Formation of Consideration Set and Consumer Decision-Making Process Under Brand Extension Signal

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This research aims to understand consumers’ decision-making process under brand extension strategy which might work as signals in the marketplace. The proposed model utilises a consideration set theory working as the core element of the decision-making process in providing a better understanding of the impact of brand-related activities. More specifically, the proposed model combines perceived quality and perceived risk simultaneously to generate inclusion probability of consideration sets by utilising a Bayesian manner utility maximum model with dynamic structure.

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entered into a similar contest; in another condition, participants will be told that there is no competition. Thus, this experiment will be a 2 (designer: professional vs. amateur) by 2 (competition: present vs. absent) between-participants design.

**Study 3**

Open-ended responses from Study 1 demonstrate that direct involvement in the creation process is an important aspect of designing a product. This study is designed to examine whether consumers will still feel a part of the process if there is an intermediary involved. Further, it will test to see whether the amount of material inputs (and thus decision options) moderates the influence of that intermediary. The design is a 2 (design intermediary: yes vs. no) by 3 (number of available materials: low vs. medium vs. high). One possible focal task is the design and construction of a necklace. Participants would either construct the necklace on their own or give step-by-step instructions to the experimenter (allowing for changes along the way). The materials would be manipulated by varying the number of beads provided (low, medium, high).

Participants would report their own satisfaction with the process and the outcome as well as provide measures of the potential sources of value. The influence of the manipulations on those judgments would be tested. Further, pictures of the final products would be taken and would be evaluated by a set of target consumers. Self-valuations would be compared to the target consumers’ valuations, and the sources of value would be tested as potential mediators of any differences.

**References**


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**Abstract**

This research aims to understand consumers’ decision-making process under brand extension strategy which might work as signals in the marketplace. The proposed model utilises a consideration set theory working as the core element of the decision-making process in providing a better understanding of the impact of brand-related activities. More specifically, the proposed model combines perceived quality and perceived risk simultaneously to generate inclusion probability of consideration sets by utilising a Bayesian manner utility maximum model with dynamic structure.

**Conceptualisation**

Traditionally, consumers’ purchasing behaviour was thought to be determined by a decision-making process which consists of need-arousal, information retrieval from memory, external search, and brand evaluation and choice (Bettman 1979; Howard 1989). This one-stage process, however, neglects the limitation of human beings’ memory and computational capabilities (Simon 1955), and the crowded and competitive marketplace that today’s consumers face (Paulssen and Bagozzi 2005). Consideration set, which can be created based on evoke set (Howard 1963), can factor in these various aspects, and can be used to determine consumers’ purchasing decisions more accurately (Mehta, Rajiv, and Srinivasan 2003).

Since consideration set is based on brand selection theory (for example, Hauser and Wernerfelt 1990; Wright and Barbour 1977), extensive research in this area focuses on brand’s impact toward the decision-making process (for example, Erdem and Swait 2004; Erdem, Swait, and Valenzuela 2006; Paulssen and Bagozzi 2005). Some of them borrowed ideas from economics of information theory to estimate the effect of inclusion probability in the consideration set of a certain brand (Mehta et al. 2003, for example). Other researchers adopted the signalling theory to approximate how brand strategy affects consumers’ subjective knowledge and further influences their consideration set formation (for example, Heaney and Goldsmith 1999; Urbany, Dickson, and Wilkie 1989; Victor V 1997). Both streams of the consideration set formation model partially explain the process of decision making, but they fail to illustrate the process from both receiving (i.e., the signalling theory) and screening (i.e., the information search theory) aspects. The proposed research, therefore, aims to improve the existing models by considering the effects of brand extension from both directions of information flow.

**Methods**

The proposed model is based on a revealed consideration set since the data will not contain consumers’ actual consideration set information, but only their purchasing time points and their previous choice information. The proposed model is based on two existing models: Mehta, Rajiv, and Srinivasan’s (2003) consumer search model and Erdem and Keane’s (1996) forward looking dynamic structure.

In the model by Mehta et al. (2003), a Bayesian manner utility maximum model is introduced and price as an uncertainty factor is carefully examined. More importantly, they employed the Monte Carlo simulation method to obtain perceived quality data which resolved the problem of unobservable factors. However, their model considered price as the only uncertainty/risk that the consumer faces and