

The Analysis of “All Consumption is Rational with Buying Decisions Based on Logic”

Wanting Mei

Surrey International Institute, Dongbei University of Finance & Economics, Dalian, China

2019211433@sii.dufe.edu.cn

Abstract. This report aims to study the role of rational and irrational factors in consumer behaviours, and through a case study of Merlin, the specific explanation is boundedly rational consumers. In the first part, the literature research is carried out on the decision-making process and key factors. It illustrates the rational and emotional factors of consumer behaviour theory from various cases, briefly outlines the Merlin pricing strategy and pays special attention to the decoy effect. Through the case analysis, it reckoned that most of the consumers are boundedly rational consumers due to self-limitation and external barriers. Besides, the analysis of rational factors focuses on the impact of information attributes and consumer characteristics, divided into objective and subjective perspectives. In terms of culture, the theory of reasoned action explained the relation between consumer's attitude and their behaviours. Additionally, common determinants of successful implementation are listed and explained in the case study of Merlin. The report's conclusions are based on research and case studies to summarize limitations and futural development.

Keywords: Merlin, Consumer, Purchase Decision.

1. Introduction

Recent theoretical developments have revealed that rational and irrational factors have an influence on consumer behaviour. A challenging problem that arises in this domain is that all consumption is rational, with buying decisions based on logic. One purpose of this report is to evaluate the factors with theories and practices critically. This paper will be followed by the decision-making process, the assumption of rational behaviour in the case study, the rational and emotional factors as well as key factors in decision-making associated with Merlin.

2. The decision-making process and key factors

Consumer decision-making, considered a complex process, has been explored in many studies. As one of the most common models, the following model illustrates and explains how consumers make their purchase decisions and the key factors in the process.



Figure 1. Overview of the Consumer Decision-Making Process

When consumers are aware of their demands that have not yet been satisfied, they enter the first problem recognition stage. The imbalance between the status quo and expectant state can create a desire on the part of the consumer to purchase a product or service (Darley et al., 2010). Intrinsic stimulus objectively generates the basic human impulse, which drives consumers to buy products. Therefore, physiological factors have a significant impact on the need for cognition.

After the consumer perceives the need to buy, the second step is to gather information on desired products derived from different sources (Stankevich, 2017). The amount of time devoted to this stage commonly depends on the level of interest and the availability of the information.

In the third stage of alternatives evaluation, the consumer considers the attributes of the target product and compares them against the alternatives according to consumers' needs. It is the stage where the differences between consumers are most pronounced because products' attributes, like price, quality, and brand, are ranked in a very different order in their minds (Mihart, 2012). From the consumer's perspective, the product's utilities and urgencies to consumers is a key element in determining the final judgment, apart from various considerations of product characteristics. (Prasad & Jha, 2014)

The purchase decision is seen as the most important part of the entire decision-making process. After they have completed all information collection and evaluation, the consumers make the final decision, divided into the planned purchase, partially purchase and impulse purchase (Kacen & Lee, 2002). Thus, consumers in purchase decisions focus on personal purchase intention.

As the final stage of the decision-making process, many companies neglect their role. However, it is most likely to determine the consumer's willingness to repurchase in the future. Ofir and Simonson (2007) reckoned that consumer satisfaction plays a crucial role in increasing the probability of repeat purchases occurring. On the other hand, the dissatisfaction arises from a large discrepancy between the assessment of the purchase and the comparison of their expectations.

Most consumers experience these five stages when choosing a product, but the decisions made in each stage are not always based on logical judgment. Besides, rational consumption is not necessary to adhere strictly to this model (Patwardhan & Ramaprasad, 2005). In fact, consumers always reverse or ignore some of the stages to purchase goods. For example, when people are aware of thirst, they have the intention to buy water but skip the stages of information search and alternatives evaluation to buy the drinks they want directly from the store. Although the process does not exactly follow the consumer decision-making process, it cannot be considered an irrational purchase.

3. The assumption of rational behaviors in the case study

In terms of economics, the basic assumption made by economists is that any individual is capable of behaving rationally in making decisions (Martin & Morich, 2011). Therefore, consumers are able to calculate the maximum utility and make logical decisions within a limited range of options. Importantly, economic utility is seen as the most immediate benefit. The underlying reason for Merlin's deficit is that consumers simply use the passes based on maximising the monetary utility, which results in the income of the previous passes regime failing to cover the expenses and yielding dismal returns.

However, what satisfies the consumer is likely to be emotional or non-monetary benefits. To meet consumer needs, Merlin has strengthened the emotional connection with their customers, enhancing the sense of belonging of passholders through online communities and bespoke activities for members. The strong emotional connection has earned high satisfaction scores and value recognition from passholders. Therefore, consumption decisions could satisfy symbolic rather than utilitarian needs.

Nevertheless, the pass system still does not give Merlin a satisfactory return. To cut its losses, Merlin improves its pass pricing system based on the decoy effect. The decoy effect refers to the idea that when consumers are choosing between two disparate options, the addition of a third new option can make an original option appear more attractive (Dumbalska et al., 2020). Consumers unconsciously exceed their budgets or change their original choices under the influence of the decoy effect. For example, some local travel agents always guide tourists to choose lucrative excursions by setting up decoy options (YANG & CHU, 2010). This is because overload information leads consumers to make irrational decisions when their limited attention span is processing excessive information of choices. As a result, consumer behaviour in this context is shaped by both rational and irrational factors.

4. The rational and emotional factors based on consumer behaviour theories

Due to the complexity of the external environment and the self-limitation, the majority of consumers are boundedly rational consumers who can only judge the suitability of a product in stages (Basov, 2005). It is a concept between complete rationality and complete irrationality under certain constraints. In other words, consumers invest limited time and energy in making a decision, and they weigh the positive and negative effects to obtain the optimal outcome with high uncertainty.

Although the availability of information is a prerequisite for rational decision-making by consumers, the sources and asymmetries of information lead consumers to behave irrationally (Gulko, 2005). Information mainly derives from recommendations from the surrounding people, previous experiences, and marketing campaigns, which are subjective or induced. Meanwhile, consumers fail to maximize their utility as expected because of the information's incompleteness. Thus, the complexity of information influences the irrational behaviors of consumers.

As an experiential consumer, tourists who share the values of travel expectations will make consistent and rational purchases. For example, low-income tourists seeking a sense of natural belonging want to stay longer in Norway. However, those expecting luxury services are unable to be satisfied with a visit to Norway (Prebensen et al., 2015). Consumer expectations and perceived capability of the products determine their attitudes. In terms of psychology, individual attitude is considered as a criterion for rational consumption behavior (SHAIDULLINA & IKHSANOVA, 2019). On the other hand, the lack of economic power reduces consumers' utilitarian demand for products. Thus, consumers' subjective and objective characteristics are factors that influence rational behaviors.

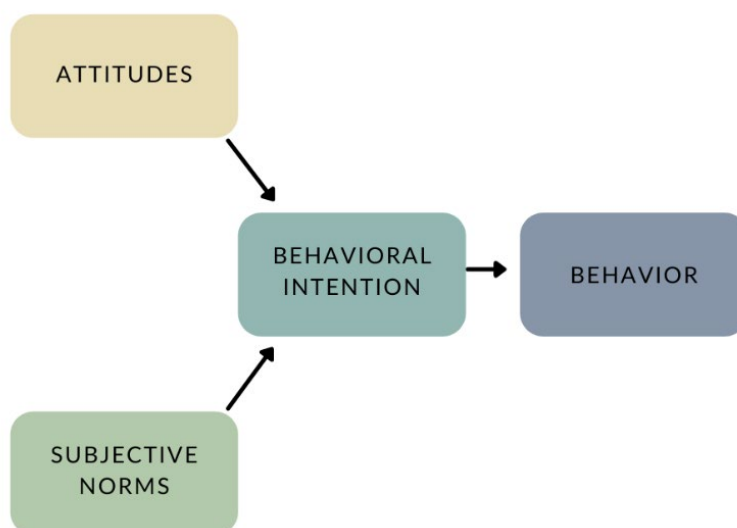


Figure 2. Theory of Reasoned Action
(Source: Based on Fishbein and Ajzen, 1980)

The theory of reasoned action attempts to link consumer attitudes and behaviour through behavioural intentions and explains the influence of social norms on them. From a sociological perspective, culture influences the behavioural norms and values in society and consumers' values, whose behaviour is partly determined by their aspirations for the product and their brand beliefs, but to a greater extent is influenced by the internalisation of others (Hussain, 2016). As a result, consumers' overall perceptions of products are influenced by cultural values, which result in different value orientations and demands for the product by consumers.

5. The factors of consumers' decision-making in the case study

Generally, key factors influencing consumer decision-making are product features, purchase scenarios, brand beliefs, consumer satisfaction, and perceptions. With the advent of online technology,

Merlin has reformed accordingly to changing consumer habits. Consumers are willing to search for information about product categories online, as the information search is more accurate and more convenient (Wiedmann et al., 2007). Therefore, the online shop of Merlin shortens the distance between the consumer and their entertainment in the second step. In the last stage, Marlin provides an online sharing platform for consumers. Therefore, the positive feedback from consumers is amplified through the consumer community, which motivates potential consumers to buy and increases the loyalty of original consumers.

6. Conclusion

The findings of this study can be understood as consumers scarcely engage in completely rational or irrational behaviours and decisions, as well as both rational and emotional factors, play an integrated role in the consumer decision-making process. A limitation of this report is that the number of rational and irrational elements explored is small, and there are many situations not considered due to space constraints. As consumer habits change in response to technological advances, future consumer-orientated marketing might cater to more diverse consumer expectations and demands.

References

- [1] Basov, S. (2005) Bounded Rationality: Static versus Dynamic Approaches. *Economic theory*. [Online] 25 (4), pp. 871–885.
- [2] Darley, W. K., Blankson, C., & Luethge, D. J. (2010) Toward an integrated framework for online consumer behavior and decision-making process: A review. *Psychology & marketing*. [Online] 27 (2), pp. 94–116.
- [3] Dumbalska, T., Li, V., Tsetsos, K., & Summerfield, C. (2020) A map of decoy influence in human multialternative choice. *Proceedings of the National Academy of Sciences*. [Online] 117 (40), pp. 25169–25178.
- [4] Fishbein, M. & Ajzen, I. (1980) Predicting and understanding consumer behavior: Attitude-behavior correspondence. *Understanding Attitudes and Predicting Social Behavior*. [Online] pp. 148-172.
- [5] Gulko, L. (2005) Efficient irrational markets. *The Journal of Portfolio Management*. [Online] 31(2), pp. 64-72.
- [6] Hussain, I., Rahman, S. U., Zaheer, A., & Saleem, S. (2016) Integrating Factors Influencing Consumers' Halal Products Purchase: Application of Theory of Reasoned Action. *Journal of international food & agribusiness marketing*. [Online] 28 (1), pp. 35–58.
- [7] Kacen, J. J. & Lee, J. A. (2002) The Influence of Culture on Consumer Impulsive Buying Behavior. *Journal of consumer psychology*. [Online] 12 (2), pp. 163–17
- [8] Martin, N., & Morich, K. (2011) Unconscious mental processes in consumer choice: Toward a new model of consumer behavior. *Journal of Brand Management*. [Online] 18(7), pp. 483-505.
- [9] Mihart, C. (2012) Impact of Integrated Marketing Communication on Consumer Behaviour: Effects on Consumer Decision – Making Process. *International journal of marketing studies*. [Online] 4 (2), P. 121.
- [10] Ofir, C. & Simonson, I. (2007) The Effect of Stating Expectations on Customer Satisfaction and Shopping Experience. *Journal of marketing research*. [Online] 44 (1), pp. 164–174.
- [11] Patwardhan, P. & Ramaprasad, J. (2005) Rational Integrative Model of Online Consumer Decision Making. *Journal of interactive advertising*. [Online] 6 (1), pp. 2–13.
- [12] Prasad, R. K., & Jha, M. K. (2014) Consumer buying decisions models: A descriptive study. *International journal of innovation and applied studies*. [Online] 6 (3), P. 335.
- [13] Prebensen, N. K., Altin, M., & Uysal, M. (2015) Length of Stay: A Case of Northern Norway. *Scandinavian journal of hospitality and tourism*. [Online] 15 (sup1), pp. 28–47.
- [14] SHAIDULLINA, R. M., & IKHSANOVA, F. A. (2019). Application of mathematical methods in consumer choice theory in tourism sphere. *Revista ESPACIOS*. [Online] 40(13).

- [15] Stankevich, A. (2017) Explaining the consumer decision-making process: Critical literature review. *Journal of International Business Research and Marketing*. [Online] 2(6).
- [16] Wiedmann, K. P., Hennigs, N., & Siebels, A. (2007) Measuring consumers' luxury value perception: a cross-cultural framework. *Academy of Marketing Science Review*, 2007. [Online] 1.
- [17] YANG, L., & CHU, J. L. (2010) Study of the impact of decoy effect on tourists' choice in traveling routes. *Journal of Shaanxi University of Technology (Natural Science Edition)*. [Online] 03.