertised products to their satisfaction and delight.

The gap between the existing and desired state of mind is provided by the marketing stimuli. Every gap will not lead to a purchase but, has to cross a threshold level to become a felt need, which will lead to purchases.

The marketing effort is not only to increase the gap between the existing and desired state of mind, but also to increase the tension level where need recognition is ensured. Marketeers therefore make efforts to provide easy payment facility (credit), or through bank loans and other financing companies. They also try to compare the consumers with their peers. All these tactics of marketing lead to problem recognition, which leads to felt need and then to purchase. Without problem recognition there is no need for a decision process. Problem recognition occurs when there is a discrepancy between the actual and the desired state. The degree to which it is out of alignment is also important. The desire to resolve a problem depends on the (a) magnitude of discrepancy and (b) the relative importance of the problem, *e.g.*, if the discrepancy is small, a decision may not be made. Sometimes, the discrepancy is large but the importance is small, so a decision may not be required, because of budget constraints, time constraints, or both, or other more important problems like housing utilities etc. *e.g.*, if an individual using a Bajaj Scooter for a long time and has been recommended an LML, which may have some advantage on driving comfort or on mileage, which may not be very substantial. The discrepancy may not be large enough to prompt him to change to a new scooter.

Also, if an individual has to change his scooter which is already serving his purpose but he had other more pressing problems which may concern the house or his children. He may tend to ignore the scooter problem and give greater preference to more pressing domestic engagements and other more important work which would be given preference in comparison to his own scooter problem.

The desire to resolve a recognised problem is therefore of relative importance. An individual tries to resolve a problem when it is convenient for him in terms of money, involvement, nature of the problem to be solved and the advantages in changing over to a new situation or a new product.

Types of consumer problems may be active or inactive. Active is one in which the consumer is aware or will become aware of, in the normal course of events, *e.g.*, consumer is aware of the gas lighter but insists on safety measures. A consumer may be aware of the advantages of flying, yet is scared to do so.

### **Inactive Problem**

When the consumer is not yet aware of the gas lighter or he may not be aware of the advantages of a cell phone. The marketer must activate the problem recognition.

### ***Marketing strategy and problem recognition***

Marketeers are concerned with the following:

1. What problems consumers are facing.
2. Managers must know what market mix to develop to solve the problem.
3. They actually want the consumers to recognise the problem.

4. Sometime managers suppress problem recognition.

- (i) Managers get to know the problem by intention and determine what improvements can be made but, the problem identified by managers may be of low importance to the consumer, therefore, the problem is found by survey, focus group interviews, product analysis, problem analysis or activity analysis, human factor research, or emotion research.

*Activity analysis* focusses on a particular activity—maintaining a lawn, preparing dinner, lighting the fire place.

*Product analysis* deals with the use of product, e.g., lawn mower, microwave oven.

*Problem analysis* takes an opposite approach. It states the problems and asks respondents to associate a product brand or activity with it.

- Packages are hard to open.
- Does not pour well.
- Packages of \_\_\_ do not fit in the frigidaire.
- Packages of \_\_\_ waste too many resources.

*Human factor research* attempts to determine human capabilities in area of vision, strength, response time, fatigue.

*Emotions research* marketeers find the role of emotions in decision-making, i.e., emotions associated with certain products or brands.

### Developing Marketing Mix

Once the problem is recognised, a marketing mix be offered to solve the problem—product development or alteration, modifying channels of distribution, changing pricing policy, revising advertising strategy. Many people want to remain slim or away from diabetes, yet want to enjoy sweets. Sugar free is their solution.

Weekend stores and night stores provide more shopping time. When you are financially independent you are exposed to insurance and credit cards to solve your future problems.

### Activating Problem Recognition

By increasing the importance and magnitude of discrepancy, advertising benefits promote a sense of excitement and personal freedom, questioning the perception of the existing state (are you satisfied with the present offer?).

Consumers often realise a problem when it has already occurred, and they can not do much about it, e.g., becoming aware of insurance after the accident.

- Want emergency medicines when they are seriously ill and cannot do much.
- Want flowers and forgot to plant them.

Marketeers help solve such problems after they arise. Pharmacists can make home deliveries. They should try to trigger the problem recognition in advance of the actual problem.

### Suppressing Problem Recognition

In case of tobacco selling, they undermine the role of cigarettes as injurious, with such advertisement as “Alive with pleasure”. They minimise problem recognition of it being injurious.

Thus, problem recognition plays an important part as the first step in decision making. The marketeers learn of the problem of the consumer, their needs and accordingly formulate a strategy.

## Questions

1. What are the stages in the decision-making process? Explain briefly.
2. When does problem recognition occur? Explain the perceived gap and the threshold level.
3. Suggest a market strategy for problem recognition.