

A PURPLE PAPER

Uncertainty Reduction Theory in Marketing:

Risk and Uncertainty in Purchase Decisions

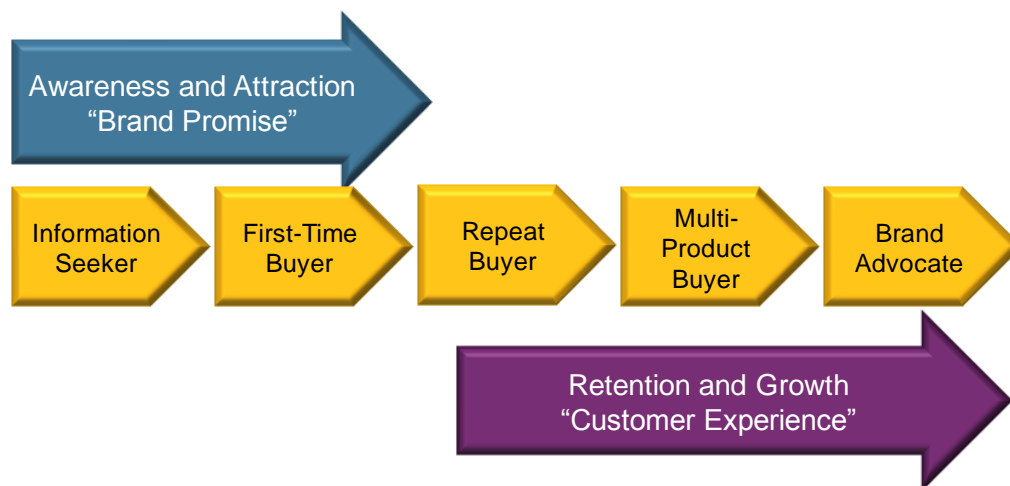
Uncertainty Reduction Theory in Marketing: Risk and Uncertainty in Purchase Decisions

Academic theory can offer market researchers and others an important foundation when trying to understand consumer behavior. One theory that is particularly useful is Uncertainty Reduction Theory (Berger & Calabrese, 1975). This theory has its origins in the communication literature and was initially conceptualized as a theory of information acquisition for relationship management. It postulates that human interaction is driven by the need to reduce uncertainty about others when faced with anticipated interaction with that person. The key concept of the theory involves information gathering processes engaged in by one person in attempt to predict or manage behavior of another so as to increase the likelihood of a desired situational or relational outcome.

Beyond its position as an interpersonal communication theory, Uncertainty Reduction Theory (URT) has been extended into a number of areas in the social sciences in the last two decades. It is clear that URT is more than a relationship management theory; it has application to consumers and their relationship to a brand or product in the early stages of the customer relationship lifecycle.

The customer relationship lifecycle indicates that customers pass through distinct stages as they seek information about a product or brand, try it, and use it (see *Figure 1*). The goal of lifecycle marketing is to identify to what degree the customer base is split among the stages of the lifecycle and execute marketing strategy where greatest benefit is likely to be gained in order to progress consumers toward brand advocacy.

Customer Relationship Lifecycle (Figure 1)



Uncertainty Reduction and the Purchase Decision

Uncertainty Reduction theory is chiefly designed to understand the behaviors of people in a relationship or anticipated relationship, its application in marketing pertains to a consumer and his or her relationship to a particular, brand, company or product. When we consider that consumers do in fact have relationships with brands, understanding URT in the purchase decision process may be illuminating for marketers regarding the early stages of a developing brand relationship.

The early stages of the customer relationship lifecycle deal chiefly with awareness and attraction strategies, and the delivery of brand promise, companies may be well served to realize that consumers do engage in information seeking in an effort to understand a brand. Consider this brand discovery as a kind of “getting to know you” process. The desire to know more about the brand usually results in actions designed to gain information about the brand and thus reduce their level of uncertainty about it. URT predicts that people will engage in information seeking as a means to reduce uncertainty; this is also consistent with the early stages of the customer relationship lifestyle

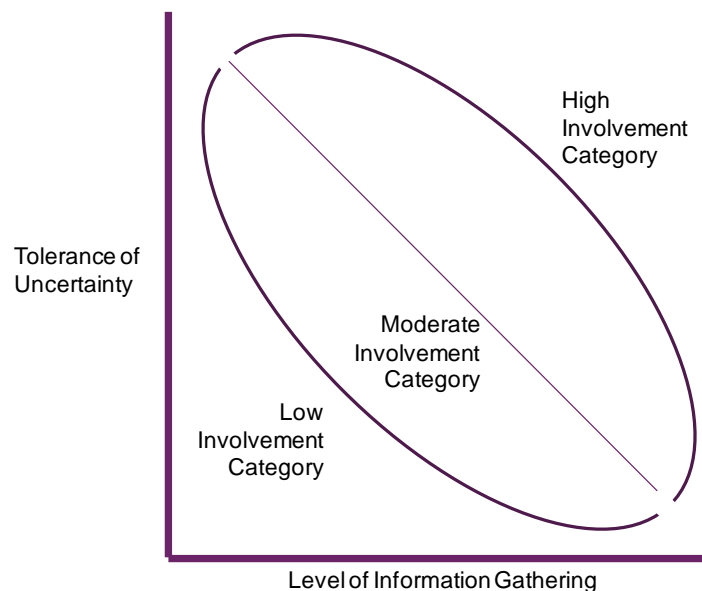
However, the degree of uncertainty that consumers are willing to tolerate varies widely and tends to be different across product categories as well. In order to apply the theory, we need to understand the core principle of tolerance for uncertainty, and how it affects the purchase decision.

Tolerance for Uncertainty

Those consumers with a high degree of tolerance for uncertainty generally can accept a greater amount of risk in their purchase decision, and will have a lower propensity for significant information gathering (see Figure 2).

To some extent, the level of information need is also influenced by the level of involvement with the purchase decision. This results in accelerated or diminished effects of marginal changes on the level of information gathering to the extent that the purchase decision is relatively low versus high in level of involvement respectively. As such, the relationships are curvilinear (Figure 2).

Tolerance of Uncertainty and Level of Information Need (figure 2)

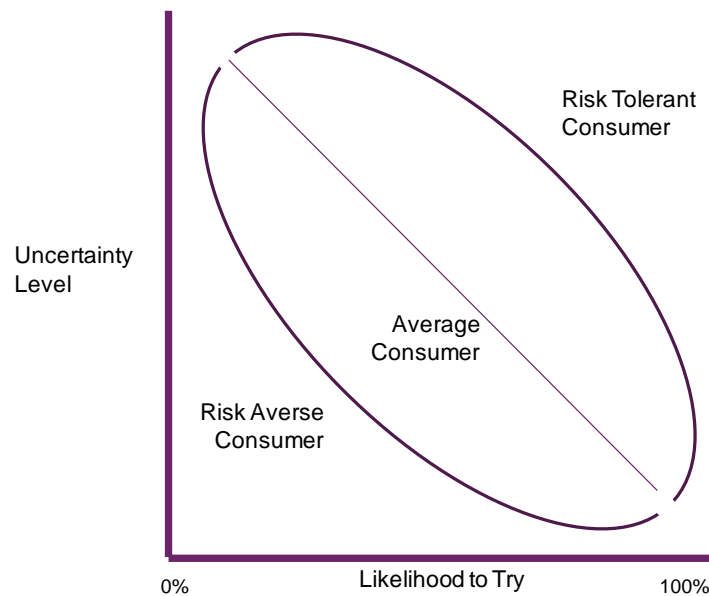


Uncertainty and the Likelihood of Product Trial

As consumers become aware of, and learn about, a brand or product prior to any trial behavior URT would suggest that consumers simultaneously engage in uncertainty reduction in order to relieve anxiety about purchase decision, particularly in moderate to high involvement product categories (see Figure 3).

Those consumers who are more tolerant of uncertainty in their purchasing attitudes will be more resilient to increasing levels of risk in the purchase decision while those who are more risk averse are less resilient to increasing levels of high levels of uncertainty. This resiliency results in a non-linear relationship with diminishing or accelerating effects depending on whether the consumer is risk tolerant or risk adverse in his general purchase habits and attitudes.

Uncertainty Level and Trial Likelihood (Figure 3)



Response to Uncertainty – Information Gathering

Information gathering techniques are the common process by which consumers will attempt to reduce uncertainty in the purchase decision. The theory suggests two broad categories of information gathering techniques: *passive* strategies and *active* strategies.

Passive information gathering strategies are tactics that entail relatively low levels of information need and less resource allocation in order to fulfill the need. For example, a consumer using passive information gathering strategies simply becomes more attuned to marketing communications about a product or brand being delivered via various media sources and attends to such messages for their information content.

Active information gathering strategies are those efforts consumers make to learn more about a product or a brand that involves relatively direct efforts and higher resource allocation to gather the information. For example, a consumer engaging in active information gathering may ask friends or colleagues about a brand or product for their experience and/or recommendation, seek product or brand information available through virtual and/or physical means by going online or visiting a location. Active information gathering often involves interaction between the consumer and customer service representatives of the brand or product.

Decision Dominance – Rational and Emotional Decision Making

While consumers may certainly engage uncertainty reduction about a product or brand, another important and significant factor that will influence this process is consumer emotion. It is well established that emotion plays a strong role in purchase decision making. Models involving the purely rational decision-maker have long since been disregarded in favor of more holistic perspectives that incorporate both rationality and emotion.

Some consumers tend to make their purchase decisions with a strong rational basis. Others tend to act on what feels good to them or in a way that meets their emotional state or current mood. A spectrum of emotional influence on decision making exists among consumers in a market, and it can have very serious ramifications about how companies should communicate and interact with them.

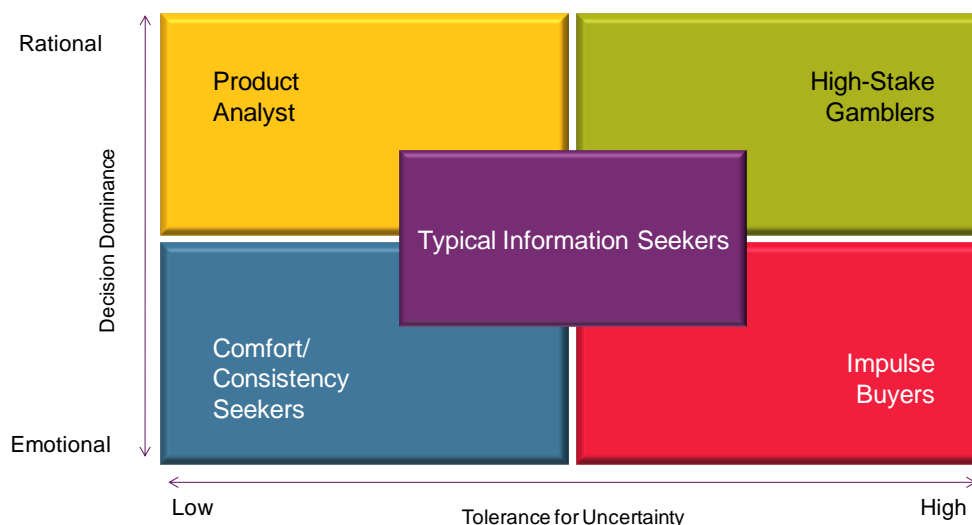
However, we have seen also how the product category itself can affect the process. That is, consumers will approach buying a home a bit differently than frozen yogurt at the mall. While there is a great deal of variance across consumers in this area and exceptional cases and categories, the general rule holds in the majority of situations.

Buyer Tendencies: Purchase Decision Classification

Decision dominance and tolerance for uncertainty can be combined to help explain how consumers approach the purchase process and how understand consumer differences can aid marketing communication efforts and brand management. An assessment of consumer tolerance for uncertainty and emotional decision dominance can be conducted. Consumers can be characterized by their unique place on the continuum. This classification scheme provides an excellent descriptive account of the nature of consumers in a product category, one that has substantial benefits for crafting marketing communications and brand management. The understanding gives managers the ability to examine what aspects of the brand promise are most attractive to info-seekers, or how the brand promise as currently implemented by the company tends to attract more of one type of decision maker than other.

- More rational decision making combined with lower tolerance for uncertainty tends to typify the *Product Analyst*.
- More emotional decision dominance together with lower uncertainty tolerance makes the buyer a *Comfort/Consistency Seeker*.
- More rational decision dominance together with higher tolerance for uncertainty results in a consumer being a *High Stakes Gambler*.
- More emotional decision dominance together with higher uncertainty tolerance makes for a classification as an *Impulse Buyer*.

Consumer Classification (Figure 4)



Conclusion

Uncertainty Reduction Theory has application in marketing. Information seekers in the customer relationship lifecycle have differentiated levels of uncertainty tolerance and emotional decision making and will approach the purchase decision needing relatively more or less information. A brand promise created by a company will have varying appeal depending on the relative distribution of consumers in the category.

The purchase decision can be influenced by the degree of uncertainty tolerance consumers have in a category as well as their distribution along the rational-emotional spectrum. Companies need to be aware of these important factors impinging upon their ability to attract consumers and deliver on their brand promise.

ABOUT THE PERT GROUP

Our goal is simple: to help our clients grow their businesses and their brands. How? By establishing business decision clarity.

We are The Pert Group, a top research-based consulting firm for business leaders who require straightforward, meaningful results that lead to clear, significant decision making.

We begin with fact-based evidence integrating attitudinal and behavioral research, which allows us to create clear strategies for business growth based on fact-based insights, and our team of **market-focused experts** works closely with our clients to consistently relate our work back to their goals and strategies.

Using a balance of creativity, forward thinking and pragmatism, we **completely immerse** ourselves in our clients' businesses and apply strategic methods to help them increase business and brand performance, differentiate their companies from the competition and take advantage of all opportunities in the market space.

The result? Clarity established.