

GOALS	KEY TERMS
<ul style="list-style-type: none"><li>- Detail the stages of consumer decision making.</li><li>- Understand how business can use the marketing concept in various types of competition.</li></ul>	<ul style="list-style-type: none"><li>- decision, p.105</li></ul>

## Consumer Decision Making

Consumers make decisions everyday. A decision is a choice among alternatives. Decisions are made to satisfy a need or solve a problem. Consumers want to choose the alternative that provides the most satisfaction or the greatest value. Without choices, there would be no need for a decision. If marketers want to satisfy customer needs, they must understand how consumers choose what they will buy. Researchers have developed a number of theories about what influences consumers to make decisions. However, there is general agreement that people follow a series of decision-making steps when making a commitment to purchase.

It is not always easy to recognize the stages as a person makes a decision. You may have to review several purchase decisions you have made in order to see a pattern. If you often buy the same product or service, you have probably formed a habit. In that case, you may not go through all of the steps that you would use when making a new decision. Purchase decisions become routine and simple when repeated. The decision-making process is more evident with an infrequent, important decision.

The Stages of a Decision Figure 4-3 illustrates the five stages in consumer decision making. Consider an important decision you have made as you study each stage to help you understand it.

**Stage 1- Recognize** The typical purchasing process begins when the consumer recognizes that a need exists. Prior to that time, the consumer may have been aware of many products and services but took no action. Once a specific need is identified, the consumer moves through the stages of decision making. If the need is- urgent, the process may occur quickly. If not, the consumer may take time before a decision is made.

**Stage 2- identify** Once a need is recognized, the consumer becomes interested in finding a solution. That interest leads to identifying products or services that relate to the need and sources of information that can help the consumer make an effective decision.

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**Stage 3- Evaluate** When several choices have been identified, the consumer then gathers information and uses it to evaluate the choices. An evaluation is done to determine if any one choice seems to be better, more available, or more affordable than other choices. Consumers must determine if one product or service meets their needs better than the other products and services being evaluated. Some consumers spend very little time and use a small amount of information to evaluate choices. Others are very deliberate. Some people are careful and objective while others are much less rational.

**Stage 4- Decide** When the consumer is comfortable with the evaluation, a decision is made. The decision will be to select one of the available choices, to gather more information, or to do nothing at that time.

**Stage 5- Assess** The final step in the process is to determine whether or not the choice was correct. If the consumer tried a specific product, it will be evaluated to see if it satisfied the need. If it did, the decision will likely be repeated the next time the same need occurs. If it did not satisfy the need, the purchase decision will probably not be repeated. Understanding the decision-making process is an important marketing skill. Knowing where consumers are in that process helps marketers offer the right information at the right time. The result should be a more effective exchange.

### Relying On Information

Marketers are often described as creative people. Indeed, a great deal of creativity is needed to plan a marketing mix. Developing new product features and uses, preparing promotional materials and activities, and demonstrating value to customers depend on the creativity of the people involved. Marketing is increasingly becoming a scientific process. Information is gathered to improve decisions, and alternative methods are studied to determine which are most effective. Conducting research is an important marketing activity. Marketers need to be skilled in organizing research and using research results. The most important type of research for most businesses is the study of potential and current customers. Companies need to be able to clearly identify their customers, characteristics that make groups of customers different from others, their important needs, and how they make purchase decisions. Additionally, research about competitors will identify the type of competition and the strengths and weaknesses of competing companies. Finally, businesses study alternative marketing strategies to determine which ones are most effective and most profitable. Marketers are using more and more information to make decisions. Most companies are developing marketing information systems that collect and store a variety of information. That information is readily available, often through the use of computer databases, when decisions need to be made.

## Responding To Competition

The private enterprise economy offers many opportunities for businesses. A person who wants to start a business and has the necessary resources can probably do so. Our economy is also good for consumers. Because of the opportunities for people to operate businesses, consumers typically have many available products and services from which to choose. Even though private enterprise offers many opportunities, it also presents challenges to businesspeople. When there are many businesses in a market, competition is usually very intense. Consumers can select from among a number of products and services. They expect real value from businesses. Otherwise, they will purchase from a competitor. Value is not always the same for every consumer. It may mean higher quality, more service, or lower prices. Businesses that are unable to meet customer expectations better than their competitors may not be able to survive. Marketers need to be able to identify the type of competition a company faces and develop an appropriate marketing strategy. Using the marketing concept provides direction for developing effective strategies.

### Intense Competition

The most difficult type of competition businesses face is a market in which businesses compete with others offering very similar products. One example is pure competition, where there are many businesses offering the same product. Another example is an oligopoly where only a few companies compete in the same market but offer products in which consumers see few, if any, differences. Businesspeople can study the customers in the market to determine if there are some groups who are not currently satisfied with the choices available. In the past, businesses facing intense competition responded by emphasizing price or promotion. When they found that customers saw no important difference among competing products, they believed they had to reduce prices to make a sale. Companies that emphasized promotion tried to convince customers that their products were better than those of competitors. In some cases, they created minor differences and then promoted those differences as being important to consumers. In other cases, they attempted to create unique brand names and images so that customers would remember the brands and select them from the available choices. Companies that face intense competition need to examine their marketing mix. With careful study of consumer needs and their experience with available products, businesses may be able to identify ways to change or improve products, features, or the services offered with the products. New product uses might be identified. The goal of any product change is to make the product different from that of competitors so that it is more satisfying to the target market. There may also be opportunities in other parts of the marketing mix. Distribution can focus on making the product available at better locations and times, with more careful handling, or greater customer service. Pricing can offer alternative methods of payments or greater ease of obtaining credit. It can provide extended time for payment or leasing rather than ownership. Promotion can provide more personalized or detailed information. It can use non-traditional methods or media. It can also communicate with the customer after the sale to aid in the use of the product.

### Limited Competition

Some businesses have the advantage of offering a product or service with little or no direct competition. In economic terms, this situation is known as a monopoly. Businesses facing limited competition often operate in very different ways than those facing intense competition. They do not have to worry as much about price or even promotion since consumers are restricted in their choice of products. Therefore, a business will usually concentrate on maintaining its advantage in the market. It will try to keep competing businesses from entering the marketplace. It will protect its location and concentrate on keeping its product or service as unique as possible. Customers using the products and services of a monopoly business often become dissatisfied with their lack of choice. They believe that without competition they pay higher prices and receive poorer service. They must also deal with a company that may be more concerned about protecting its market and making a profit than about meeting the needs of consumers. Consider the only hospital in a community where the next closest hospital is 60 miles away. That hospital would be in a market much like a monopoly with no direct competition. It would be difficult for consumers to drive the 60 miles every time they needed health care. The hospital administrators would not have to be particularly concerned about the people who need hospital services. They could offer the services that provided the highest level of profit. Customers might not be happy, but they would have little choice of an alternative. While it may not be as profitable in the short run, the hospital administrators could adopt the marketing concept to make operating decisions. As a result, consumers will be more likely to use the local hospital and to encourage others to use it. They will be less likely to look for other places and other methods to meet their health care needs. The same analysis could apply to the only convenience store, supermarket, or other retail business in a neighborhood. It could also apply to the only distributor of fuel or agricultural supplies in an area or to a government agency or school system. Each of these businesses has the characteristics of a monopoly and can decide whether or not to adopt the marketing concept.

### Monopolistic Competition

Most businesses face competition somewhere between monopoly and intense competition. They have many competitors, but customers see some differences among the choices. The customers will attempt to determine which of the available products and services best meet their needs. It is important for the companies to have clearly identified differences that result in customers selecting their brands from among all of the available choices. Companies in monopolistic competition find the marketing concept to be of most value. Since customers already recognize the unique choices available to them, they attempt to select the brands that are most satisfying. Companies that use the marketing concept focus on specific groups of customers and attempt to identify their needs. Then they will use the full range of decisions within the marketing mix to develop products and services for those customers. Changes and improvements can be made in the product, distribution, price, and promotion that make the brand not only different from its

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competitors but also more attractive to potential customers. Here are some examples of the use of the marketing concept. A manufacturer of portable CD players makes its product smaller and more durable and offers the product in a variety of colors and styles. A day-care center keeps children overnight to meet the needs of parents who have evening jobs. A supermarket accepts orders and payments on its web site or by telephone and has the order ready at curbside for the customer at a convenient drive up location. In each case, a change is made in the marketing mix that is designed to improve the mix, make it different from the competition, and respond to an important need of the target market.