

UNIT 4- CONSUMER'S DECISION MAKING PROCESS

Meaning of Opinion leader:

Opinion leaders **act as an intermediary between marketers and their target audiences**. They obtain information about a certain product, summarize its pros and cons, and convey it to consumers in a simple way. Thought leaders also update consumers on product news and give advice on how to use it.

Meaning of Opinion leadership:

The most important thing for the marketer is to understand about the role of 'opinion leadership' in marketing of goods and services. Opinion leadership which is otherwise known as **word of mouth communication** is an important personal influence on consumers. With the proliferation of cell phone usage and e-mail, many people are always available to friends, family and business associates. Message spreads like virus among people. **Opinion leaders** offer advice or information about a product, service and how a particular product may be used. Words of mouth take place through personal or face to face communication.

Characteristics of Opinion Leaders

Opinion leadership is a dynamic process. It is the most powerful consumer force. As informal communication sources, it effectively influences consumers in their product related decisions. The dynamics of the opinion leadership may be discussed under the following headings:

1. Credible source of information,
2. Provision of both positive and negative product information,
3. Source of information and advice,
4. Two-way street,
5. Specific characteristics.

1. Credible Source

Opinion leaders are knowledgeable. Their advice about a product or service is considered reliable. As **opinion leaders are informal sources of information**, it is perceived that they give advice in the best interest of opinion seekers. The first hand information received from opinion leaders helps in reducing perceived risks. It properly tackles the anxiety in buying new products as the opinion is based on the first hand experience.

2. Provision of Both Positive and Negative Product Information

Marketers provide information which is invariably favorable to the products they are marketing. But **opinion leaders are not directly associated with marketers**. They provide both favorable and unfavorable information about the product. So, opinion seekers have faith in opinion leaders. They are confident that they are receiving both positive and negative information in an accurate way.

3. Sources of Information and Advice

Opinion leaders are the source of both information and advice. They simply share their experience about a product or service. Their talk is related to what they know about a product. In their more aggressive talks, they advise others to buy or avoid a specific product. They base their advice on proper reasons.

4. Two-way Street

Opinion leaders in one product related situation become opinion receivers in another situation even for the same product. For example, a new homeowner thinking of buying a lawn mover seeks information and advice from other people about which brand to select. After purchasing the lawn mover, he may be satisfied with the product (in the post purchase experience). Now he has a compelling need to talk favorably about the purchase to other people to confirm the correctness of his choice. In the first instance, he is an **opinion receiver** and in the second he is an **opinion leader**.

5. Specific Characteristics

Opinion leaders possess **distinct personality traits**. These include self confidence and gregariousness. They are socially inclined, outspoken and are knowledgeable.

Opinion Leadership Process

In simple words, the opinion leadership process can be considered as a two-stage communication flow, where ideas move from media to opinion leaders and further to society. With this two-stage communication flow, Opinion leaders directly receive data from anonymous marketing sources and thus act as an important linkage for transmitting data.

Opinion leadership is a concept in consumer behavior that refers to the influential role certain individuals or groups play in shaping the attitudes, opinions, and purchasing decisions of others. These opinion leaders are often seen as knowledgeable, credible, and trustworthy sources of information within a particular domain.

The opinion leadership process in consumer behavior involves several key elements:

- 1. Identification of Opinion Leaders:**
 - Individuals or groups are identified as opinion leaders based on their expertise, experience, social status, or other factors that make them influential in a specific domain.
- 2. Information Gathering:**
 - Opinion leaders actively seek out and acquire information about products, services, or trends within their area of expertise. They may attend events, read extensively, or engage in online communities to stay informed.
- 3. Formation of Opinions:**
 - Opinion leaders form their own opinions based on the information they gather. These opinions are often well-informed and considered authoritative within their social circles.
- 4. Expression of Opinions:**
 - Opinion leaders express their thoughts and recommendations through various channels, such as social media, blogs, reviews, or face-to-face interactions. Their opinions may reach a wide audience, and people often look to them for guidance.
- 5. Influence on Others:**
 - The opinions expressed by leaders can have a significant impact on the attitudes and behaviors of others. People who perceive these leaders as credible and knowledgeable may be more likely to adopt their opinions and follow their recommendations.

6. **Social Interaction:**

- Opinion leaders typically have a strong social network, and their influence often extends to personal relationships, family, friends, and colleagues. Through direct and indirect interactions, they can shape the decisions of those around them.

7. **Adoption of Opinions:**

- The ultimate goal of opinion leadership is to influence the adoption of opinions and behaviors by others. This could include purchasing specific products, supporting particular brands, or endorsing certain ideas.

8. **Feedback Loop:**

- The process is dynamic and involves a continuous feedback loop. As opinion leaders express their views and influence others, they may also receive feedback and engage in ongoing discussions that further shape their own opinions.

The Diffusion Process

The diffusion process follows a similar pattern over time, irrespective of the social group or innovation. The typical diffusion process shows a slow growth or adoption. It later rises rapidly, and then a period of slow growth is noticed. In fast diffusion process, the product clicks immediately. The spread of innovation is very quick. People patronize the product immediately, and later on there is again slow diffusion. In slow diffusion process, the product takes a lot of time to diffuse or spread, and the consumer follows a pattern of adoption slowly by getting acquainted with the product.

Diffusion is the process by which the acceptance of an innovation (a new product, a new service, new idea or new practice) is spread by communication (mass media, salespeople, or informal conversations) to members of a social system (a target market) over a period of time. The four basic elements of this process are:

1. The Innovation
2. The channels of Communication
3. The Social System
4. Time

Diffusion Process

These studies show that the products take a certain amount of time, from when it gets introduced to its saturation. The marketer therefore has to understand what determines the spread of innovation in a given market segment, and how do the early buying consumers differ from those of late purchasers.

1. The Innovation

Various approaches which have been taken to define a new product or a new service include

Firm-oriented definitions: A firm oriented approach treats the newness of a product from the perspective of the company producing or marketing it. When the product is “new” to the firm it is considered to be new.

Product oriented definitions: Product-oriented approach focuses on the features inherent in the product itself and on the effects these features are likely to have on consumers’ established usage patterns. Three types of product innovations could be: **Continuous innovation** having the least disruptive influence on established patterns involving the introduction of a modified product,

rather than a totally new product. E.g., latest version of Microsoft Office; **dynamically continuous innovation** which may involve the creation of a new product or the modification of an existing product e.g., disposable diapers, CD players; **discontinuous innovations** requiring consumers to adopt new behavior patterns e.g., TV, fax machines, Internet

Market oriented definitions: Judges the newness of a product in terms of how much exposure consumers have to the new product. The definitions could be:

A product is considered new if it has been purchased by a relatively small (fixed) percentage of the potential market.

A product is considered new if it has been on the market for a relatively short (specified) period of time.

Consumer oriented definitions: A new product is any product that a potential consumer judges to be new.

2. The channels of Communication

How quickly an innovation spreads through a market depends to a great extent on communications between the marketer and consumers, as well as communication among consumers i.e., word-of-mouth communication. Thus this communication will include two types of communication:

Communication between marketers and consumers

Communication between marketers and consumers

Consumer information sources fall into four categories:

- a) Personal sources: Family, friends, neighbors, and acquaintances.
- b) Commercial sources: Sales people, advertising, sales promotion techniques.
- c) Public sources: Mass media, consumer rating organizations
- d) Experimental sources: Demonstration, handling samples.

Depending on the innovation or new product, and the prospective customers, the firms try to adopt a cost effective way of communicating with them.

3. The Social System

The diffusion of a new product usually takes place in a social setting frequently referred to as a social system. In our case, the terms market segment and target segment may be more relevant than the term social system used in diffusion research. A social system is a physical, social, or cultural environment to which people belong and within which they function. For example, for new hybrid seed rice, the social system might consist of all farmers in a number of local villages.

4. Time pervades the study of diffusion in three distinct but interrelated ways:

The amount of purchase time: Purchase time refers to the amount of time that elapses between consumers' initial awareness of a new product or service and the point at which they purchase or reject it. For instance, when the concept of "Home Land" super market was introduced by Asha Chavan in Pune, apart from offering a variety of quality products, also give an unconditional guarantee of replacement or refund, home delivery of all, even single item telephonic orders at no extra cost. And beyond business, Homeland also offers free services like phone, electricity, credit card and cell phone bill payments.

The identification of adopter categories: The concept of adopter categories involves a classification scheme that indicates where a consumer stands in relation to other consumers in

terms of time. Five adopter categories are frequently used viz., innovators, early adopters, early majority, late majority, and laggards. Let us discuss about these categories later in the chapter.

The rate of adoption: The rate of adoption is concerned with how long it takes a new product or service to be adopted by members of a social system i.e., how quickly it takes a new product to be accepted by those who will ultimately adopt it.

Adoption process.

The adoption process in consumer behavior refers to the stages that individuals go through when deciding to accept and use a new product, service, or innovation. Understanding this process is crucial for marketers to develop effective strategies for introducing and promoting their offerings. The adoption process typically consists of five stages: awareness, interest, evaluation, trial, and adoption.

1. **Awareness:**
 - At this stage, consumers become aware of the existence of a new product or innovation. This awareness can be triggered through various channels such as advertising, word of mouth, or media coverage.
2. **Interest:**
 - Once aware, consumers may develop an interest in the product or innovation. They start seeking more information to understand its features, benefits, and how it could meet their needs or solve a problem.
3. **Evaluation:**
 - In the evaluation stage, consumers critically assess the new offering. They compare it with existing alternatives, weigh the benefits against the costs, and consider factors such as quality, price, and brand reputation. Reviews, testimonials, and recommendations play a significant role in this stage.
4. **Trial:**
 - Consumers who are positively inclined towards the product may decide to try it out. This trial could be a small-scale interaction or usage of the product to assess its performance and suitability. This stage helps consumers experience the product firsthand and gather more information for their decision-making process.
5. **Adoption:**
 - If the trial is successful and the consumer is satisfied, they move on to the adoption stage. This is the final step where the consumer decides to fully integrate the new product into their regular usage patterns. Adoption may be gradual or immediate, depending on the nature of the product and the consumer's comfort level with change.

Several factors influence the speed and likelihood of adoption:

- **Relative Advantage:** If the new product offers clear advantages over existing alternatives, it is more likely to be adopted quickly.
- **Compatibility:** Products that are consistent with consumers' existing values, experiences, and needs are more likely to be adopted.

- **Complexity:** The simpler the product or innovation is to understand and use, the more likely it is to be adopted.
- **Observability:** If the benefits of the product are easily observable by others, it may encourage faster adoption as individuals are influenced by the experiences of their peers.
- **Trialability:** Products that can be tried on a limited basis before full adoption are more likely to be accepted by consumers.

Understanding the adoption process helps marketers tailor their communication strategies, address consumer concerns at each stage, and create a positive and seamless experience for potential customers.

The behavior of opinion leaders is important in determining the rate of adoption of an innovation in a system. In fact, the diffusion curve is S shaped because once opinion leaders adopt and begin telling others about an innovation, the number of adopters per unit of time takes off in an exponential curve.

Classification of Adopters

Adopters can be classified into five groups based on the time when they adopt.

Innovators: The first 2.5 per cent to adopt innovation.

Early adopters: The next 13.5 per cent to adopt.

Early majority: The next 34 per cent to adopt.

Late majority: The next 34 per cent to adopt.

Laggards: The final 16 per cent to adopt.

1. Innovators

Innovators are venturesome risk takers. They are younger, more educated and socially mobile. They have the capacity to absorb risk associated with the new product. They are cosmopolitan in outlook, are aware and make use of commercial media, and are eager to learn about new products, are progressive, ready to use new products.

2. Early adopters

They take a calculated risk before investing and using new innovations. They are opinion leaders and provide information to groups, but they are also concerned about failure. Therefore, they weigh advantages and disadvantages of the product before plunging in for a purchase.

3. Early majority

They tend to be more continuous and use the product after the innovators and early adopters seem to be satisfied with it. They are elders, well educated and less socially mobile. They rely heavily on inter-personal source of information. They constitute 34 per cent of the consumers.

4. Late majority

They are doubtful and skeptical about the innovation of new products. They tend to use the product not so much because of innovation, but because of other pressures, non-availability of the product and social pressures. They have less social status, and are less socially mobile than the previous group.

5. Laggards

They are more traditional. They possess limited social interaction and are oriented to the past. They adopt the innovations with great reluctance. They constitute a small portion of 16 per cent of the consumers.

Levels of consumer decision making

The consumer decision-making process involves **five basic steps**. This is the process by which consumers evaluate making a purchasing decision. The 5 steps are problem recognition, information search, alternatives evaluation, purchase decision and post-purchase evaluation.

The 5 Stages Of Consumer Decision-Making Process

The decision-making process of consumers typically has five stages. Understanding these stages helps marketers and sales professionals discover the factors that influence a consumer's purchase decisions. A customer:

1. Acknowledges a product or service need

In the first stage, consumers acknowledge their need for purchasing a product or service. They may decide to acquire a product to perform a task, advance their wellbeing, cheer up someone else, broaden their knowledge or for a combination of these reasons. This stage is crucial for marketers to target as it becomes easy to gain the trust of consumers after establishing a new or unique requirement.

2. Researches product options

A customer may then investigate several product categories available in the market in the second stage of the decision-making process. After acknowledging their requirement for a product, consumers may want to identify the best available solution for their specific requirements. To assist in making a purchase decision, they may perform online research, watch advertisements, inspect items in person or consult with family and friends.

3. Compares products and services from different providers

When a customer discovers a product or a service that suits their needs, they often evaluate comparable products and services from various sellers based on cost and quality. Another aspect that customers may consider when choosing a retailer is availability. This is crucial if they require a product for an impending engagement at short notice. While making a final selection, customers may also consider aspects like industry trends and brand recognition.

4. Chooses a product and makes a purchase

The fourth stage of the decision-making process involves customers choosing a product they can afford to buy. There are a wide variety of channels through which consumers can procure goods. They typically do this by discovering local retailers who sell a particular item and making in-person purchases or by making online purchases.

5. Reflects on a purchase and decided whether to repurchase

After a consumer purchases a product and uses it, they can accurately determine whether it was worth the price and whether they want to make additional purchases from the same company. They may decide to leave a review on the product page or order more of the same product before it sells out. Many consumers rely on online user reviews and feedback to guide purchase decisions and marketers and customer support teams can impact purchase decisions at this stage of the decision-making process also.

Consumer Decision-Making Models

There are **four viewpoints or models** under which the customers' approach towards the purchase is categorized. These models explain that the customer can be Rational, Emotional or Practical while purchasing the products.

Let us understand these models briefly.

Economic Model/Economical View

In this, the consumer makes rational purchase decisions post thorough evaluation. He **himself decides the purchase** without getting influenced.

It is assumed that the Consumer is knowledgeable and fully aware of the pros & cons. Therefore, he is an economic buyer who takes logical and reasonable decisions.

However, this model is unrealistic because a customer cannot be rational all the time.

Note: This model is only applicable in the markets where perfect competition exists.

Passive Model/Passive View

As per the passive view, the consumer purchases products due to the firm's marketing strategies. More precisely, it is believed that the purchase results from the company's advertisement and promotional campaigns.

It is said to be the **opposite of the economic view**. Like the economic model, this view is also unrealistic. As it is impossible that the Consumer only purchases due to efforts made by the marketers.

Cognitive Model/Cognitive View

This model suggests that the Consumer buys products as per his understanding of the market demand. He is **neither rational nor influenced** by the marketer's strategies.

It is considered to be the **best** among all four models. Because he himself computes the risks associated with the products.

Emotional Model/ Emotional View

Here the consumer has an emotional view while buying the product. He doesn't consider the usage of the product but only **focuses on the emotional front**.

Therefore, customers become impulsive and take relatively less time in decision-making.

We consider the products that bring positive emotions. In contrast, ignore the one that brings negative emotions.