

Consumer.ology

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The Market Research myth,
the Truth about Consumers and
the Psychology of shopping

Philip Graves



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"If I'd asked people what they wanted, they would have said a faster horse."

—Henry Ford

"It is as though reflecting on the reasons for our actions can prompt us to include stray, misleading, and nonoptimal information in our postaction assessments of why we have done things. We become less true to ourselves and also to the unconscious realities that led to our behavior in the first place."

—Daniel M. Wegner

"We're not aware of changing our minds even when we do change our minds. And most people, after they change their minds, reconstruct their past opinion—they believe they always thought that."

—Daniel Kahneman

Foreword

by Kevin Hogan

It begins with considering someone's past choices...

“Why did you go and do that?”

“I don't know!”

“What were you thinking?”

“I was hoping...

(or some other on-the-spot confabulation or after-the-fact rationalization is constructed here)

...that XYZ was going to happen.”

And then there is the prediction of future behavior...

“Would you buy this product, if it were in the store?”

“Yes, it would be great! I love it.”

“If we offered this service would you buy it?”

“Definitely.”

When looking at the future, people have almost no fortune-telling ability as to how they will behave or what they might or might not buy. Furthermore, they certainly can't accurately tell you “why” they did something in the past.

Now you don't have to ask.

The human brain operates on a system of “short cuts” and “rules of thumb.” Without these corner-cutting decision-making tools we'd never get anything done in life. And because of the same neural wiring, we often get ourselves in a heap of trouble doing some incredibly foolish things.

Throughout human behaviors there are dozens of types of short cuts in decision making that help you know what people will do in the future. You can also pretty much know “why” people did things in the past without asking them.

And for businesses which need to bring profitable products and services to market, they never have to burn good money on focus groups, which have a horrible track record for predicting future results of behavior for most types of products and services.

Philip Graves has put together an excellent guide to understanding how to know what people will and won't do. He'll show you why people did things in the past that made “no sense” at all, both in retrospect and in real time.

I've studied consumer behavior for two decades and have concluded that there is a profitable and useful way to navigate the very expensive waters of product testing and understanding the drives and emotions behind the rationale and thinking of consumers' decision making.

Now you can have the benefit of years of knowledge and experience distilled into an easy-to-read and understand book... which, by the way, was a very good decision to buy!

How do I know that?

You'll find the answer to that question shortly.

*Kevin Hogan
Minneapolis, MN
April 2010*

OVERTURE

The moment of truth

market research emerged during the media and advertising boom of the 1950s, when an understandable desire to know who was listening to or watching a particular program evolved into a desire to know what those people thought. “This seems useful,” these new market researchers thought, “if we just ask them people will tell us what they want, what they like, and what they think. All we have to do then is do whatever they say. Great!” You can see how stressed executives would be grateful to hear that corporate decision making was about to get a whole lot easier.

Either by asking a few hundred people to complete a questionnaire or taking a far smaller number and really grilling them, the theory goes that useful, dependable insights can be garnered in this way. But are we looking for answers in the wrong place? After all, it wouldn't be the first time people have been seduced by the idea of a convenient solution that turned out to be no such thing.

Examples of our capacity for misplaced beliefs are not hard to find. If something *seems* plausible, impresses us, fits with what we'd like to think, or has been sold to us persuasively, we are willing to treat it as a truth. To compound the problem, the lines between science and belief are frequently blurred: elements of dependable science are blended with wishful thinking to create an alluring cocktail of reality and desirable fantasy. Astrologers get to lean on the legitimate science of astronomy and overlay bogus futurology to “help” people make decisions about their life (or in the case of Nancy Regan, her presidential husband's country). But such pseudo science, despite its masquerade, is no more dependable or repeatable than any other nonscientific belief. When astrologers' predictions are evaluated objectively, it transpires that nothing happened that can't be better credited to something other than the mystic force suggested by its exponents.

So where does market research sit on the scientific spectrum? Are opinion polls, focus groups, depth interviews, brand trackers, customer satisfaction questionnaires, online surveys and the like scientifically verifiable or are they used on the basis of faith? It may surprise you to learn that any market research that asks people what they think, what they've done, or what they would like in the future is based on belief. Market research is a pseudo science – in fact it's *consumer.ology* – and the beliefs underpinning it are false.

There are any number of accounts of where market research has been wrong. Products like Baileys liqueur that were rejected by consumers but launched anyway because of one senior manager's gut feel. Innovative concepts like the original Chrysler minivan and Compaq's PC network servers, that were developed despite what consumers said because someone in the organization appreciated how they would change an aspect of people's lives. The research for a new mobile phone that concluded few customers would buy it, but it outsold the resulting estimates by a factor of ten. Advertising like the *Heineken refreshes the parts...* campaign that research respondents said they didn't like but, when someone convinced the company to use it in any case, went on to be massively successful. And opinion polls like the ones looking at what should happen to a portion of the BBC licence fee – one concluded that 66% of people supported the government's preferred option, another just 6%!

In the past few decades we have started to learn a lot from science about how people think. Neuroscientists can see which areas of the brain are involved during different mental and physical activities, and psychologists have tested how various stimuli and interactions change how people behave. Their work helps explain what some marketing experts have known intuitively for some time: that successful marketing must connect with emotions if it is to succeed. As you will see in Chapter 2, several factors influence what we feel before we are consciously aware of our own actions; even after we act, we remain unaware of how each of these has shaped our behavior. Psychology and neuroscience have discovered that we're all rather bad at explaining our actions, as we are at predicting what we want or what we will do in the future. As

Timothy D. Wilson, psychology professor at the University of Virginia, puts it in the title of his book, we are *Strangers to Ourselves*. And the way in which we can be influenced without realizing that our thoughts have changed, while more than a little disconcerting, reveals what is required if understanding what people think is important to you *and* why the research process is frequently the cause of its own inaccuracy.

In just half a century, the rise of market research has been meteoric: in the US the market is worth over \$11 billion and in the UK more than £1.3 billion is spent each year. Just one research study by the UK Department of Health cost more than £11 million!¹ Organizations have been seduced by the numerology of statistics and the apparent consistency of response that market research provides. The elegant, scientifically demonstrable, statistical techniques for summarizing data sets provide enormous reassurance; after all, few things are more definitive than a number. When the number is obtained several times over, or when the groups of people interviewed in depth reach a clear consensus, it feels as though something true has been uncovered. But when the answers being summarized are spurious, the statistical confidence that can be attributed to them is an irrelevance. Yes, repeated studies might produce similar results, but that doesn't mean that the original results are accurate. The fact that people react similarly to consistently executed questioning processes doesn't tell us anything other than that the cause-and-effect relationship of such research is consistent.

As the size of the market research industry shows, there is no shortage of companies happy to peddle their particular version of asking people what they think, and no lack of organizations wanting to pay for the reassurance they feel it provides. As Tim Dewey, who has held senior marketing positions in several blue-chip companies, put it, "People use different stages of research so that if the initiative is unsuccessful they can say, 'Look how thorough I was. I did my due diligence.' In my experience it comes down to the organizational culture; where there's a fear of failure research is used to avoid getting the blame for a project that fails." Add in our demonstrable capacity to collect evidence selectively to support what we would like to believe, and you begin to

understand how market research has flourished even when many of the people using it have first-hand experience of it letting them down.

While many of us are happy to mock the more extreme superstitions of others – donning the team shirt at the last possible moment, putting on shoes in a particular order, using the same tennis ball after serving an ace – they reveal a human willingness to stick with what we believe has helped us in the past.² As Derren Brown points out in his book *Tricks of the Mind*, we find ways of making our actions appear to have a bearing on events even when they not only have no reasonable basis for doing so, but also with a disregard for the numerous occurrences when, despite applying them, we have not achieved our desired outcome.³

So it is with market research. On the occasions when a research report's findings coincide with a positive outcome, it is taken as proof that the process was worthwhile and contributed positively to the course that was taken. Since we're certain that everyone can accurately report what they've done, what they think, and what they will do, any instance when a research-informed outcome is wide of the mark is swiftly dismissed as an aberration or the result of the corruption of an otherwise legitimate process. This capacity to believe that conscious will drives our actions is a fundamental part of the human condition. It is both the reason that asking people questions isn't likely to lead to genuine insights and the reason people are convinced that it will.

The fundamental tenet of market research is that you can ask people questions and that what they tell you in response will be true. And yet, as you will see, this is a largely baseless belief. In fact, it turns out that the opposite is far closer to the truth. When we ask people a question we make it very unlikely that they will tell us the truth; inviting a "discussion" fares no better. The conscious mind finds it almost impossible to resist putting its spin on events. From the moment we do anything it introduces distortions; when the mind considers the future it does so with an idealism that is both optimistic and simultaneously devoid of any objective assessment of the past.

It's not the waste of money or the buck passing that I see as the biggest threat from this particular superstition. At stake is our

ability to make good decisions. As someone once said, a mistake is only really a mistake if you don't learn from it. When market research is allowed into the decision-making process, and when that research is as flawed as social psychology and neuroscience are proving it to be, we lose the ability to learn from our mistakes. Research corrupts an organization's learning process by inserting an erroneous fact – what people think – into the equation. Somewhere between an initial idea and a loss-making scheme, research tells us that we “know” something about what our market thinks. As a result, the inclination is to look elsewhere for the scapegoat. With a complex process feeding into a large organization, other potential culprits are always close at hand and all too often research escapes proper scrutiny.

There *is* a way to obtain a deeper understanding of consumers and make better-informed decisions. When the philosopher Mark Rowlands reflected on his years living with a wolf, he concluded that humans had virtually lost the ability to appreciate the present, so wrapped up are we in dwelling on the past and wondering about the future. The problem he sees this causing is that we both want our lives to have meaning and are unable to understand how they can do so. In our quest for significance, we miss the moment of now.⁴ When it comes to market research I believe the same situation exists: what drives us into questioning the *why* and *what will be* gets in the way of us fully appreciating the *right now*. It is in the moment of consumer behavior that we have the best opportunity to understand what is taking place. It is in this moment that we can understand how the environment and presence of other people change what we do – factors that expose focus groups as perhaps the single most misguided tool in the researcher's armory.

The market research industry has been slow to embrace the nature of human consciousness. In *The Emotional Brain*, neuroscientist Joseph LeDoux has mapped the way in which the brain functions at different levels and explained how “much of what the brain does during an emotion occurs outside of conscious awareness.”⁵ As psychologist Cordelia Fine said in the subtitle to her book *A Mind of Its Own*, our brains distort and deceive us all the

time.⁶ In *Blink* Malcolm Gladwell asks, “What if we stopped scanning the horizon with our binoculars and began instead examining our own decision making and behavior through the most powerful of microscopes?”⁷ He theorizes that “we would end up with a different and better world.”

This book explains why we need to apply Gladwell’s microscope analogy to consumers and how to do it. It outlines why scientific scrutiny should be directed first and foremost at understanding consumers themselves, rather than merely at the process of summarizing their claims. It reveals what drives customer behavior, how anyone can obtain genuine insights into their own customers, and, with the AFECT criteria in Chapter 8, how much weight decision makers should attach to any claimed “consumer insight.” AFECT shows why confidence shouldn’t only be judged in relation to the number or representative nature of the people involved in a study. The goals of market research are laudable: the better an organization understands its customers, the more likely it is that it will make good decisions and avoid bad ones. It’s just that the approach has been misguided.

You will see that what matters is not what consumers say but what they do and why they really do it. General Motors would have been well advised to embrace this notion when it was developing the Signum, a car designed with backseat passengers in mind. GM gave it extra rear legroom, adjustable rear seats, and an optional pack that included a power point, fridge, and various storage compartments for the people sitting in the back. The company launched the car in 2003. However, as *Top Gear* presenter Jeremy Clarkson demonstrated from an hour spent watching cars traveling along a British motorway, only four had back-seat passengers and, despite his best efforts using long-handled gardening implements, it wasn’t practical to drive from the luxurious back seats. The car was withdrawn from GM’s range in 2008.

The arrival of the internet as a significant channel for consumption should, arguably, have helped many businesses shake off their reliance on asking customers what they think. With such a wealth of real-time behavioral data available and far easier ways to test alternative approaches, there should be no need to ask people

what they think they think, and it should be immediately evident when such testimony proves to be inaccurate. However, the overall trend has been for more market research, not less. Many internet retailers can't resist including a pop-up that invites visitors to complete a short survey. More broadly, the ease, speed, and relative low cost of surveys sent out by email have created a new medium for soliciting opinion. It says much about the strength of faith in market research and the ease with which believers overlook its inaccuracies that, rather than having its shortcomings highlighted, it has prospered online.

It is time for fake consumer.ology to be exposed as a wasteful and misleading diversion, and for it to be replaced with insights based on a genuine understanding of how people think and act.