

## **Make better decisions by understanding how we choose .....**

### **(And why buying a smart phone is so hard)**

In my recent efforts to upgrade from a cell phone to a smart phone, I read reviews, went to stores to test-drive various phones, spoke to friends about what they liked and spent countless hours pondering the decision. Still I am not able to make a choice. I had thought the purchase would be straight forward and simple. What I encountered was a complex array of options: Apple, Android, Windows Mobile or Symbian Operating systems? Multiple manufacturers and vendors? A confusing array of rate plans based on different usage patterns? New technologies on the horizon that could alter my decision? I am probably not alone in wondering, why is purchasing a new phone so difficult?

There are numerous recent studies on decision making which describe how we make decisions. *The Art of Choosing*, by Sheena Iyengar, suggests, "People might find more and more choices to actually be debilitating". This book speculates that six or seven choices might be the ideal. And many choices with no real "expert" to consult complicates the decision making process.

As business managers, improving our decision making process and facilitating the decision making of our customers is a critical task. We would do well to study the process to improve our odds of making sound decisions.

Five factors can affect how we make purchasing decisions:

- 1) Price- generally, the higher the price of an item, the harder it is to come to a decision. For example, purchasing a car is more difficult than buying a light fixture. But we may delay buying lower cost items too, because we think we can find a better deal or better quality later. As managers it is important for us to understand price points and the specific price/value tradeoffs our customers perceive.
- 2) Preferences- we change on an ongoing basis and so do our tastes. The look and feel of some major consumer items (e.g. cars, cameras, etc.) can change dramatically from year to year as manufacturers attempt to simultaneously shape and be shaped by evolving consumer preferences.
- 3) Urgency and importance of need- sometimes a decision is forced either by an immediate need or if the consequence of not making a decision now is significant. When serious flooding is in the weather forecast, the decision to finally purchase a battery operated sump pump for the basement just got easier.
- 4) Future expectations – anticipated technology changes or price decreases. Both may cause us to postpone decisions. 3D TV may be on the market for the home consumer this year but waiting a few years after release can lead to huge savings.
- 5) Personal decision making preferences - Some of us can confidently make big decisions with little relevant information by relying on instinct. Others need to thoroughly investigate all the details and talk it over with others before making a decision.

How we can make better decisions:

- 1) Keep things simple and uncomplicated. Reduce multi-tasking and learn to focus on each task.
- 2) Rely on instinct where appropriate. For some items it's good to evaluate the options before making a decision. For other decisions it's sometimes better to go with your instincts.
- 3) Reduce the time it takes to make a decision. Set a reasonable date, gather the necessary information, quickly evaluate it, talk it over and make the choice.
- 4) All of us need to develop an internal compass, a set of values or guiding principles to help us when all the data and facts cannot be known or when we must act alone without our customary consultation.

I've listed five factors that affect how we choose and four ways to make better decisions. The Presidents Forum helps its members make better decisions by having monthly roundtables where each of the members can talk confidentially and receive advice about the issues they are facing and decisions they must make. In today's world, it's hard to go it alone. Whether you meet on a regular basis with a mentor or trusted advisor, it's helpful to find support for your choices.

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