

# Consumer Choice

## *Using information in purchasing decisions*

Consumers make many purchasing decisions each week. Determining the amount of time, energy, and effort to devote to searching for information before buying—in an attempt to make “wise” decisions—is a difficult task.

We are living in an information age. Consumers are faced with vast amounts of consumer information, increasing complexity in the marketplace, and a confusing array of legislation and regulations affecting consumer products and services. This makes it difficult for consumers to identify and use reliable sources of information when purchasing goods and services.

In a Consumer Message to Congress in 1962, President John F. Kennedy identified the right to be informed as one of four basic consumer rights. He said that consumers have the right “... to be protected against fraudulent, deceitful, or grossly misleading information, advertising, labeling,

and other practices, and to be given the facts needed to make informed choices.” Consumers have come to expect this right, as well as others, as they purchase goods and services in the marketplace. But with this right comes the responsibility to seek reliable information before making a purchase.

Collecting and evaluating information are important steps in the rational decision-making process. The steps include:

- Identifying the decision to be made;
- Identifying alternative choices;
- Gathering and evaluating information about alternative choices;
- Considering consequences of alternative choices;
- Making the decision;
- Accepting responsibility for the decision; and
- Evaluating the results/consequences of the decision

### *Information Use*

How consumers use information has been the subject of much research, especially that related to marketing information. For example, one “information processing” model of advertising effectiveness can be summarized this way:\*\*

- **Exposure:** The advertiser

must expose the consumer to a message (stimulus), which can vary in intensity.

■ **Attention:** The consumer’s attention to the message can vary, depending upon personal characteristics (need for that product/service, information that is consistent with the consumer’s beliefs and attitudes, etc.) and message characteristics (color, intensity, contrast, movement, etc.).

■ **Comprehension:** At this stage, the consumer attaches meaning to the message. A consumer’s perceptions are influenced by such factors as needs, attitudes, and expectations.

■ **Acceptance:** To what extent the consumer is persuaded by the message can depend upon such factors as whether the appeal in the advertisement makes sense (the consumer’s mental reactions) and whether the product/service being promoted is relevant to the consumer at that point in time.

■ **Retention:** While some messages are forgotten easily, advertisers strive to have their message retained in (and retrievable from) a consumer’s long-term memory.

Author: Joyce Jones  
Extension specialist  
family financial management

This is one in a series of publications  
dealing with consumer choice.

Who tends to search for information? Consumers differ in their values, goals, needs, and wants. They also differ in the amount of time available to make a search. These factors influence the type of information they seek before making purchasing decisions, as well as how they use it. Research on characteristics associated with information processing indicates that greater information processing tends to be done by younger consumers.\*\*\* Although findings vary, research suggests that those with higher educations, middle incomes, and white collar occupations also search more. Additionally, various personality traits have been linked to information search.

### Sources of Information

Consumer information is available from many sources. Information can be general (to help identify overall purchasing considerations and alternatives) or specific (to identify product or service characteristics, quality, price, availability, etc.). Information differs in function; for example, it may be intended to inform, to sell, or to meet regulatory/legislative requirements. Information may also vary in accuracy, completeness, and applicability to the consumer's purchase decision. Thus, it is important to read and evaluate consumer information carefully.

Some common sources of information include magazines, advertising, warranties, product labeling, seller-provided information, and educational materials.

■ **Magazines:** Magazines such as *Changing Times* or *Money* can provide information about various products and services available and general buying

guidelines, while specialty magazines (such as *Popular Mechanics*, *Personal Computing*, and *Popular Photography*) offer more specific information about buying characteristics.

Two independent non-profit consumer organization publications, *Consumer Reports* and *Consumers' Research Magazine*, are good sources of unbiased information. Neither accept product advertising. *Consumer Reports* publishes model-specific laboratory test data, brand-name recommendations, and for some products, frequency of repair data. Consumer satisfaction with various services is also reported. *Consumers' Research Magazine* offers purchasing advice, but does not recommend specific brands.

■ **Advertising:** These messages are designed to promote and sell a product, service, idea, or company. Common types include television, radio, newspaper, magazine, telephone directories, and direct mail. Advertising requires special caution when evaluating. While some advertising is informative, other advertising is designed simply to attract the consumer's attention, appeal to emotions, or sometimes mislead and deceive.

■ **Warranties:** Warranties describe the manufacturers' or sellers' commitment to stand behind their products, identifying what will be done if a problem develops within a certain time period. Although written warranties are not required by law, when provided, they must meet certain requirements. Under Kansas law, "implied" warranties are also provided in most circumstances. For more information about warranties, see *Consumer Choice: Product Warranties (MF-900)*.

■ **Product Labeling:** Information provided on packages and labels can be helpful when determining product characteristics and quality. Much of this information is disclosure information required by law (such as ingredients in foods, energy labeling on certain major appliances, interest rates on credit applications, etc.).

■ **Seller-provided Information:** Salespeople can be a good source of information, but remember, they are trying to sell their products and services.

■ **Educational Materials:** A variety of educational materials are available from the federal and state government (such as the Cooperative Extension Service, those listed in the *Consumer Information Catalog*, and various regulatory agencies like the Kansas Insurance Department and the Consumer Protection Division of the Kansas Attorney General's Office), trade associations, and commercial sources.

■ **Other Sources:** Information is also available from a variety of other sources, such as the Better Business Bureau, friends and acquaintances, computer data networks, books, and newspapers.

### Costs and Benefits

Collecting and evaluating consumer information generally involves both costs and benefits. Benefits can occur through finding a product or service at a lower price or through finding a higher quality product or service at the same price as a lower quality choice. Sometimes, you can benefit through both at the same time—higher quality **and** lower price.

Costs may be direct (time, energy, and money) and/or indirect (opportunity costs—what

you gave up in order to invest this time, energy, and money in collecting and evaluating consumer information). Thus, it is important to weigh the potential benefits against the costs involved.

How much time, energy, and money should be expended while searching for pre-purchase information? The general rule is that the greater the expected benefit from searching for relevant and accurate information, the greater the cost that can be undertaken to search for the information.

Benefits tend to exceed costs when products or services are more expensive, can be used for longer periods of time, or when price and quality vary greatly among choices in the marketplace. This also may be true when products or services are purchased in large quantity, resources are limited, or search costs are low.

Sometimes, consumers feel they have too many choices. Recent consumer public policy has often focused on requiring business to make additional information available to consumers. Under debate is the question whether providing more information improves decision-making or leads to "information overload" (and consequently, confusion and poorer decision-making). While access to information improves consumer decision-making, identifying a limited number of viable alternatives and collecting only pertinent and usable information may facilitate decision-making for those who suffer from "information overload."

### *How Consumers Reduce Information Search*

Consumers may use general guidelines or rules—which are sometimes, but not always,

valid—to limit the amount of information search prior to purchasing. The following is a summary based upon some research about these general rules (as they relate to product purchases):\*

- If it sounds too good to be true, it probably is. Sometimes, you may find a high quality product at a low price. Be very cautious—"bargains" are not always what they seem.

- Buy only a limited amount of a brand or model the first time you purchase it. This can limit your risk of loss. For durable items, like cars or major appliances, you might consider short-term rental or borrowing a model before purchase.

- The more convenient the store, the higher the price. A convenient location and longer hours generally lead to higher business costs and higher consumer prices.

- The more ready-to-use the product, the higher the price. Convenience foods and other pre-assembled products require more processing by the manufacturer, and are generally higher-priced.

- The largest size is the best buy. In the absence of unit pricing, consumers often make this assumption. This rule is generally more true than false.

- Buying on sale saves money. While sales generally do result in lower prices, a sale price at one store may be higher than a regular price at another store.

- Buy generic or store brands when you want low price (and don't care about quality). Generic and store brands are often lower priced than nationally advertised brands, generally due to lower costs for packaging, labeling, and advertising. However, this is not always true. And remember,

generic and store brands may also vary in color, taste, texture, size, and other characteristics.

- Save money by using coupons. While coupons reduce costs, these brands may still be more expensive than a sale item, or a generic or store brand.

- Price indicates quality, so buy the most expensive. This rule, while sometimes true, is often false. Research tends to find a weak relationship between price and quality.

- Buy a known brand. Unfortunately, relying on past experience with a particular brand does not necessarily lead to quality choices.

- Buy the top of the line. Research suggests that, while there is a relationship between higher quality and moving up from the bottom of a product line, buying the top of the line may mean paying for features the consumer doesn't need or want.

### *Some Questions to Ask*

As you can see, using general guidelines does not always lead to lower cost and/or higher quality. This emphasizes the need for consumers to gather and evaluate information prior to purchasing, especially for products or services that are more expensive, that can be used for longer periods of time, or that are purchased in large quantity. This is also true when price and quality vary greatly in the marketplace, when resources are limited, and when search costs are low.

While evaluating consumer information can be a difficult task, asking the following questions may be helpful:

- Who is providing the information?  
What are their credentials,

expertise, and reputation?  
Can you verify them?  
What is their motivation for providing the information?

- Is the information supported by evidence and research?
- Is the information objective, unbiased, and comprehensive?
- Can the information be verified from another source?
- Is the information current and relevant to the purchase decision?
- Is the information presented in a clear, concise, and understandable manner?
- Are there any regulations/legislation impacting on this consumer information?  
What do they cover? Are they "preventive" or "remedial"?  
Are any lawsuits or other legal actions pending?

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The use of trade names is not intended as an endorsement, nor is criticism of unnamed products implied.



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