**Summarizes the step-by-step decision-making process the rational consumer will pursue to reach the utility-maximizing combination of goods and services attainable.**

A rational decision-making process of a consumer comprises of following steps:

1. Need
2. Information gathering
3. Evaluation of alternatives
4. Purchase of product
5. Post purchase evaluation

According to researches and observations by Psychologists it has been deduced that human beings have the tendency of making biased decisions in which rationality is combined with personal opinions to reach a conclusion. These are the factors and influences that increases irrationality within the decision making processes. Human decisions are not calculative and mathematical such as in case of computers. They are bound to be irrational and biased at any level. In order to reduce this irrationality and enable more precise and accurate decisions, it is recommended that evidence based decision making approach is adopted by individuals and organizations.

For instance, when going to a restaurant and being given a menu, you are more likely to place an order for the meal that you personally like, instead of the ones that may be lesser is price or appear healthier. The reason for such decision making is that human beings are likely to amalgamate their ideas, perceptions and rationality during their decision making process. The restraint menu choice may not have any serious consequences, but in case of an organizational decision, consequences can be dangerous. In sensitive and critical decisions, there is no chance of irrationality and biasness.

**Explain the water-diamond paradox in your own words**

The diamond-water paradox is also known as paradox of value. This can be described as an apparent contradiction according to which the water is considered more useful for the survival instead of diamonds even though the diamonds have a higher market value.

**References**

Postmes, T; Spears, Russell; Cihangir, Sezgin (2001).["Quality of decision making and group norms"](http://psycnet.apa.org/journals/psp/80/6/918/). *Journal of Personality and Social Psychology* 80 (6): 918–930.