Consumer Psychology

- Consumer Decision Making
* Models of consumer decision-making
  i) utility theory
  ii) satisficing theory
  iii) Prospect theory

Utility theory (wefulness)

- consumers think rationally about the possible outcomes of their decision to purchase a product by consulting all the available information
- they consider the utility (wefulness) to themselves

Satisficing theory

- acknowledges that we cannot possibly have enough information about a product to make a totally rational choice.
- bounded rationality - (limited understanding) limited by our cognitive abilities, available time, and the effort we are willing to make
- what will satisfy, with what will suffice (person's ~~of~~ aspiration level)

Prospect theory

- idea that people interpret losses and gains from their own reference point.
- the value of something (rational utilitarian value or individual aspiration level) is set by our own reference point. Losses being feared more than gains are valued.
  (loss aversion)

* Strategies of consumer decision-making
  i) Compensatory strategy
  ii) Non-compensatory strategy
  iii) Partially compensatory strategy

Compensatory strategy
- used when you have to consider only a few alternative products.
- positive and negative attributes are weighed
- involves deciding on all the attributes that could have an effect on your decision and then choose the option with the best value.
- negative attributes can be compensated for by higher valve positive attributes.

Non-Compensatory strategy
- when there is a large choice of products and lack of ful information
- consumers select the ones that seem to have the fewest or no negative attributes
- negative attributes cannot be compensated by positive ones

Heuristics (cognitive shortcuts) associated with non-compensatory strategy:
- Conjunctive heuristic : a ~~other~~ minimum acceptable cut-off level is set for each positive attribute and the first product to meet the criterion is chose
- Lexicographic heuristic: product is decided based on its perceived most important attribute
- Elimination by aspects heuristic : eliminating choices that do not have our most important attribute

Partially compensatory strategy

i) Majority of conforming dimensions:
take first two products and evaluate them across all attributes. Choosing the one that scores more and dismissing the other. (one retained then compared to next)

ii) Frequency of good and bad features:
products are compared regarding the cut-off values for their relative attributes and the ones with the most attributes that meet the cut-off values are chosen.

Evaluation:

→ Theories
- utility - valid as it explains how people make the optimal choice
- satisficing - lacks validity as individual aspirational level is vague and subjective.
- prospect - application to everyday. risk seeking behaviour in order to avoid a loss
Cultural differences in level of loss aversion.

→ strategies
- compensatory - detailed comparison to maximise the utilitarian value of a choice
reductionist. reduces product to numerical value and ignores consumers' emotions.
- non compensatory - allows quick decisions and sets a personal aspirational level hence idiographic
- partially compensatory - combines the rationality of compensatory with heuristics of non compensatory.
holistic approach: Considers all possible ~~attribs~~ attributes and also individual preference. but time-consuming.

* Website design and decision-making

Jedetski et al. (2002)

Aim: to investigate if consumer decision-making strategies are affected by whether a website allows for comparison with alternatives and the number of alternatives it permits.

Hypotheses:- compensatory when comparison is allowed and non-compensatory if no comparison permitted.

- non-compensatory for when potential products were 100 or more compared to 30 or less.

IV: whether website allowed for comparison (CompareNet) or not (Jango) and the number of products available

Results:- non compensatory used on Jango more than CompareNet and when there were more than 100 alternatives.

- participants reported greater satisfaction on CompareNet (unrelated to decision-making strategy)

Conclusion: Support the hypotheses

- Growth of consumer comparison tools has led compensatory strategy to be more likely to be used
- no relationship between the strategy and self confidence or overall satisfaction

Evaluation:

- no comparision → non compensatory → use heuristics to reject unacceptable products → deterministic
- Comparision → compensatory → take our time and effort to make a rational decision → free-will

* Choice heuristics

methods or techniques that we use to help us make a decision more quickly.

- Availability heuristic
- Representativeness heuristic
- Recognition heuristic
- Take the best
- Anchoring

Availability: mental shortcut based on how ~~fast~~ quickly something comes to your mind.

Representativeness: based on comparing a product with how it represents an image of ourselves or ~~does~~ an image it represents of how we may benefit by it.

Recognition: - simplifies our choices when we are faced with products that are unfamiliar to us.
- one that is recognised is of higher valve to us

Take the best: we base our decision on a single important reason. we decide on the attribute that is most important to us.

Anchoring: when ~~the~~ a consumer uses prior knowledge of a similar product to act as a standard against which to measure other options.

Choice heuristics → Applicable to everyday life
reliable theory _/_/_
Cannot be generalised due to cultural differences

Del Campo et al. (2016)
Aim: to investigate whether the use of the recognition or take-the-best heuristic depends on individual decision-making styles

Laboratory experiment
- used time pressure to see how diff heuristics lead to diff choices
- Five decision-making styles: rational, intuitive, dependent, avoiding, spontaneous
- recorded the heuristics used in diff styles
- Ps randomly allocated to time pressure or no time pressure and asked to make one purchase from 5 choices of eggs. Later they had to explain their decision and complete a 25-item questionnaire on their decision-making style.

Results: -time pressure increased use of 'take-the best' heuristic in Austria, not in Spain
- Positive correlation between spontaneous decision and recognition heuristic in Austria, not Spain

Conclusion: some correlation between decision-making style and recognition or take-the-best heuristic.
- cultural factors affect the type of heuristic used
- choice ~~he~~heuristics rely on both individual and situational factors (cultural) (time pressure)

weakness: it was an online survey hence ↓ validity. real life → Ps may use diff strategies due to distraction and noise

Consumer Psychology

- Consumer decision-making
* Mistakes in decision making (7.3.3)

- Dual approach - using system 1 and system 2 thinking to make decisions.
- perception and memory shape what comes to mind before making any decision

System 1

- intuitive, fast thinking, often unconscious
- used under time pressure or when faced with cognitive overload
- suggest that purchasing decisions are determined by forces outside our control (like external anchors)

or tendency to prioritise available info

Heuristics can lead to mistakes: availability prevents us from trying new products, anchoring means we are affected by multiple unit pricing

System 2

- rational, slow thinking with more effort
- System 2 uses information from speedy system 1 whereas System 1 uses experience and learning from System 2 to make professional quick decisions.
- most used in utility theory or compensatory strategy
- may

Hall et al. - Choice blindness (key study)

- the failure to recall a choice immediately after we have made it.

Aim: to investigate whether consumers would demonstrate choice blindness when asked to choose between products with differing tastes and smells.

Hypotheses: less likely when pairs were dissimilar, when they liked one more than the other, offered an incentive such as free gift

Field experiment (supermarket), opportunity sample of 180 shoppers (mean age - 40.2)

IV: whether they received a gift, whether they were offered teas / jams that were similar or diff, whether the experimenter switched the products secretly

similar: blackcurrant, blueberry / apple pie, honey
dissimilar: ginger, lime / caramel, cream & cinnamon

Ps were asked to make a choice and asked to sample their preferred option again when the experimenter secretly flipped the jars. then they were asked to explain their choice and asked if they noticed anything unusual.
Control group → jars not flipped

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DV: measured whether the Ps detected the mismatched jam/tea or not.
- Concurrent detection: voice concerned immediately after tasting/smelling
- retrospective ~~tertio~~ detection: at the end of the experiment
- sensory change detection: taste/smell different the second time round

Results: - majority failed to detect the mismatch
- detection less common in those who were offered gifts
- differences in detection between most and least similar pairs

Conclusion: majority showed choice blindness even when products were rated significantly diff

Evaluation:
- controlled
- natural setting (↓ chances of demand characteristics)
- written consent, confidentiality maintained

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* Consumer memory in advertising

explicit memory: information we are conscious of
implicit memory: information we are not consciously aware of

Interference theory: forgetting because retrieval of memories from the long-term interferer with the retrieval of other items
Two types: Retroactive interference, Proactive interference

Retroactive interference: Forgetting a previously remembered event because you have learned about a new event. New memories interfere with old memories.

Proactive interference: Struggle with learning a new skill or event due to previous strong memory from past interes. Previous memories compete and interfere with new ones.

Burke and Skull (1988)

Aim: to investigate retroactive and proactive effects of competitive advertising.

Experiment 1: 6 groups of 24
- magazine advertisements to be rated on how likely they are to buy and the interest values
- 3 out of 12 targets ads to be tested for recall position counterbalanced
- all presented early in the sequence

- varied product context, same product context, same brand context
- surprise recall test

Experiment 2: same but target ads presented late

Results:
- rating brands on likelihood of buying increased accurate retrieval of ads details
- level of recall best in varied product context and worst when ads appeared very early

Experiment 2 results:
- remembered more accurately in the varied product context

Conclusion:
- In exp 1, retroactive interference effected but less when purpose was buying
- Exp 2 demonstrated proactive interference

Evaluation:
- controlled variables (same amount of time to recall, random allocation of groups, position of target ads (counterbalanced)
- ~~easitity for~~ easily replicable
- ads displayed on computer (ecological validity ↓)
- Individual explanation (individual motivation) and situational factors (context & target brand)

- Perception and memory determine our choices
- free-will has a small part in consumer choice due to competitive advertising and memory interference

Shleifer (2012)

- representativeness heuristic encourage us to expect trends to continue, ignore rational explanations and favour on memory and ~~pre~~ perception.
- unhealthy consumer behaviour should be addressed through campaigns that encourage System 2 thinking.

* Point of purchase decisions
- Point of purchase decisions are made after they enter the ~~door~~ store or are already on the website.

Multiple unit Pricing: buying more than one by a display that offers a lower price per item if two or more together are bought

Suggestive selling: (upselling) the additional purchase made after the original purchase.
- smaller than the original purchase and a complementary product

Wansink et al. (1998)

Aim: to investigate how consumers decide how many of a certain product to buy.

Anchoring and adjustment model: when consumers adjust their estimate of cost and decision is based on a specific anchor price.

Two laboratory and Two field experiments
First three → impact of external anchors, fourth → investigated the effect of internal anchors

→ Field Exp 1:
- Single item promotion price or multiple item promotion price condition
- List of 13 products
- '1 for x amount' is a lower anchor than '3 for x amou

Result → multiple item promotion pricing increased sales by 32% over the single promotion pricin

→ Field Exp 2:
- 3 supermarkets, campbell soup og price → 89 cents sale price → 79 cents.

Supermarket 1 → no limit, supermarket 2 → limit of 4 and supermarket 3 → limit of 12 per person

Result → increase in sale with 10 cents discount.
- buyers in the 12-can limit purchased more than those in the other two conditions.

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☆→ Lab Exp 1:

- Ps were offered 6 products with either no discount, 20% discount or 40% discount.
- Suggestive selling claims: either no product quantity anchor or an explicit product quantity anchor

Result: both anchor and discount level increased the purchase quantity intention. (even without a discount)

→ Lab Exp 2:

- shopping scenario involving 25-30% discount
- external anchor → no purchase limit or a limit of 14, 28 or 56.
- Internal anchor:
  - no internal anchor
  - default internal anchor: Ps were asked how many do you usually buy at a time and how many they intended to buy this time
  - expansion internal anchor: Ps were asked to write down diff situations in which they will use the product and how many they will use next month.
- Result: Purchase intentions in no internal anchor increased with purchase quantity limit.
  - external anchor only had an effect in the no internal anchor condition

Conclusion:

- Point of purchase external anchors (multiple unit pricing, suggestive selling, quantity limit) can increase consumer purchasing. However only in absence of internal anchors
- Hence affected by both; individual and situational factors.