THE EVALUATIVE UNCERTAINTY AND EVALUATIVE IMPORTANCE DIMENSIONS OF PERCEIVED RISK

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Abstract
This article looks at the concept of perceived risk from an information processing viewpoint, emphasizing the alternative evaluation state of the choice process. The initial degree of perceived risk that exists for a brand-choice situation within a product class is redefined to include the components of evaluative uncertainty and importance and then tested through an experimental design. The results indicate that perceived risk, as manifested in the form of evaluative uncertainty and importance, tends to increase as the average level of brand quality within a product class decreases and the variability in brand quality increases. These findings suggest that the acquisition of additional brand attribute information may sometimes increase rather than reduce the consumer's perceived risk, even though such information may result in a more clear differentiation among alternative brands.

Introduction
The concept of perceived risk and its role in consumer behavior have generated a substantial body of research since the concept was introduced by Bauer (1960). However, although consumers have long been viewed as information processors as well as decision makers in choice situations, few researchers have examined perceived risk from an information processing viewpoint. The lack of this latter perspective is of some concern as indicated by Cox (1967) when he stated that, "Risk handling is information handling...an important understanding of risk handling lies in better knowledge of information handling, namely how consumers acquire, process, and transmit information."

The purpose of this article is to examine perceived risk from an information processing viewpoint and to empirically test a new perspective. Particular emphasis will be placed on perceived risk during the alternative evaluation stage of the consumer decision process.

Perceived Risk and Information Handling
The underlying principle of Bauer's (1960) conceptualization of perceived risk was that "consumer behavior involves risk in the sense that any action of a consumer will produce consequences that he cannot anticipate with certainty, and some of which at least are likely to be unpleasant." Elaborating on Bauer's position, Cox (1967) defined the magnitude of perceived risk in any behavioral act to be a function of (1) the amount that would be lost (i.e., that which is at stake) if the consequences of the act were not favorable, and (2) "the individual's subjective feeling of degree of certainty that the consequences will be unfavorable."

Historically, researchers have interpreted the "action" in Bauer's risk construct and the "act" in Cox's definition to mean choice. This has led some researchers to view choice as a discrete act and to specify the relationship between perceived risk and some measure of overt behavior such as brand loyalty (Schiffman 1972), store loyalty (Hiisrich, Dornoff, and Kernan 1972), and modes of shopping (Spence, Engel, and Blackwell 1970). Meanwhile, other researchers have taken the position that consumer choice is a process (Haines 1974). From the latter viewpoint, perceived risk is seen as being relative not only to choice, but also to those stages in the choice process that are more clearly associated with information handling, namely, search and alternative evaluation.

As originally defined by Cox (1967), the concept of information handling suggests that "...consumers take the initiative in the acquisition, transmission, and processing of information." Studies investigating the relationship between perceived risk and the search stage in the consumer decision process have focused on the acquisition and transmission of information where individuals were using risk-reduction strategies (Rosellius 1971; Jacoby and Kaplan 1972; Zikmund and Scott 1973; Jacoby, Speller, and Berning 1974; Bettman and Jacoby 1975; Ring, Shriber, and Norton 1980). The role of perceived risk in the alternative evaluation stage of the decision process has received relatively little attention, especially with regard to how information is processed at this stage.

Perceived Risk and Alternative Evaluation
The existence of a relationship between perceived risk and the alternative evaluation stage is implied in Bauer's (1960) statement that "...close study will probably reveal a wide range of decision rules which consumers invoke with regularity to reduce the perceived uncertainty involved in the outcome of their decisions." Brand evaluations by consumers are forms of alternative evaluations. An investigation of the perceived risk associated with information processing for such evaluations was carried out by Bettman (1973).

He constructed a theoretical model (1972, 1973) which included two types of risk, "inherent risk" and "handled risk." The former was defined as the initial degree of perceived risk that exists in a choice situation with little or no information, while the latter was viewed as the residual amount of perceived risk that remains after a consumer has engaged in some form of risk reduction. Because consumers take the initiative in processing the information they have acquired, Bettman's model suggests that perceived risk exists both before (inherent) and after (handled) information processing has taken place in the alternative evaluation stage. In fact, Bettman adopts an information processing viewpoint when he defines the inherent risk in a brand choice situation within a product class to be a function of two factors: (1) choice uncertainty--"the degree to which a buyer believes he can construct a reasonable decision rule for making a brand choice," and (2) choice importance--"the importance to him of making a satisfactory choice within that product class."
Perceived Risk Reexamined

Conceptual issues relating to the "uncertainty" and "importance" components of Bettman's model have led us to reexamine the concept of perceived risk.

Should the Uncertainty Component Focus on Choice Rules?

As defined by Bettman, the "choice uncertainty" component of inherent risk focuses on the decision rule that a consumer constructs to make a brand choice. This definition does not explicitly acknowledge the consumer's use of any other decision rule to process information and evaluate alternatives prior to constructing a choice rule to choose among the alternatives. Thus, Bettman's model appears to assume either that (a) some decision rule has already been used by the consumer to process information during the alternative evaluation stage, or (b) the choice rule is used to accomplish both tasks--alternative evaluation and brand choice.

The first assumption, while consistent with Bettman's conceptualization of the perceived risk that exists after information processing (i.e., "handled risk"), would be inconsistent with his definition of the perceived risk that exists before information processing (i.e., "inherent risk"). That is, if alternatives have already been evaluated, then by definition inherent risk no longer exists. The second assumption, on the other hand, is not supported by those who feel it is important to make a distinction (as do the authors) between alternative evaluation and choice stages of the consumer decision process. Wright (1973), for example, argues that consumer choice strategies involve both a data combination process by which alternatives are evaluated and a choice rule by which one of the alternatives is chosen. In other words, a choice strategy contains two sequential decision rules: an "evaluation rule" which specifies how information is combined to evaluate alternatives, and a "choice rule" which specifies which alternative to choose. It is important to maintain this distinction between evaluation and choice rules in order to understand the role of information processing in different stages of the choice process.

Given that inherent risk has been defined as the initial degree of perceived risk that exists in a brand choice situation, then the above discussion leads us to conclude that there is an uncertainty component of perceived risk associated with the alternative evaluation rule and as well an uncertainty component associated with the consumer's choice rule. This study seeks to extend Bettman's original work by focusing on the former component.

Importance Component Focus: Satisfactory or Best Choice?

Bettman's "choice importance" component of inherent risk focuses on the importance to the consumer of making a "satisfactory choice." The past research on grocery products (1972, 1973) that in most cases would lead the consumer to have a satisfying objective.

There could be other product choice decision situations where a consumer would follow an optimizing strategy. In this case a "best choice" would be sought out.

Hence it is the authors' position that the focus of the importance component should be governed by the particular decision objective in the mind of the consumer. Most likely those decisions involving higher desires of social, ego, financial, psychological or physiological risk will be closer to the optimizing end of the spectrum.

Perceived Risk Redefined

As a result of the attempt to clarify the conceptual focus of perceived risk and its components, the following conclusion may be reached: The uncertainty and importance components of perceived risk should focus on the alternative evaluation that takes place before a choice is made rather than on the choice itself. This conclusion is incorporated in the following definition.

The initial degree of perceived risk that exists in a brand choice situation within a product class will depend on:

1. Evaluative uncertainty--The degree to which an individual is uncertain that he or she can construct a rule that will effectively evaluate brands within a product class; and
2. Evaluative importance--The perceived importance of identifying the best brand from among the alternatives before making a choice.

Hypotheses

It appears that certain brand choice situations may be more susceptible than others to manifestations of perceived risk, as we have defined it, in the form of evaluative uncertainty and importance. Perceived risk is likely to be greater when consumers are engaged in extensive problem solving rather than limited problem solving or routinized response behavior (Howard and Sheth 1969). However, even if one focuses exclusively on extensive problem solving situations, certain situations can still be expected to entail more perceived risk than others. Specifically, when brand choice situations within a product class differ with respect to the nature of the information that consumers have and/or must use to evaluate alternative brands, these situations can be described as having greater (or lesser) evaluative uncertainty and importance.

It may be asserted that the "nature of the information" that consumers have and/or must use to evaluate alternative brands consists of two interrelated information dimensions: (1) the average level of brand quality within a product class, and (2) the variability in brand quality among the alternative brands (Bettman 1973). Intuitively, evaluative uncertainty and importance would appear to be greatest in high-variability/low-average-quality situations and lowest in low-variability/high-average-quality situations. This is because consumers are likely to anticipate the consequences of making an unsatisfactory choice in a high-variability/low-average-quality situation, while a low-variability/high-average-quality situation might possibly be viewed as a "can't lose" situation. Evaluative uncertainty is also likely to be greater in situations where the alternative brands differ markedly in terms of several relevant brand characteristics rather than on just one characteristic (assuming, of course, that no brand is clearly outstanding on all characteristics).

This line of reasoning leads to the following two hypotheses which follow from Bettman's theses:

H1: The uncertainty of constructing a decision rule to evaluate alternative brands within a product class is greatest in choice situations where the average level of brand quality is low and the variability in brand quality is high.

H2: The importance of identifying the best brand from among the alternatives is greatest in choice situations where the average level of brand quality is