**Ecommerce And Marketing**
**Alternative Evaluation Handout**
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## Alternative Evaluation

Consumers, in many instances, make a choice from a set of alternatives (typically referred to as the *consideration set*). These alternatives are evaluated based on some set of guiding procedures, resulting in, ultimately, a choice. rules or set of procedures that define how consumers evaluate alternatives is the focus of this handout.

I'll use an example to highlight the importance of understanding this stage of the buyer decision process.

Example:
Suppose Joe was planning to purchase a shiny new automobile with lots of chrome and gadgets, not to mention doodads. He was considering the new Drin Motors XG43 and the Krox Motors L17. Joe found little difference between the two; and he was having a tough time making a decision. The Drin Motors salesperson, through conversation, learned that Joe loved customized car components. Knowing that Joe could not make up his mind, the salesperson pointed out that the XG43 could be equipped with a horn that made the sound ahoooga ahoooga. Aware that the Krox L17 had no such customized component, and that the horn option *sounded* like a very cool special feature, he ordered the XG43 on the spot.

- Lesson 1 -- Identify the attributes/information that consumers consider when evaluating a product
- Lesson 2 -- Identify the importance of these attributes/information.
- Lesson 3 -- Identify how consumers place a value on each attribute.
- Lesson 4 -- Identify how the consumer integrates and processes the attributes/information -- the form of processing.

- Bottom line -- Lessons 1 to 4 characterize the principle components of decision rules and are to be applied, ideally, in a way that helps the customer satisfy her/his needs effectively and efficiently (and brings you a fair payoff for your superior skills in doing this -- payoff or not, fair or not, will depend on the customer's value of your proposition).

## Reality - we're human and can process only so much

Consumers process information of some type when evaluating alternatives and making choice decisions. Alas, consumer information processing capacity is limited. It is this constraint, and a few others (e.g., I need it now, or I need to simplify this problem, or look out train coming), when binding, that results in consumers using particular heuristics when evaluating products.

**More Reality - only two factors need to be kept in mind when assessing consumer processes for evaluating alternatives**

- Individual Differences (that influence information processing and, in turn, alternative evaluation processes) - a consumer's makeup (e.g., knowledge, experience)

- Situation/Context - everything else (e.g., my keys just fell down the elevator shaft and I need to get into my car, get home, get into my house, open the safe, pour myself a…).

- All other significant factors come under one of these two categories.

- Bottom line - Identify the key individual differences and then consider a segmentation strategy that will help you serve customers best (e.g., in many instances knowledge and experience play a significant role).

  Identify the contexts or situations that are relevant, most likely or most challenging, etc. and then design and employ strategy and tactics for those that serve best your objectives.

**A Classic Dichotomy**

- Automatic - more formally known as utilizing rules recorded/stored in memory; the consumer draws upon a rule stored in memory.

- Ad Hoc - more formally known as utilizing constructive processes - constructing a rule, at least partly, real time.

- Bottom line - it is possible to influence which rule a consumer will use (e.g., you have 5 seconds to tell me what flavor ice cream cone you want or you will earn an F in this course -- please remember that this is only an exercise and that I do not really mean it).

  You need to decide whether the choice environment or the set of processes that you want to influence would behoove both you and the consumer.

**Drivers or elements that make rule selection interesting/challenging and create opportunities**

- Missing/unknown/incomplete information
- Conflicting/unexpected information
- Changed information
- Complex information
- Tons of information (i.e., information overload)
- Misinformation
- Makeup of situation/context/environment/problem
- Makeup of individual

**Alternative Evaluation and Choice Rules**

- Linear Compensatory - an evaluation in based on a linear combination of an items attribute evaluation and the importance/weight of an attribute

  $$\text{Evaluation} = \Sigma_i \text{ (evaluation of attribute}_i\text{)x(weight of attribute}_i\text{)}$$

  or $$\text{Evaluation} = \Sigma_i \text{ (evaluation of attribute}_i\text{)x(weight of attribute}_i\text{)}$$
  $$\text{where } = \Sigma_i \text{ (weight of attribute}_i\text{ )} = 1$$

- General Information Integration - where a function is not necessarily linear in computing/formulating an evaluation.

- Conjunctive - Minimum requirements are set for each attribute. If the item does not make the cutoff on one element, then it is out. This is a noncompensatory model. If an attribute is below the cut, then it doesn't matter how good anything else is as nothing will "save" it.

- Disjunctive - An alternative is further considered if any attribute passes some "satisfactory" level (not all attributes need to "pass" in order for an alternative to be further considered). This too is a noncompensatory rule.

- Lexicographic - Attributes are rank ordered by importance; then alternatives are compared on attributes in the order based on the importance. Once a brand is dominant on an attribute, choice is determined.

- Sequential Elimination - Alternatives are evaluated attribute by attribute in some order. As in a conjunctive process, some cutoff level for each attribute is determined. As one evaluates alternatives by attribute, those that do not make the cutoff on a particular attribute are eliminated from further consideration. The order in which attributes are evaluated is not clear cut.

- Elimination by aspects - A type of sequential elimination where the order in which attributes will be evaluated is determined. The order is set by a probability proportional to its weight (i.e., the more important an attribute, the more likely it is that alternatives will be evaluated on that attribute prior to others with less weight).

- Wholistic - an *affect* based approach in which one draws from memory ones overall evaluation of items and uses it to make a decision.

- Phased strategies - using a series of different strategies/rules when evaluating alternatives.

**Some Well-Established Theory to Discuss and Ponder**

- How rules are formed -- Stored rule vs. constructive rules.

  - Example thoughts - Stored where? Only in one's own memory? How about an agents memory? Who constructs a rule? Oneself? An agent?

- Where processing occurs -- In-store vs. out-of-store.

  - Example thoughts - when shopping online, which is it? Does this principle apply in the same way to online shopping?