Consumer decision-making

Lesson 4.3.1 | Consumer psychology

Core ideas

Consumer decision-making often begins when a person recognises a need, problem or desire.

Information search can be internal, using memory and experience, or external, using reviews, adverts, friends or staff.

Consumers compare alternatives using criteria such as price, quality, convenience, brand, risk and personal values.

Low-involvement decisions are often quicker and more habitual, while high-involvement decisions usually involve more comparison.

Emotion, mood, confidence, perceived risk and social influence can affect how options are evaluated.

Post-purchase evaluation can shape satisfaction, regret, loyalty, complaints and future decisions.

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Key terms

Need recognition: Realising that there is a problem, desire or gap to address.

Information search: Looking for knowledge about products, services or options before choosing.

Internal search: Using memory, habits or previous experience to guide a decision.

External search: Using outside sources such as reviews, adverts, staff or friends.

Evaluation criteria: Features used to compare options, such as price, quality or convenience.

Involvement: How important, risky or personally relevant a decision feels.

Perceived risk: The possible loss or uncertainty a consumer feels before choosing.

Post-purchase evaluation: Judging the decision after buying or using the product.

Further detail and evidence

Utility theory assumes a decision maker evaluates outcomes and chooses the option with greatest expected value. Satisficing searches until an option meets an acceptable threshold rather than examining every alternative. Prospect theory uses reference points, loss aversion and different responses to gains and losses.

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Continued

Compensatory strategies allow strength on one attribute to offset weakness on another. Non-compensatory strategies eliminate alternatives failing a key criterion. Partially compensatory approaches combine stages, such as screening out unaffordable options and then weighing the remaining trade-offs.

Jedetski et al. (2002) tested website comparison technology using several product categories. Side-by-side comparison/sorting on CompareNet encouraged more compensatory strategies and greater satisfaction. The information display can therefore shape the decision process, rather than merely displaying a pre-existing preference.

Applying the ideas

A shopper first rejects laptops above a budget (non-compensatory), then compares battery life against weight and price for the shortlist (compensatory). Choosing the first acceptable machine is satisficing. Avoid identifying a strategy solely from whether a purchase was expensive.

Evaluation and connections

Full rational comparison requires time, information and consistent preferences. Think-aloud reports give process detail but can change how people decide. Website studies age as interfaces and shopping habits change. Stated satisfaction, decision strategy and purchase quality are distinct outcomes.