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# Consumers' perception of the complexity of selected household purchase decisions

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## ABSTRACT

This study provides evidence of consumers' perception of the complexity of a variety of product/service decisions in terms of a complexity continuum and indicates how such categorisation is influenced by specific demographic characteristics, specifically gender, age and education level that are predominant in terms of consumer socialisation. A survey which was conducted in a major city and involved 461 respondents. The multiple section structured questionnaire were completed by willing spouses/partners of participating households. Complexity values were calculated in terms of a specific anchoring product, namely major household appliances. It became evident that the most expensive purchases that households ever make, namely purchasing a home and a car, which were perceived to be the most complex by all while grocery purchase was on the least complex divide of the continuum. Also on the more complex divide of the continuum were service related decisions such as insurance. Particularly noteworthy is the confirmation of significant differences in perceived complexity *within* product categories that are perceived to be the most- and the least complex by all. This confirms the vulnerability of certain segments of the consumer society and the need for concerted effort to communicate with them in appropriate media and on a level that would enhance informed consumer decision-making. Underlying reasons probably relate to consumers' risk perception and affordability issues that could be explored in future research. Interestingly the findings of the gender comparison shifted the focus to different product categories than those elicited in the age-, income and level of education comparisons. Findings therefore confirm the relevance of demographic characteristics in media communication and consumer facilitation as well as in research. Retailers and marketers should therefore be cognisant of the characteristics of their target markets and be very selective and cautious when identifying communication media.

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## 1. Introduction

Without exception, consumer behaviour research always has consumer decision-making at its core and over time scholars have made considerable effort to explain the dimensions of consumer decision-making. Sproles and Kendall (1986) for example aimed to understand consumer decision-making in terms of consumers' decision-making styles to find some common ground whereby theorists, educationists and marketers could make some valid assumptions and predictions about consumers' choices across a range of product categories. These authors' main concern was that the abundance of previous work is based on marketing-business needs while the consumer interest was mostly neglected. During

the same time Puto (1987) published an award winning article which drew scholars' attention to context effects on consumers' value judgements and how they use standards of comparison to frame buying decisions in terms of gains and losses. Acknowledging the valuable contribution of Kahneman and Tversky (1979) showed that decision frames can be used as reliable predictors of risky choices, the author cautioned that it is however not clear how these reference points and decision frames are established in individual purchase situations. Based on prospect theory he eventually concluded that buying decisions are "edited" as the decision process progresses because consumers are influenced by contextual cues. In another attempt (Sheth et al., 1991) that involved an extensive range of consumer products that included durable, non-durables, industrial goods as well as services, the complexity of purchase decisions was investigated in terms of associated consumption values, once again proposing different outcomes for different contexts.

In terms of marketing and education, some simplification of consumer decisions is however needed to categorise products to

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exemplify differences among products and how that may influence consumers' perceptions and purchase decisions. This is evident from the way in which products are referred to in publications. Mostly, some continuum ranging from high involvement/extended- (which refers to decisions that require more attention and effort), to low involvement/routine decision-making (which is generally completed in limited time with limited cognitive and emotional strain), is improvised to explain some linear difference in the intricacy of dissimilar product decisions and to acknowledge the amount of time and effort as well as the information search required to explore the plethora of alternatives and to deal with the task complexity. Inevitably then, different decision strategies are used to deal with the purchase process (Swait and Adamowicz, 2001; Solomon, 2011, p. 334). Consumers' purchase decisions are unavoidably influenced by the individual's experience in a specific product category and the time lapse since the previous purchase that will determine the effort made to evaluate product alternatives (Winer, 1986). When making choices under uncertainty, consumers would typically try to minimise losses and to maximise gains. In doing so, the outcome of a risky decision is generally evaluated in terms of a value function where gains and losses are defined in terms of a reference point, loss aversion and diminishing sensitivity. A consumer's perception of the loss of a utility, i.e. forfeiture if the product fails expectations, apparently often exceeds the utility gain under optimal conditions. For example, when a service provider fails to provide the expected service, the loss incurred may seem more extensive than the gains obtained under conditions when the service is performed to perfection (Tversky and Kahneman, 1991). Depending on the product category, a consumer's decision strategy is further directed by utilitarian and hedonic considerations. Certain products are primarily utilitarian, i.e. decisions are mostly cognitively driven, instrumental and goal directed while others are hedonic and driven by excitement, pleasure, fantasy and fun, for example when purchasing tickets for a theatre, or choosing a ball gown. The purpose of the purchase therefore determines the strategy used to identify the most suitable product (Wertenbroch and Dhar, 2000).

Scholars therefore concur that an element of anxiety or risk perception is involved in every consumer decision and that the context can aggravate the complexity (Williams and Noyes, 2007; Mandl et al., 2011; Hoyer et al., 2013, p. 59; Weber and Hsee, 1998). It is almost axiomatic conclusion that the more complex a purchase decision, the more extensive and time consuming the information search that would enable an informed purchase decision and to reduce consumers' risk perception. Keller and Staelin (1987) however propose that the complexity of an intricate consumer decision may have an inverted U-shaped relationship with decision efficiency. They propose that as decisions become more complex, consumers initially make considerable effort to solve the problem and become increasingly more efficient in reaching an informed purchase decision. A point is however reached where the effectiveness of a consumer decision begins to decline for various reasons, e.g. the decision is too complex, lack of processing capacity because the information is beyond comprehension, dysfunctional search, frustration due to information overload, and even time constraints that limit the investigation (Sproles and Sproles, 1990; Ursic and Helgeson, 1990; Grant et al., 2010). Purchase decisions that are perceived to be highly complex may therefore be particularly challenging and even cause consumers to defer choice at some point by choosing what they are familiar with, or to avoid choice (Dhar, 1997; Mandl et al., 2011). While this does not reflect informed consumer decision-making and may result in dismay and even consumer dissatisfaction, consumers' hesitance may also cause retailers and brands to suffer extensive financial losses. When explaining task complexity and related decision strategies, Swait and Adamowicz (2001) for

example indicate that consumers may adopt simplification procedures to cope with complex purchase decisions, such as ignoring attributes that seem less important to them, or by ignoring magnitudes and giving directional equal importance to all attributes. When introducing a new product with novel features, a supplier's inventiveness may therefore be negated if consumers fail to prioritise new attributes and to align the new product features with their own product needs.

On a macro level, i.e. in terms of their marketing initiatives, retailers have little interest in individual consumers' choice decisions. Rather, retailers wish to understand consumer decision-making from a heterogeneous viewpoint in order to offer the range of products and support systems that would target a broader target market to maximise their profits (Shao et al., 2009). A generalised confirmation of the complexity of purchase decisions in terms of coherent product categories would therefore be valuable to retailers and marketers in several ways. It would aid in understanding consumers' pre-purchase anxiety and to associate consumers' risk perception with merchandise that are similar in complexity so that consumer facilitation processes could be structured more purposefully. This would enhance an understanding of the challenges that consumers are faced with, i.e. how their purchase decisions are framed before they commence their pre-purchase enquiries and to ensure that their store visits are worthwhile. At the same time, advertising budgets of marketing managers could be allocated with more certainty if they know what type of information is required by which market segments.

## 2. Aim of the study

This study aims to expand consumer decision-making literature through empirical evidence presented in terms of a complexity continuum that depicts consumers' perception of the complexity of a variety of product/service decisions that households deal with from time to time. Although the investigation admits the potential influence of various individual- and context related factors on an individual's perception of the complexity of a specific purchase decision, this investigation does not focus on the complexity of the decision process. It merely aims to provide a broad categorisation of products and services that are perceived to be similar in complexity to instigate further research that could extend the details of the investigation and to provide guidelines for marketing managers and retailers who need to design their marketing mix in accordance with the profile, needs and perceptions of their consumer markets to optimise their resources and to increase their competitiveness. It hence also aims to indicate how such a categorisation is influenced by consumers' demographic characteristics that are predominant in terms of consumer socialisation, i.e. gender, age and education level.

## 3. Problem statement

Ample evidence confirms the relevance of product related consumer socialisation in terms of the perceived complexity of a specific purchase decision based on the rich source of information gained by previous experiences which boosts one's cognitive ability to comprehend and to identify relevant product attributes during a challenging purchase decision (Sproles and Sproles, 1990; John, 1999; Watson and Spence, 2007; Dellaert et al., 2008). Perceived complexity influences perceived risk and measures taken to overcome the anxiety (Weber and Hsee, 1998; Mandl et al., 2011). The same product would therefore not necessarily entail the same level of complexity or pose the same level or type of risk for every consumer (Sproles and Sproles, 1990; Ratneshwar

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