

How parents decide on baby milk purchases

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For The Straits Times

Peruse the infant formula aisle in any supermarket.

One can easily spot an increasing number of infant formula brands, each offering a wide range of ingredients with claims of assorted health benefits.

DHA to increase the baby's cognitive development? Check.

Taurine to support the baby's mental and physical development? Check.

Prebiotics for a healthy digestive system? Iron and zinc to boost the baby's immune system? Check, check and check.

Of course, doing what we think is best for our babies is not without its price. Last year, Singapore parents reacted with concern following a report in The Straits Times in March that the average retail price of infant formula had gone up by about 120 per cent in the past decade from \$25 per 900g (in 2007 dollars) to \$56 per 900g (in 2017 dollars).

A fundamental question that has puzzled parents of newborns is: Why did the price go up so much in recent years?

Much has been written about the supply-side aspects of this price rise, including companies'

marketing activities and hospital practices. A taskforce on formula milk was subsequently set up to look into the matter.

Less has been said from the perspective of consumer psychology, which examines consumption behaviour in the marketplace. This branch of psychology offers valuable insights into how consumers respond to and influence the market. It answers questions such as why we choose to buy the things we do, how we make decisions, how we perceive the marketplace and so on.

In the case of formula milk prices, consumer psychology offers at least five key insights, based on scientific findings and well-known tendencies in the way people make decisions.

First, consumers who are less familiar with a product category tend to rely on brand name and price information in making decisions. They tend to use price as a proxy for quality. This is known as the price-quality heuristic. It is well documented in numerous research studies in the past 30 years, and applies across many product categories beyond infant formula.

The price-quality judgment is, however, particularly relevant for infant formula.

Parents of a newborn, particularly if they are having their first child,

tend to be less experienced and less familiar with this product category. They may thus rely on this heuristic in deciding which brand to buy, inferring that higher prices signal higher quality. If there is a positive relationship between price and quality, the parents would be correct in their decision-making.

Yet it is also entirely possible that the price is determined by factors unrelated to quality.

Second, our decisions are more likely to be shaped by people we trust. This is particularly true when it comes to family members, close friends and experts. Parents tend to adopt the brands that hospitals use as healthcare professionals are perceived as highly knowledgeable domain experts.

Third, people tend to stick to the same brand. While it could be the result of brand loyalty, studies have found that people tend to stay with the same option even when they do not actually feel particularly loyal to the brand. Known as the status quo bias – a preference to stay with the default (status quo) option – this reflects our tendency to take our current situation as our reference point.

We resist change, seeing it as difficult and having a greater potential for regret. This pervasive human tendency suggests that if consumers start using certain

brands of infant formula from the very beginning, they are more likely to stick to them.

The thinking of parents is why change brands if the young one does not react negatively to it? In other words, they would go for what they think is the "safer", more easily justifiable option.

Fourth, all else equal, consumers tend to be more price-sensitive with products they consume in larger quantities, and are less so for those they consume in smaller quantities. As most babies need formula milk for just a year or two, it means that parents are more willing to pay for expensive brands.

So what next, now that we have a better understanding of some of the factors that influence consumer

decisions? In terms of improving the supply side of the market, the Agri-Food and Veterinary Authority's move to make it easier to import new brands of formula milk has widened the range available to parents.

Ongoing efforts by the Health Promotion Board to educate new parents on nutritional needs of children are also important. This encourages consumers to make more informed decisions, rather than relying solely on price or brand name.

However, it is ultimately up to consumers what they choose to buy. Like parents everywhere, Singaporean parents want the best for their child. They are willing to go the extra mile to ensure their child has a good start in life.

Understanding the psychological underpinnings might help parents become more cognisant of their own decision-making processes, and realise that they have choices and can change their purchasing decisions without compromising the well-being of their child.

As Dr Dan Ariely – psychologist, professor and best-selling author of Predictably Irrational: The Hidden Forces That Shape Our Decisions – puts it: "If multiple perspectives are available and we are aware of the bias, then we know how to fix it."

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The writer's research suggests that parents are more likely to be price-insensitive in buying infant formula for their child. Instead of making calculation-based decisions, they are more likely to rely on their feelings in deciding their willingness to pay. ST PHOTO: KELVIN CHING