

Perspectives on decision making: do consumers consume 'rationally'



**ASSIGN
BUSTER**

1. Abstract In the business world, it is the role of marketing that is the most crucial. Businesses can only survive by selling their goods. The methods used to market products to consumers are becoming increasingly important to businesses. This study will attempt to explore the following topics: * How does the concept of rationality affect the consumer? * What influences a consumer? * What methods do marketers use to convince consumers to buy certain products? Therefore, by examining various theories and sources, this study should be able to answer who ultimately controls the decisions of consumption: the consumer or the marketer. Although my research can be found regarding this topic, no "indefinite answer" has been reached.

It would seem that this question is still up for debate by both intellectuals in the world of both Economics and Psychology. 2. Introduction If marketing was a mathematical formula, then consumer behaviour would be a 'variable'. Just like any variable it is this unpredictability, rationality/irrationality that marketers hope to understand. It is hard to predict because it is a consumer's (sometimes perceived) individuality that affects his or her choices.

Consumption behaviour is therefore a function of who we are as individuals. This is why consumption behaviour is an important piece to the puzzle that is marketing. Both Economics and Marketing have relied on the notion that consumers behave 'rationally'. 3. Concept of Rationality According to Kant, Hegel, Schopenhauer, Nietzsche (1997), pieces of behaviour, beliefs, arguments, policies, and other exercises of the human mind may all be described as 'rational'.

To accept something as rational is to accept it as making sense, as appropriate, or required, or in accordance with some acknowledged goal. They describe “rationality to be the one way in which persons acts freely, contrasting acting rationally with acting because of uncontrolled passions” i. However, the definition of “irrationality” seems to contradict the theory of “rationality”. Irrationality is defined as a lack of accord with reason or sound judgment.

If it is rational to make only good decisions, then to make bad decisions is therefore irrational. That begs the question of “what is a good decision?” Would a decision for example, to give to charity or to buy a playstation, be either good or bad? Surely a good decision would be up to the individual? Therefore, is it fair to suggest that all decisions are selfish? It is “irrational” to let emotions cloud our judgement? According to Oshavsky & Granbois (1979, 98 & 99), the decision making process is superseded by a choice process, “It typically involves the evaluation of a few alternatives, little external search, few evaluative criteria and simple evaluation process models” ii. Thus, the theory of rational decision-making has declared all real human beings’ decision-making to be ‘irrational’. In short: according to these theories a ‘good’ decision is one that ‘maximises the utility’ of the individual making the decision. 3. 1 Theory of mind By examining the ‘theory of mind’ it is clear to see that marketing works on two levels at the same time.

Even as marketers succeed in influencing or persuading consumers to do one thing, they are at the same time sending powerful signals as to their motives and intentions. If these motives and intentions are not deemed

<https://assignbuster.com/perspectives-on-decision-making-do-consumers-consume-rationally/>

trustworthy, they trigger 'revenge' responses. Even as marketing's persuasion paradigm appears to work by influencing consumer decisions it is, at the same time, undermining trust and building resistance. 3. 2 The decision making process Most human mental activity and decision-making are indeed unconscious.

This is a by-product of our evolutionary past. Brains and nervous systems did not develop for the purposes of thinking 'rationally'. They developed to help organisms survive, so they are geared to the survival imperatives of sensing and fleeing danger (or fighting), and of sensing and approaching opportunities, for food and sex for example. The way these instincts work is not via some sort of artificial intelligence if-then computer programme.

We are wetware, not hardware and software. Our decisions are mediated by a chemical soup of hormones, neurotransmitters and the like, which we mostly feel as emotions: fear, a desire for safety and security, desire for food etc. What this means is that every decision we make rests on, and is mediated by, these survival-oriented and unconsciously generated emotions and instincts. So, unconsciously, our mind is always sending us 'flee' or 'approach' signals which make us feel uncomfortable or comfortable with certain situations and decisions. We know these almost primeval prompters are important because people with brain damage to the parts of the brain that process them find it almost impossible to make even the most basic of everyday decisions.

Therefore, most consumer decision-making is predetermined by strong, influential unconscious processes. This is not the same as saying that the

resulting decisions are 'irrational' and that people's decisions are therefore stupid. Far from it, most of these decisions are actually very sensible. These instinctive processes and responses evolved to ensure the survival of our species. 4.

Consumer influences There are many environmental influences that can effect an individual's decision making process, such as anthropological, personal, social, cultural, economic and geographical. The link between personal preferences, consumption, and the demand curve is one of the most complex relations in economics. Implicitly, economists assume that anything purchased will be consumed, unless the purchase is for a productive activity. Consumer influences can be divided into two key factors, cultural factors and social factors. Cultural factors are the most basic cause of an individual's wants and behaviour. The family environment plays a key role in how an individual inherits and learns basic perceptions and wants.

Subcultures are groups of individuals with similar tastes and views, for example, the same tastes in music, fashion etc. This shared value systems based on common life experiences and situations. This is similar to nationality groups. The Ethnic background/ heritage of an individual dictates a globally unique tastes and interests and religion.

Social classes have always existed in society and is not determined by multiple factors; occupation, education, income and personal variables. Social factors also influence consumer behaviour, for example friends, family, social roles and status. An individual's behavior is influenced by membership groups, i. e. a group to which an individual belongs. These serve

as direct or indirect points of comparison or reference in the forming of a person's attitudes or behaviour.

Family - family members can strongly influence buyer behaviour. Parents pass on their views/beliefs on religion, politics, and economics as well as love and a sense of belonging. The (nuclear) family is the most important consumer group in society. Marketers are interested in the purchasing relationship a wide variety of goods and services. An individual's purchasing behaviour is influenced by four major psychological factors: * Motivation* Perception* Learning* Beliefs & attitudes An individual's motivation has many needs at any given time.

Some needs are biological, arising from states of tension such as hunger, thirst, or discomfort. Other needs are psychological, arising from the need for recognition, esteem, or belonging. Perception depicts how an individual acts and how is influenced by his or her perception of the situation. Learning changes an individual's attitudes and or beliefs by drawing from experience.

Beliefs ; Attitudes are inherited from the people around them. These in turn effect their purchasing pattern. Marketers are interested in the beliefs that people formulate about specific products and services. things, moving toward or away from them.

5. Marketing Companies sell their products to consumers via marketing. This practice helps the company achieve its goal of selling its product(s) - to the consumer. Marketers need to understand the impact that economic, demographic and social ; cultural trends that influence consumer in order to create long-term strategic planning.

<https://assignbuster.com/perspectives-on-decision-making-do-consumers-consume-rationally/>

According to East Roberts (1997), consumer behaviour is about human responses to the commercial world, how and why people buy products. The aims of marketing areiii:* Identify actual/potential wants in the marketplace.* Determining the offering to match the want.* Making the offering available* Persuade Market audience to buy / re-buy.

* Deciding on a continuing basis what and how to improve* Cooperative with others to secure resource ; marketing plans5. 1 Marketing in the role of consumer needsWhen people feel a ' need', they are motivated to take action to fulfil it. In many instances, purchase of a good or service may be seen as offering the best solution to meeting a particular need. The Abraham Maslow hierarchy theory (1947), examines the consumers' needs.

“ Needs are subconscious, deeply felt desires that often concern long-term existence and identity issues” iv. Engel, Blackwell & Miniard (1995) all identified how involvement factors affect cognitive activity v. There are many layers to the process of decision making.