IMPORTANT ELEMENTS IN CONSUMER'S DECISION-MAKING PROCESS[1]

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Consumer's decision-making process is very complex and summarizes a number of stages, from awareness of the need to search the information, evaluation, selection and purchase the product, and ultimately to his re-election if the consumer is satisfied. At the base of this process are a number of personal factors, such as age or gender, social factors, such as education or social class, psychological factors, such as motivation, perception, learning and attitude. Another extremely important element in consumer's decision-making process is the corporate reputation which ensures the products or services quality. In this paper I will talk about all those important elements in consumer's decision making, coming up with studies and examples in each case.

Keywords: *consumer behaviour, rationality, irationality, corporate reputation.*

INTRODUCTION

Classical economics is based on human rationality: the fact that people know all the options they have, so no matter how complex the situation is, they know exactly what choices are available and which are not; can make a clear classification according to the preferences options considered, regardless of the set of choices they could make, people will know exactly how to classify the good from bad; always choose what they like best, so people will choose the product placed on the first place in rankings (Kahneman and Smith, 2002).

In reality things are not as we said before, people do not show rationality in their acts. They are rather irrational or predictably irrational (Ariely, 2010), so behavioural economics tries to establish certain patterns by which people act (Kahneman and Smith, 2002).

Consumer behaviour is a large and interesting area of economics. Companies are very careful to consumers in order to make big profits. In this paper we will

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discuss about all factors that influence the consumer's decision. We will also show that reputation, the most important intangible asset of the company, is an extremely important element in the decision making process and it incorporates a number of the factors mentioned above.

FACTORS THAT INFLUENCE CONSUMER DECISION

Consumer decision making is influenced by a number of factors that can be grouped into several categories. According to Stanciu (Stanciu, 2010), these factors can be grouped as follows:

- Socio-cultural factors: family, social status, social class, preferences group, culture
- Psychological factors: perception, motivation, learning, attitudes, beliefs
- Economic factors:
  - At a macroeconomic level it shows the purchase willingness manifested by macroeconomic dynamics and the synthetic indicators, the evolution of the main areas of activity expressed by specific indicators;
  - At a microeconomic level, the most important factor is the consumer's income;
- Demographic factors:
  - At a macroeconomic level, the main variables concern to: population and its geographical distribution, population growth, age structure, occupation, educational level, number of families and households, family and household size, population mobility, habitat type (urban, rural);
  - At a microeconomic level (of the consumer) are taken into account elements such as: age, sex, marital status, physical characteristics, race etc.

A number of experts in consumer behaviour have classified the factors that influence consumer decision into several categories (Tanase, 2009). Dubois and Jolibert (Dubois and Jolibert, 1989) divided these factors into:

- Individual factors: risk perception, individual personality, way of life;
- Environmental factors: family, social status, social class, economic, culture.

Phillip Kotler (Kotler, 1997) classified the factors that influence consumer decision in:

- Cultural factors: culture, subculture, social class;
- Social factors: family, reference groups;
- Personal factors: age, occupation, personality, lifestyle;
- Psychological factors: motivation, perception, attitude, belief, learning.

R. Boier (Boier, 1994) classified factors that determine consumer decision in:

- Individual factors: needs, motivation, personality, attitude;
- Social factors: family, reference groups, social class;
- Cultural factors.

I. Cătoiu (Cătoiu, 1997) believes that factors that influence decision making can be divided into:

- Factors that have direct influences: demo-economic factors, marketing mix specific factors and situational factors;
- Factors that have deducted influence: psychological factors (perception, motivation, personality, learning, attitude) and sociological factors (family, reference groups, social class, culture, subculture).

Another classification is made by E. Hill and T. O. Sullivan (Hill and Sullivan, 1997). They classified the factors which determine consumer decision in:

- Social factors: culture, reference groups, social class;
- Personal factors: personality, motivation, attitude, perception, attitude;
- Individual factors: sex, age, income, education.

From all the classifications listed above we can see that the same important element which influences the decision is assigned to different categories. For example, culture is framed by Dubois and Jolibert to environmental factors, Boier and Kotler includes it in the category of cultural factors, Cătoiu includes it in sociological factors and Hill and Sullivan include it among the social factors.

Motivation is something that starts within ourselves when we want to get what we need. Motivation level influences consumers buying behaviour. Each person has different biological, physiological, social needs. Some of these needs are more important or more urgent, some not. If the person's need is urgent, the motivation to meet that need increases. For example the food or sleep need. If you go to buy a car when you are tired and hungry, all you want is to go somewhere to eat and rest. In this case you may buy the product without being very careful to technical details or to its price. Therefore we must be very careful about our needs.

Perception is the acoustic, visual, tactile, olfactory and gustative way to perceive what surrounds us. It may happen to have different opinions about a product depending on how we perceive it. For example, a study in which blindfolded consumers were asked to taste a new beer, they said that the taste is normal. When they tasted the same drink but without the blindfold, they said the taste was "watery" (Ries, 2009).

Using these types of stimuli, marketing professionals must do so to persuade consumers to choose the products they promote. Consumers are bombarded with thousands of advertisements every day, through all possible channels – TV, print, billboards, street, via the Internet. A type of advertising used by companies is advertising that shocks. For example, Calvin Klein has sparked a scandal when in his commercials were a few scantily clad teenagers (Dahl *et al*., 2003).

Opposite to these shocking messages are subliminal messages. Research shows that these promotional messages send subliminal messages that influence consumer desires and purchasing decisions. It uses all sorts of messages, photos or colours. For example, in 1999, Canac and Gosset made an experiment in France: a group of people was asked to watch a screen that many words will appear and in the end they have to say how many were able to memorize; for 800 milliseconds the screen was white, 45 milliseconds on the screen appeared a bottle of Coca Cola, Orangina or a table, then for 83 milliseconds on the screen were lines and points, and in the end was shown the word; experiment was repeated 15 times for every people; at the end of the experiment, subjects were offered a glass of one of those drinks mentioned above; It seems that when were used subliminal stimuli 85% of subjects embraces glass of juice while only 40% of those who viewed the table wanted the juice (Channouf *et al*., 1999).

Learning refers to the process by which consumers change their behaviour after obtaining information or have some experience with the product. It may be the reason that consumer buys for the second time that product or why they give up buying. It is also a sign of the behaviour inside a store – those who have not purchased the product typically seek more information. Depending on these factors, the responsible of marketing department know how to treat the customer – they offer free samples of the product or specific products can be tested before buying them.

Consumer attitudes are consumer opinions and feelings about the product or company. Because attitudes are enduring values and beliefs based on people, they are hard to change. The companies want consumers to be satisfied. We often hear the commercials about natural products used in fast-food chains, the natural ingredients used in various food, “safe” credits offered by some banks, etc.

Age has an impact on purchasing behaviour too. It is clear that consumer preferences change over time. You buy some things at 20 years and others at 70. For example, the youth consume fast food products without thinking about their health, then over time move towards fruits, vegetables and organic products and the elderly consume poor cholesterol and salt products. Marketing specialists help us find the right products for each age separately – products for children, adolescents, families, the elderly, etc.

A person’s *occupation* has a significant impact on his buying behaviour. For example, a bank manager will buy costumes to wear them at work and a worker will buy comfortable clothes suitable for his activity.

The *economic situation* has great influence on consumer buying behaviour. If income and savings are high, then the person will buy more expensive products. If income and savings are low, he will try to buy cheap products or he will give up purchasing something.

Lifestyle is another personal factor influencing consumer purchasing decision. The lifestyle means the way a person lives and is usually expressed by the things he has around him. It depends on the consumer’s interests, his views, the activities he carries out, the way he interacts with others, etc.

Consumer *personality* can influence his buying decision. Personality is a set of traits and characteristics of the person and varies from a person to another. Therefore manufacturers must produce products to please everyone, to develop products that transmit certain values. For example, a successful car company will grow to launch a new model of innovation, creativity, safety, boldness, uniqueness, values that some consumers will be identified to.

Culture is basically part of every society and it is important to question the desires and behaviour. The influence of culture on buying behaviour varies from country to country. Therefore manufacturers and the marketing department must take into account the culture of the region or country where it operates. For example, in the West it is normal to invite close people to dinner while in Japan is something wrong and it is recommended to invite them to a restaurant.

Subculture is another important factor. Every culture contains certain subcultures such as religion, nationality, geographic region, racial groups etc. These elements must be taken into account by producers and by those responsible for the marketing department to be able to adapt accordingly advertisement. For example, "ethnic" cosmetics were greatly expanded, appearing lately for products of non-Caucasian, African, Arab or Indian.

Social class is determined primarily by income but also by wealth, education, occupation etc. Under these circumstances buying behaviour differs significantly from one social class to another. There is a common basis for the entire population but many products and services that are consumed differ: they choose other types of vacations, watches other TV shows, go to other stores. Depending on the social class we think consumers will focus on other elements. The lower class will focus on the price while the upper class will focus on quality, innovation, environment, image, reputation.

Reference groups influence shaping attitudes or a person's behaviour, observing a certain trend of consumption within a group. The impact of the reference group varies depending on the products or brands. There are situations where a person wants to be part of a particular group and that is why he doesn't need some things he will buy only because others in the group do. In the reference group there have been identified several roles: the initiator – who suggests buying a product; the influencer – one that will influence the buying decision by his opinion; the decision maker – the person who will choose which product to buy; the buyer – the person who will buy the product. Many brands focus on initiator and influencer to spread the usefulness of the product.

Family plays an important role in decision making. Within the family a person forms his personality and value, and acquires certain perceptions about brands and products he might use. People have a habit of keeping the "tradition" of the family and buy products and brands that they know from the childhood. For example, if when you were a child you have not eaten fast food products because your parents said they were full of calories and they are total unhealthy, is a greater possibility not to eat those products even when you become an adult. This is basically the reason why companies that must build brand be viewed as one family in order to determine the consumption habit both for parents and children.

The *place* that the person occupies in society and the *role* it plays are other factors affecting the buying decision. For example, the product can address to a woman who is the general manager of a bank and at the same time she is a mother. She will buy products that are compatible with her role and her place in the society.

Among the *economic factors* that influence consumer decision, price is perhaps one of the most important. As we know, this is the balance between supply and demand. Also we know that when prices are high, producers would like to produce more and buyers to purchase less, and when prices are low, things are going exactly the opposite.

The *price* is what helps us to decide what, how and where we purchase the desired product, taking decisions as fast as possible and depositing a minimum of effort. According to Owusu (Owusu, 2013), price is the biggest headache of a marketing department manager, is the place with the greatest pressure for performance and less certainty of doing the right thing.

Price is one of the marketing mix elements that can change very quickly relative to other components. Manufacturers may decide to reduce or increase the price whenever they need. According to Kotler (Kotler *et al*., 1999), the price is only one element of the marketing mix that brings profit, while all other elements are only costs.

Psychology reveals the importance of pricing. Consumers have greater trust in products whose price is high because they link it to the quality. That is why some prices are higher on purpose so that to attract customers. Products in this category are some commonly known as real brands.

In marketing is used psychological pricing to influence customers buying behaviour. These prices are designed to appeal to customers' emotions and influence the decision making process (Pride and Ferell, 1997). Price is not related only to the figures but it is also a game of perceptions. It is the client's perception of the price which makes him buy the product and not the perception of product price itself. The psychology of the prices and price perception is more important than the numerical value of price and traders who understand this can record significant profit. When determining the price, traders have to choose the right strategy and then the product must be properly placed on the shelf and be promoted (Stiving, 2000). A poor pricing strategy can cost the trader a lot of money. There are several pricing strategies but the most frequently used is the psychological price that ends with two decimal (0.99 USD, £ 4.99, £ 0.00, £ 3.00) which has the power to influence customer perception of the product price (Nagle and Holden, 1995). Often we see that the price of a product is £ 9.99 not £ 10 or £ 99.95 rather than £ 100.

In 1996, Schindler and Kibarian (Schindler and Kibarian, 1996) conducted a study on the psychological price. They mailed two catalogs of 24 pages, containing 169 clothing for women. Product prices were written rounded (7.00, 18.00, 60.00) in a catalog and ending with 99 (6.99, 17.99 or 59.99) in the second catalog. They chose a random sample of 30,000 women and found that the percentage of purchases for products ending in 99 was 3.23 while the percentage for a full price purchase was 3.07 and the average amount increased from 78.75 for full price to 80.91 for prices ending in 99. It can be seen therefore that prices ending in 99 have increased the amount spent by women.

Another important element in the decision is the *opportunity cost*, which as we all know is the good that gives the consumer to buy another. In 2000, Iyengar and Lepper (Iyengar and Lepper, 2000) conducted the following experiment: a group of people was asked to choose one of the six boxes of chocolates displayed or a certain amount of money; in most cases people chose a box of chocolates; another group was asked to choose one of the 30 boxes of chocolates exhibited the same amount of money; in this case the vast majority chose the money. We wonder which could be the explanation of this phenomenon. It seems that in the first case the opportunity cost is equal to the 5 boxes of candy that we lost and in the second case, the opportunity cost is equal to the 29 cases lost. So, in the second case the frustration of loss is greater. As Schwarz (Schwarz, 2004) states in his paper, not always a variety of choices involves greater satisfaction.

Client *income* is another economic factor influencing the buying decision. It can come from wages, profits derived from investment or other gains made by the consumer. As incomes grow, the consumer purchasing power increases and so he can buy more products or more expensive ones.

THE CORPORATE REPUTATION – AN IMPORTANT ELEMENT IN THE DECISION MAKING PROCESS

Besides all these economic, psychological, cultural and demographic factors, the company's reputation plays an important role in consumer decision making. If we consider the reputation definitions in literature, we can see that reputation involves a number of factors listed above.

Argenti and Druckenmiller (Argenti and Druckenmiller, 2004) define the corporate reputation as a collective presentation of all participants in the picture, built in time and based on the identity of the company, its performance and the perception of his behaviour. They say that reputation helps achieve corporate objectives and maintain competitive advantage.

In 2006, M. Barnett, J. and B. Lafferty Jermier (Barnett and Jermier, 2006) studied several articles published in the period 1980–2003 and found various definitions of corporate reputation. Corporate reputation can be seen as an assessment. Observers or business partners are involved in assessing the corporate status. Reputation can be the element that provides the corporate value, the element that holds firm standing or the evaluation in time of the company. The authors concluded that it is understood that the observers and business partners are aware of certain aspects of the company but do not judge. The corporate reputation can be defined as an aggregation of collective perception of the corporate past actions and future prospects, of global perception, latent perceptual representation and collective representation of past results and actions, a buyer's perception about how well the company is known, whether it is good or bad, reliable, credible, appreciated. Corporate reputation is seen as a representation of knowledge and emotions since they show awareness of the company.

CONCLUSIONS

The consumer represents any person that wants to meet unlimited needs with limited resources available. Consumer behaviour on the market is a very interesting phenomenon that usually requires an interdisciplinary approach. Consumer behaviour is influenced by exogenous and endogenous variables (related to the human psyche). These variables acting in combination with different intensities and thus they vary from one individual to another or even to the same individual over a long period of time.

The elements that lead to a particular shape of consumer behaviour are: buying motives, consumer preferences, purchase intention, buying habits, consumer habits, his attitude, and the image of the product.

Studies show there are a number of factors which determine consumer buying decision and people consume. We talked extensively about them in this paper. We saw that we face economic, psychological, social, environmental, demographic and other factors. Also, an important factor in consumer decision making is the corporate reputation. What we have seen in this paper was that reputation is the results of the other factors listed.

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Procesul de decizie al consumatorului este foarte complex şi implică o serie de stadii, de la conştientizarea nevoii, la informare, evaluare, alegere şi cumpărarea produsului, până la realegere, dacă a fost satisfăcut. La baza acestui proces se află o serie de factori personali, cum ar fi vârsta şi genul, factori sociali ca educaţia sau clasa socială, factori psihologici, ca motivaţia, percepţia, procese de învăţare şi atitudini. Alt element extrem de important în procesul de decizie a consumatorului este reputaţia companiei care asigură calitatea seviciilor sau a produsului. În acest articol voi lua în discuţie toate aceste elemente ale procesului de decizie al consumatorului, aducând exemple şi studii pentru fiecare dintre ele.

Cuvinte-cheie: *comportamentul consumatorului, raţionalitate, iraţionalitate, reputaţie corporatistă.*

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