

Appendix Contd.

Not All Consumers Are Created Equal: Four Types of Deciders

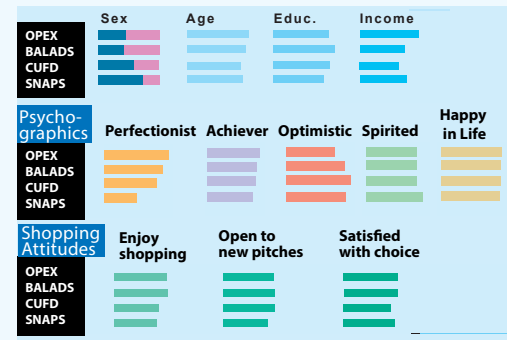
Choice Reading

A recent research study found four consumer types in terms of how they made their decisions when choosing from a set of product options. These segments were named:

1. Optimizing Extenders (OPEX). This group wants to find the best product and they are willing to put in as much time and effort as necessary to identify the best available option.
2. Balanced Diligents (BALADS). While they do want a good option and exercise due diligence, they do not go overboard in their search and deliberation.
3. Confused Unwilling Foot Draggers (CUFDS) are unwilling to put in much effort and also want to find a good option; as a result, they are unsure of what to select and remain indecisive
4. Snap Deciders (SNAPS) decide quickly, putting in as little effort as they can get away with. They do want a good product though, and so they would avoid the lowest-price options.

OPEXs would want a large selection to consider and choose from. BALADS will want three or four good choices to consider (rather than a broad selection). CUFDS will get overwhelmed with too many options of alternatives or too many optional features in a product. Finally, SNAPS will prefer stores that have the kind of merchandise they would like instantly. If they like something at first glance, they will not look for alternatives nor agonize over whether to buy it.

The four decider types differ on their demographics: CUFDS and SNAPS tend to have a higher proportion of males, younger, less educated, and less income persons. The highest proportion of males and the least educated is found in the SNAPS segment (see Exhibit). There are psychographic differences as well. The OPEX and BALADS are perfectionists and achievers, and they enjoy shopping. The CUFDS are the most optimistic of the four groups; and SNAPS the most spirited. Happily, all four segments are equally happy in life. (See exhibit).



Source: "Facing the Shelf: Four Consumer Decision-making Styles," *J. of International Cons. Mktg.* 2017, 29(5), 303-318.

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Attraction and Compromise Effects

Suppose in a retail store there were two brands of coffee makers, A and B. Brand A was priced at \$75 and had a quality rating of 4 stars, and Brand B was priced at \$125 with a quality rating of 5 stars. Suppose further that 60% of consumers bought Brand A and 40% bought Brand B. Now suppose the retailer adds a third brand, C, which is also priced at \$75, but is rated 3 stars. We would expect this not to change consumers' preferences—consumers are rational and would clearly see that Brand C is inferior to Brand A and is therefore irrelevant to their earlier preferences. That is, the 60% who had preferred Brand A earlier should still prefer Brand A, and, likewise, 40% who had preferred Brand B should still prefer Brand B. This is what rational theory (anchored in "pure" economics) would predict.

Yet, in the research lab and in practice, this is not what consumers do. Instead, now more consumers choose Brand A (say, 70 or 75%). Why? The presence of an inferior brand at \$75 makes Brand A more attractive. Economists call this **attraction effect**—defined as consumer proclivity to judge an alternative more attractive in the presence of a clearly inferior option.

Now suppose that the third option the retailer adds is Brand L, which is priced at \$90 and rated 4.5 stars. Research has found that a significant number of consumers would now buy Brand L; Brand L would draw consumers from both Brand A and Brand B. This is called the **compromise effect**—defined as consumer proclivity to avoid extreme options in preference to the middle (i.e., compromise) option.



Choice Reading

Bonus Read

How Consumers Use Decision Models

<https://ESPknowledgeBox.com/Decision-Making.pdf>

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