

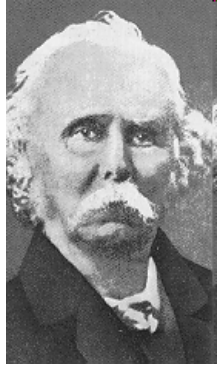


The Consumer Decision-Making Revolution

A Ctrl-Shift Essentials Briefing

What you need to know about
changing consumer decision-making in 12 slides

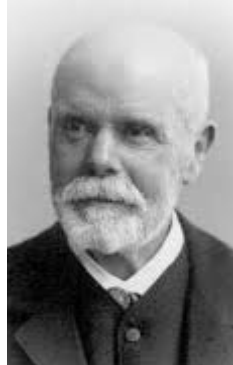
Where we came from



Marshall



Jevons



Walras

20th century economists assumed economic decision makers had free access to perfect information.

Until very recently, these assumptions blocked further enquiry into how real markets work.

In fact, it costs a lot to gather, sift and apply information (and even then it's never perfect).

In addition, acting on this information imposes its own costs.

These two factors – the costs of making a better decision (versus the benefit) and the cost of implementing this decision – pretty much define how and why consumer markets (and marketing) have evolved as they have.

Yesterday's status quo



If the costs of making a better decision (time, money, hassle) outweigh the likely benefits it's not worth bothering.

Faced with an avalanche of complex choices, poor access to easy-to-use trustworthy information, consumers rely on multiple decision-making short cuts such as 'buy what I bought last time', 'buy the brand I recognise' or 'buy what my friends recommend'.

Marketing strategies reflect and play on these short-cuts

If the costs of implementing a better decision (time, money, hassle) outweigh the benefits it's not worth it.

(For example, the same product may be available at a lower price down the road, but given the time and hassle of going there, the consumer might think 'sod it, I'll get this one'.)

With traditional shopping, the high costs of 'shopping around' have shaped consumer shopping behaviours – and retail strategies.

What's happening now: decision-making

Today, consumers' costs of acquiring the information they need to make decisions – search, comparison, peer reviews and advice – are plummeting.

That's leading to an explosion of demand for 'decision support' information and services.

The faster these costs fall, the more worthwhile it becomes to invest time and effort trying to make better decisions.

As a result, consumer decision-making processes and habits are changing rapidly.



Take a look at justbuythisone.com, for example. Or look at how smartphones are empowering consumers to 'shop around' comparing prices and products in physical stores.

What's happening now: decision-implementation

Consumers' costs of *implementing* decisions (e.g. 'shopping around') are also plummeting, thanks to online access.

In other words, both what consumers buy and how they buy are being transformed by the consumer decision-making revolution.

That means consumers are much better placed to exercise choice.

And this revolution is only just beginning

What this means for organisations (1)

The first (obvious) effect is that marketers (especially) need to keep track of, and respond to, consumers' changing decision-making processes.

This includes which information sources they go to and trust, and who they choose to buy from. The fundamentals of 'channel strategy' in other words.

There are still many exceptions to this trend. Where oligopolies stifle real competition, for example; or where the impulse is paramount; or where aesthetic considerations render comparison shopping meaningless.

That only makes understanding how our particular customers are changing all the more important.

What this means for organisations (2)

The second effect is more fundamental

**A new ‘high ground’ of value is emerging:
Services and sources of information that
‘help me make (and implement) better decisions’.**

This ‘trumps’ traditional competition around ‘better products/services’ because “if I can make a better decision, that will lead me to a better product or service anyway”.

So increasingly, value is driven by ‘a better decision’

This intensifies competition around better products/services.

But the consumer’s first port of call when going to market shifts to ‘sources of decision support’

Adding value to the decision-making process

When the high ground of value is
'help me make (and implement)
better decisions'
consumer trust, attention and cash
migrates to those services/sources
of information that:

*This is what we
call 'Brands as
Information
Services'*

*A 'better decision' may be one
which saves me money, saves
me time, makes me look sexy,
signals high status, leads to
the best possible quality, etc*

- know what 'a better decision' looks like to me
- know what 'a better decision-making process' looks like to me
- know what 'better implementation of this decision' looks like to me

*A 'better decision-making process'
may 'maximise the thrill of the
chase' (e.g. bargain hunting). Or it
could be 'get it done as quickly and
efficiently as possible'.*

*Better implementation might 'give me full
control over everything'. Or it may be 'I wish I
could outsource it all to somebody I can trust'.*

*All revolve around improving
personal metrics*

Personal decision-making

Relatively few consumer decisions revolve around products, services or brands per se.

Mostly, they revolve around questions like:

- what do I want to achieve?
- what are the risks and pitfalls along the way?
- how best to achieve it?
- what inputs (e.g. time, money, energy, skill) do I need to achieve it?
- how to weigh and balance priorities between the different things I want to achieve in my life

'Brands as Information Services' focus less on sending messages about products and services, and more on earning customer trust and attention by addressing their broader information needs.

What this means for organisations (3)

Decision-support services that help consumers make/implement better decisions **also open up rich new flows of Volunteered Personal Information (VPI)**

In the process of researching, making and implementing decisions individuals generate huge amounts of valuable new information about

- *who they are*
- *what their circumstances, plans and priorities are*
- *what they want to find out about*
- *what their preferences are*

Organisations gaining access to this information are well-placed to:

- *reduce their go-to-market costs*
- *gain richer faster insight*
- *build better more value-adding relationships with their customers.*

Conclusion

The consumer decision making revolution is changing:

- what value looks like to the consumer
- how and where consumers access this value
- who they trust and pay attention to

“Help me make and implement better decisions!”

It therefore affects:

- what value-propositions organisations develop
- how and where they communicate and offer this value
- what sort of relationship they build with their customers
- what sorts of value they get from their customers

VPI and attention, as well as money

Conclusion

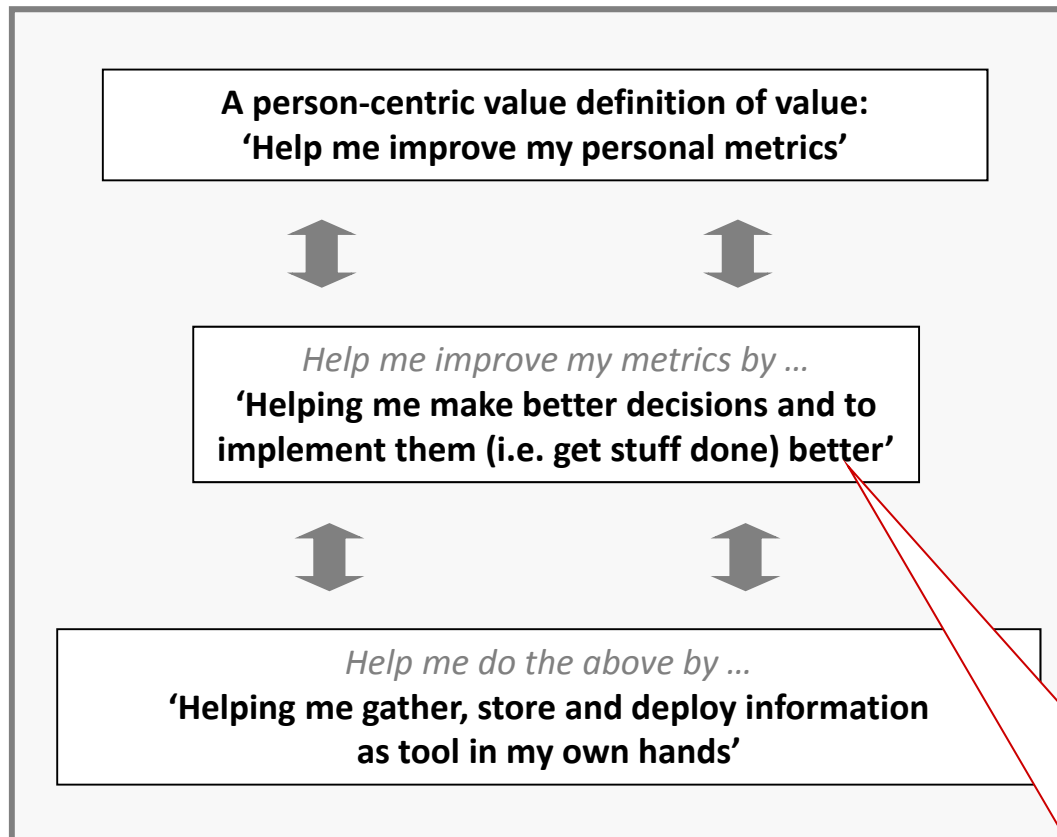
The consumer decision-making revolution is unfolding at different paces, to different degrees, and with different outcomes, across different product/service categories and consumer segments.

There is no 'one size fits all' response.

To keep on top of what customers really value, and how best to reach and engage with them, organisations need to understand and respond to these nuances as they evolve.

Control Shift's research themes

A person-centric perspective on value



Organization responses



The focus of this briefing