CHAPTER I

INTRODUCTION

1.1.   Research Background

Marketing strategies have developed rapidly in this era and one of fundamental and essential part of the aforementioned strategies is consumer decision making process. In marketing and consumer behavior research, examining customer decision-making styles does have a long tradition (Correia et al., 2011). The question about how do consumers make decisions was confused by early economists, led by Nicholas Bernoulli, John von Neumann, and Oskar Morgenstern. Von Neumann and Morgenstern later extended the first consumer decision making explanation and called the Utility Theory that suggested consumers make decisions based on their decisions 'expected results. In this model, consumers is define as rational performers who could assess the probabilistic results of uncertain decisions and choose the result that maximized their well-being. Consumers, however, as one might assume are typically not entirely rational, nor stable nor even conscious of the multiple components involved in their decision making (Richarme, 2005).

According to Sproles and Kendall (1986), the definition of Consumer Decision-making style is a mental orientation that characterizes consumer's approach in determining their choices. The consumer characteristics approach relies on the cognitive and affective aspects regarding the process of decision-making (Sproles and Kendall, 1986; Durvasula et al., 1993). Based on consumer's mental

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orientations, retailers and marketers apply the consumer characteristics approach to classify apparently heterogeneous consumers into homogeneous groups (Zhou et al., 2010). In addition according to Nayem and Casidy (2013), Consumer Decision-making style is referred as the way a person reacts to the entire purchasing choice.

Consumer decision-making have become one of the most crucial and interesting areas in marketing studies. According to Blackwell et al. (2012), the consumer decision making process represents a road map of consumers' minds that marketers and managers can use to help guide product mix, communications, and sales strategies. That is why consumer decision process became the fundamental and essential part of marketing strategy. The step of consumer decision making process is explained in a Figure 1.1.
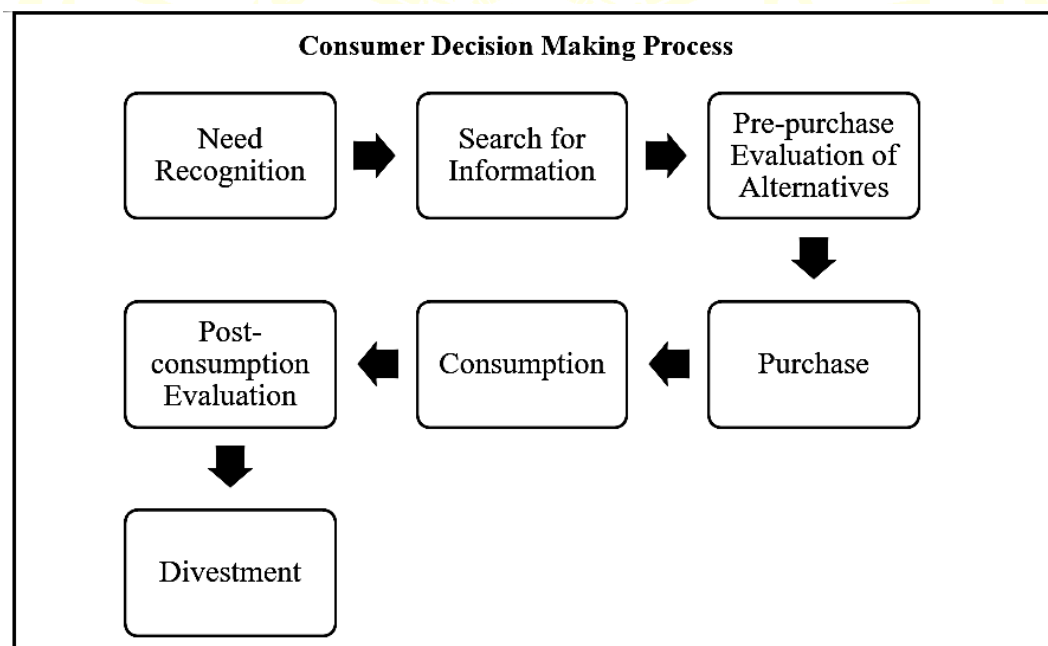

Figure 1.1 Consumer Decision Making Process

Source: (Blackwell et al., 2012)

The Figure 1.1 shows steps of consumer decision process in a row, before and after purchasing a product. This study will concern in the part of consumer decision process before purchasing a product. Consumer decision process before purchasing a product consist of three steps, the steps are need recognition, search for information, and pre-purchase evaluation of alternatives. Need recognition is a personal feeling a distinction between what he or she perceives as the ideal versus the real state of affairs (Blackwell et al., 2012). Need recognition arises when a consumer determines precisely his or her necessity. Consumers may feel like something is missing and need to fix this problem in order to fill the gap. When companies can determine the beginning of their target market bring up need recognition, then companies can take advantage of the appropriate chance to advertise the businesses. Marketers want to deliberately create a gap between the present status of consumers and their preferred status, this gap will raises a need and encourage consumers to recognize and purchase a product or service (Xu and Chen., 2017). After need recognition, the step of consumer decision making process is continued by search for information.

In search for information phase, consumers generally attempt to discover product information that meets their needs in order to make the right decisions (Pradhan and Misra, 2015). Pre-purchase information search is grouped into two components, internal search and external search. Internal search occurs when consumers use information already stored in memory, whereas external search involves seeking information from the environment because the required information was not previously acquired or is unable to be recalled from memory

(Ghalandari et al., 2016). Marketing-controlled sources such as banners, television advertisements, and brochures would be another external source of information (Stankevich, 2017). The next step after search for information is pre purchase evaluation of alternatives.

Pre-purchases evaluation of alternatives refers to the evaluation by the consumers of the various products offered from a functional and psychological perspective (Xu and Chen, 2017). The phase of pre-purchase evaluation of alternatives comprises evaluating the various alternatives available on the market together with the product life cycle. When the consumer has determined what can meet their needs, then consumer will begin to search for the best obtainable alternative. Aforementioned evaluation can be based on various factors such as quality, cost or any other factor that is essential to consumers. Consumers are able to compare prices or read reviews and then choose a product that meets their criteria.

In order to investigate the step of consumer decision process before purchasing a product, this study will implement a factor analysis based on Sproles and Kendall (1986) Consumer Styles Inventory (CSI). CSI is the initial methodological approach established by Sproles and Kendall (1986) to measure consumer decision making styles, shopping behaviour and consumer orientation (Bakewell and Mitchell, 2006). Within the field of consumer behaviour and customer decision-making styles, CSI became the most reputable and commonly used framework. The functions of CSI is become the basis for most of literature in the field, and widely used as a replicated tool for assessing consumer decision-

making styles (Bauer et al., 2006). As an effort to challenge its generalizability and obtain a greater knowledge of cross-cultural consumer decision-making processes, CSI has been tested and validated in several nations.

CSI in its initial form needs modification when applied to different situations, as decision-making styles differ across cultures (Mishra, 2010). The CSI construct the decision-making styles of consumers into eight fundamental characteristics, named the Eight Factor Model. The eight fundamental characteristics are quality/perfectionism, brand consciousness, novelty/fashion consciousness, recreational shopping consciousness, price/value consciousness, impulsive/careless, confused by overchoice, habitual/brand loyal.

The first characteristics is quality/perfectionism (perfectionistic, high-quality conscious consumer). Quality/perfectionism is a characteristics of the extent to which the consumer cautiously and systematically seeks for the best product quality (Mokhlis and Salleh, 2009). In this characteristic, Consumers are not compromising to be sufficiently good (Bae and Miller, 2009). The characteristics of perfectionism and high-quality consciousness is focused with the degree of systematic and thorough search for the highest product quality (Andersson, Hallberg & Ingfors, 2016). Consumer that give a high score in perfectionism are intended to involve in a more conscious shopping and decision-making behaviour.

The second characteristic is brand consciousness (brand conscious, "price equals quality" consumer). Brand consciousness is the mental orientation of the consumers to go for the products of a brand that is well known and highly advertised. Consumers having a high brand consciousness for a brand believe that

the strong brand name and brand image stand for good quality. Due to this high brand consciousness, the consumers are willing to pay premium prices for this particular brand and its products (Shim & Kotsiopulos, 1992). The characteristics of brand consciousness is about the orientation towards purchasing brands that are nationally known, high-priced, and best-selling brands orientation. Consumers with high brand consciousness score, also known as "price equals quality," tend to regard a high price tag as an sign of a greater quality product (Andersson et al., 2016).

The third characteristics is novelty/fashion consciousness (novelty-fashion conscious consumer). The novelty consciousness style includes consumers who are interested in new products and who keep up-to-date with styles (Anic et al., 2016). In this characteristics, consumers are seeks for new, innovative, products and fashion. The characteristics of novelty-fashion consciousness is focused with consumers that looking for variety and searching for new and innovative fashion products. Consumers with high score in novelty-fashion consciousness receive excitement and enjoyment from interesting styling and variety of brands (Andersson et al., 2016).

The fourth characteristics is recreational shopping consciousness (recreational, hedonistic consumer). Recreational shopping "those who enjoy shopping as a leisure-time activity," contrasting them with "economic shoppers" who experienced no pleasure from the shopping process per se (Guiry et al., 2006). In this characteristics, consumers perceive shopping as pleasant and stimulating. The characteristics of recreational, hedonistic shopping consciousness is focused

with consumers who are able to obtain amusement from shopping activity (Bae and Miller, 2009).

The fifth characteristics is price/value consciousness (price conscious, "value-for-money" consumer). Price/value consciousness is a trait of those with a particularly high awareness of generally selling prices and lower prices (Mokhlis and Salleh, 2009). In this characteristic, consumers documented empirically that price consciousness was significantly related to low price search in store advertisements and to three different measures of special sales' responsiveness. These behaviors are also consistent with frugality. For example, according to the conceptual definition provided earlier, a frugal consumer will be expected to search for price information, to shop for specials, and to respond to specials (Shoham et al., 2004).

The sixth characteristics is impulsive/careless (impulsive, careless consumer). Impulsive buying tendency has been defined as the degree towhich an individual is likely to make unintended, immedi-ate, and unreflective purchases (Badgaiyan et al., 2016). In this characteristic, consumers do not plan their shopping or expenditure after which regret may arise. The characteristics of impulsiveness is about a careless orientation of the consumer. Consumers with high impulsiveness score are unlikely to worry about "best purchases" or the amount of money spent on shopping activity and not plan their purchases at the same level as other consumers (Andersson et al., 2016).

The seventh characteristics is confused by overchoice (confused by overchoice consumer). Confusion by over-choice has shown a somewhat negative

relationship with attitude towards both types of advertisements. It could be interpreted that consumers confused with over-choice do not quite like advertising. The more they are confused, the less is their liking for any kind of advertising, and this does not mean they do not pay attention to advertisements (Handa et al., 2017). In this characteristic, consumers with this experience overload information as well as lack confidence and are unable to manage the available option. The characteristics of confusion from overchoice is focused with consumers who are overloaded with information and therefore they find it difficult to decide (Bae and Miller, 2009).

The eighth characteristics is habitual/brand-loyal (habitual, brand-loyal consumer). Habitual/brand loyal is a trait that shows consumers who have favourite brands and shops, who have made habit of repetitively choosing them (Mokhlis and Salleh, 2009). In this characteristics, consumers more likely to shop in the same store and consistently purchase the same brands (Bae and Miller, 2009). The characteristics of habitual, brand-loyal orientation toward consumption concerns customers who are tend to have developed habits in choosing their favourite products and shops (Andersson et al., 2016). Habitual/brand loyal is the last fundamental characteristics of eight factor model.

The steps of consumer decision process before purchasing a product does not work alone. Every step of consumer decision making process has several factors that will influence each of step, but the main factors that will be investigate in this study is about the gender differences. Gender differences have become an important issue but sometimes it is ignored by some parties. In some cases, a company

produce a product without involving gender as their consideration, whereas gender differences are factors that has a big influence and needs to be considered in determining something. When gender become one of our consideration, then we should pay attention on its element. Basically, the gender differences consist of two elements that are male and female, who both of male and female have significant differences.

Male and female have their own way of thinking and interest. At the basis, male and female have an interest in talking about and showing preference for various products, this regardless of the real impact of lifestyle, lifestage, income, and age on consumer behaviour in each behaviour (Slama and Williams, 1990). Evidence shows that gender differences are in the tools used to achieve a purchasing decision (eg Mueller, 1991; Wiedmann and Walsh, 2000) and in the decision itself (eg Helmig, 1997; Wood, 1998).

Gender differences become very important aspect to be considered, especially for a company or business in the field of consumer decision process. Male and female have a different consumer decision making styles. Related to the process of consumer decision making, gender differences have an important role and considerable influence on each steps. Several benefits are offered when conducting an investigation about gender differences on decision-making styles. The benefits from investigating gender differences on decision-making styles are helping marketers to find more appropriate ways of communication with both sexes (male and female), and the results from investigating gender differences on

decision-making styles also can be used to guide marketing mix decisions (Mitchell & Walsh, 2004).

In order to test the phenomenon about how gender influence consumer decision making in Indonesia, a preliminary study conducted directly to the society. Firstly, the data collected by interviewing respondent. Next, the data were analysed and found out that in society most people are not aware of the existence of gender differences in their purchasing decisions. The result had shown that 60% people doesn't aware with gender differences for their product decision buying, even 80% people answered that they used unisex products. In the other side, 100% people answered that they had bought products with gender specification. From the results it can be conclude that gender has an influence on the consumer decision process, although sometimes people do not aware or even recognize it. After analyzing the phenomena, preliminary study also conducted in order to test the proper setting.

Products that contain gender differences can arise from various sectors, such as fashion, food, gadget, automotive, medicine, etc. The results obtained from the preliminary study have found that fashion is the proper setting for this study. Regarding to the results of preliminary study, 80% people state that product decision buying of fashion products such as clothes, bags, and shoes contain gender differences in their consideration. Aforementioned results of preliminary study proved that fashion products has more concern with gender differences.

In Indonesia, fashion become one of the creative economy subsectors contributes added value which reaches Rp 154.6 trillion. Fashion contributes to the formation of the Creative Economy Gross Domestic Product (GDP) of 18.15

percent or 1.43 percent of national GDP with growth reaching 2.8 percent in 2016. In terms of its GDP growth, fashion can be used as a sub-sector of economic priority creative in Indonesia. The results of preliminary study already choose fashion products to be the setting of this study and it is appropriate with the condition of the fashion development Indonesia. In order to make the setting more specific, this study determine sport shoes become the setting. The shoes that will become the setting for this study is the global-brand sport shoes. Besides determining global-brand sport shoes as the setting, author also test the proper respondent with preliminary study.

Preliminary study to test the proper respondent is using the same question as the tools to test the proper setting. The proper respondent testing and the proper setting testing were running at the same time. Questions to test proper setting were asking about consumer's consideration in buying global-brand sport shoes. Respondents were asked to choose their own consideration between eight considerations that already served. The served considerations are style/design, colour, material, price, store, influencer, and other (respondents can fill what is their other consideration). Regarding to the results, respondents who choose more than five considerations were came from college students which is 60% from the total respondents. Choosing more than five considerations means that college students have more complicated considerations before purchasing global-brand sport shoes. The results of preliminary study gives a guidance to choose college student as the proper respondent for this study, because this study aims to investigate the consumer decision making in depth with exploratory factor analysis.

In Indonesia, the population in 2019 is projected to reach 266.91 million people regarding to Indonesian Central Bureau of Statistics (*Badan Pusat Statistik Indonesia*). Based on gender, the number of population consisted of 134 million male and 132.89 million female. The data shows that male have higher average population than female in Indonesia. The population based on ceratain age range is explained in Figure 1.2:
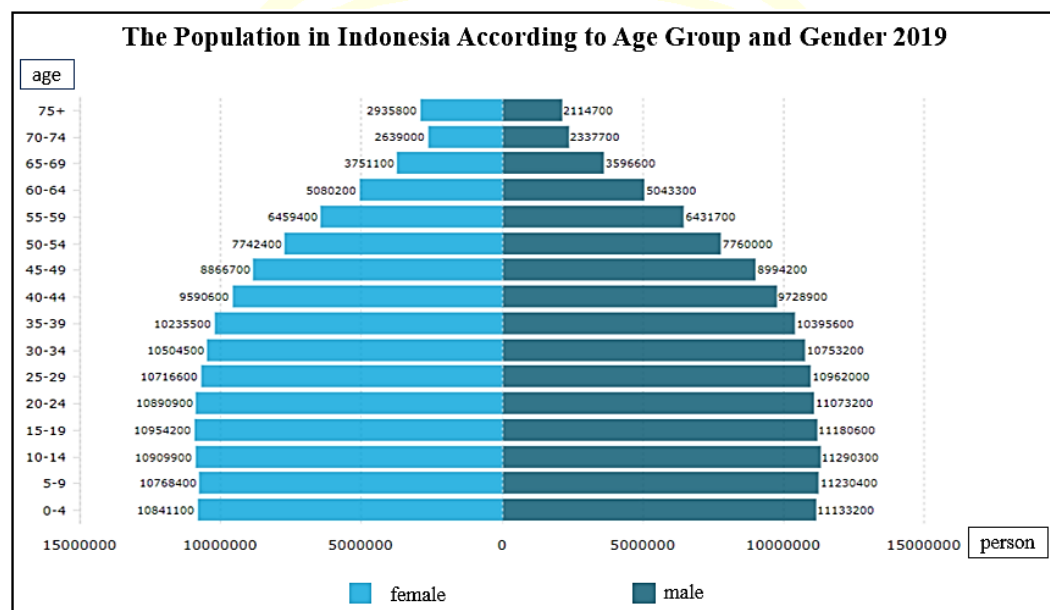
Figure 1.2 The population in Indonesia according to age group and gender

2019

Source: databoks.katadata.co.id

Regarding to Figure 1.2, male have higher population almost at all age range. Male remains the position as dominant population in the age range between 0 to 54 years old. On the other side, female begins to remains the position as dominant in the age range between 55 to 75+ years old. The significant population differences between male and female does appear in the age range between 0 to 24

years old. The data of population in Indonesia provides an overview for this study which will investigate consumer decision making based on gender differences.

The consumer decision making of consumer in Indonesia will investigated based on Consumer Style Inventory (CSI) by Sproles and Kendall (1986). According to Mokhlis (2008), CSI cannot be applied to another state in its initial form without any alteration. Every country has their own culture and habit, whereas the eight fundamental characteristics of consumer decision-making styles are likely to be influenced by the culture and habit in a certain country.

This study adopts research by Bae and Miller (2009) in the southeastern region of the United States. Therefore, the researcher wants to know what if the research is applied in Indonesia. This study will investigate which characteristics of consumer decision-making styles that appropriate with the consumer in Indonesia, and try to find new characteristics that are able to appear after conducting the analysis. Before finding appropriate characteristics of consumer decision-making styles in Indonesia, this study will investigate how gender differences influence consumer decision making in Indonesia.

1.2. Research Problems

According to the explanation in research background, this study found several problems formulate these following questions:

1. Does gender differences influence the factors of consumer decision making?

2. How is the applicability of Consumer Style Inventory (CSI) in Indonesia?

1.3.   Research Objectives

Based on the background of this study that analyzing how gender influence consumer decision making, the research objectives will be:

1. Analyze the influence of gender differences toward the factor of consumer decision making

2. Analyze the applicability of the Consumer Style Inventory (CSI) in Indonesia in order to identify consumer decision making

1.4.   Research Contributions

This study is expected to give contributions as follows:

1. Theoretical contribution

   The result of this research is expected to contribute in the development of science, especially in the field of Marketing Management.

2. Practical contribution

   The result of this research is expected to be used as a reference for readers to find the influence of gender differences on consumer decision making and also to be used as a reference for the reader in order to continue this research.