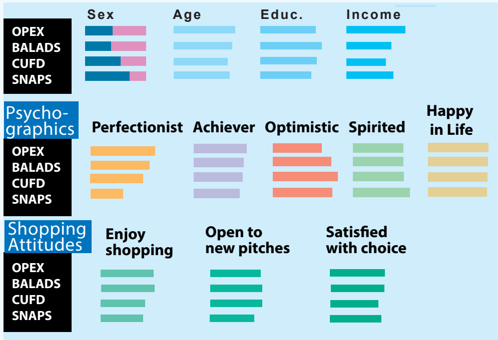
Choice Reading

3 Not All Consumers Are Created Equal: Four Types of Deciders

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.



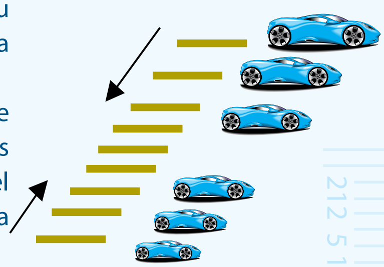
OPEXs would want a large selection to consider and choose from. BALADs will want three or four good choices to consider (rather than a broad selection). CUFDs will get overwhelmed with too many options of alternatives or too many optional features in a product. Finally, SNAPs will prefer stores that have the kind of merchandise they could 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: CUFD 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 CUFD 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.

4 Top-Down versus Bottom-Up Customization

Imagine that you are out buying a car. You are considering Audi e-tron and you are told the price of a basic model with no options is $70,000, and you are given a list of options with individual prices. (all options add up to $10,000). You choose options one by one, until you believe you have included all the options you want. This is called bottom-up customization—a process wherein consumers build a product starting from the basic version.



Now suppose, instead, that you are given the price of a fully-loaded car with all the options as $80,000, and you have the option of deleting the options (with individual prices specified, all options adding up to $10,000. You delete the options one by one until you feel you have deleted the options you don't want. This is called top-down customization—a process wherein consumers build back a product starting from the loaded version.

Do you think you would end up with the same car in the two scenarios? The answer is "no"—most consumers will end up with a more loaded car (with a higher price ticket) in the top-down than in the bottom-up process. Here is why:[12]

1. Cognitive Effort Both adding options and deleting options take cognitive effort—i.e., the consumer has to think each option over and appraise its utility and cost. Suppose consumers want to undertake the effort to process only three options; then, starting from a ten-option loaded car, they will settle on a seven-option car. In contrast, starting with a basic car, they will end up with a three-option car.

2. Anchoring Effect The starting price acts as an anchor, as a comparison point, from which consumers judge how much they have moved. Suppose consumers want to move away by 5%; then from a starting price of $70,000, they end up at $73,500; but with $80,000 as the anchor, they will come down to $76,000, thus ending up with a customized alternative that is $2,500 more expensive in the top-down than in the bottom-up version.

This phenomenon is of great interest to marketers. If they offer a fully-loaded model, consumers are likely to end up buying a "more-features" version, but a higher initial price might discourage some consumers at the outset. Thus, marketers must balance these two opposite effects.

(See "Product-Level Choice: A Top-Down or Bottom-Up Process?" C. W. Park and D.C. Smith, *J. of Cons Res., 16, Dec. 1989, 289-299.)*