

pointofview



Brand Equity, Behavioral Economics and Surveys

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Connecting What's Now to What's Next

The concept of behavioral economics has spread quickly in market research and inspired many to incorporate psychology into their quest to understand consumer behavior. While this is no doubt a positive development, many in market research struggle to capture and apply the principles of behavioral economics.

Behavioral economics casts a wide net: the discipline includes a broad array of psychological phenomena, like priming and anchoring effects, which in turn impact several areas relevant to marketers, including pricing, communication, packaging and, brand equity. In addition, many researchers are uncertain how to use survey research to capture psychological phenomena. There is a prevailing, though false, belief that behavioral economics, with its focus on the unconscious, has somehow rendered direct questions useless.

In this paper, we focus primarily on the application of behavioral economics to brand equity research and provide concrete steps on how surveys can be modified to capture brand equity more effectively. It should be noted that brand equity is a broad concept that can encompass many elements (e.g., awareness, perceptions). The focus of this paper is primarily on brand associations. We first challenge the assumption that behavioral economics is only about the unconscious. We then propose a different way of asking survey questions to capture consumers' opinions more precisely. We share evidence that this proposed approach provides results that better capture each consumer perception of brands; give results that are consistent with indirect approaches like implicit reaction time and derived importance; and, perhaps most importantly, predict key outcome measures such as purchase interest.

A Primer on Behavioral Economics

Before we begin, here is a quick primer on behavioral economics. Behavioral economic models posit two systems of thinking: rapid, automatic reactions, which are usually unconscious (System 1), and slower, deliberative and conscious reasoning (System 2). Psychologists have demonstrated that the majority of our thinking is governed by System 1. Many believe in turn that the unconscious nature of System 1 responses makes them impossible to capture with direct questions in survey research.

Unconscious Processes versus Conscious Knowledge

Often missed is the ability to differentiate the unconscious cognitive processes that influence our behavior and the knowledge the unconscious process draws upon. While the automatic and quick reactions in System 1 are unconscious, the basis of knowledge for these reactions can often be consciously elicited and studied. Here are two examples from behavioral economics, which highlight the often unconscious influence of brand equity on behavior.

In a study by Chartrand, Huber, Shiv and Tanner (2008), participants were shown, without their awareness, images from one of two groups of retailers. One group consisted of Walmart, K-Mart and Dollar General, and the other of Tiffany, Neiman Marcus and Nordstrom. Participants were shown images from one group (for instance, a Walmart logo) so quickly that the images fell below the level of conscious awareness, but were still “registered” by the participants’ brain. After being exposed to images, participants were asked to choose from two brands of socks: Hanes at \$6.00 for two pairs, or Nike at \$5.25 for one pair. Even though participants were not aware they had been exposed to the retailers, those exposed to the images of Walmart et al were more likely to choose the Hanes socks. Similarly, those exposed to the images of Tiffany’s et al were more likely to choose Nike.

We know that the influence of the retailers' images was unconscious. But why are the results so intuitive to us? Because all of us are aware and have similar perceptions of the retailers used in the study. If asked what we associate with these retailers, many of us would associate Walmart, K-Mart and Dollar General with being frugal or cheap, and Tiffany, Neiman Marcus and Nordstrom with being extravagant or expensive. This is the key point. We can explain these results because we are consciously aware of our perception of these retailers and what we associate with them. More importantly, if asked about our opinions of these retailers in a survey, we would be able to verbalize them. Even though the process by which the influence came about is unconscious, the basis of knowledge that the automatic processes drew from can be verbally and consciously expressed.

Consider a second example involving two technology companies: Apple and IBM. In a study by Fitzsimons, Chartrand and Fitzsimons (2008), participants were exposed to either an Apple or IBM logo, again unconsciously. Before we share the findings, first think of the associations you have with each of these brands. Perhaps you associate Apple with being creative and innovative, and IBM with being professional and analytical. So when asked directly, you can certainly verbalize your perceptions of these brands.

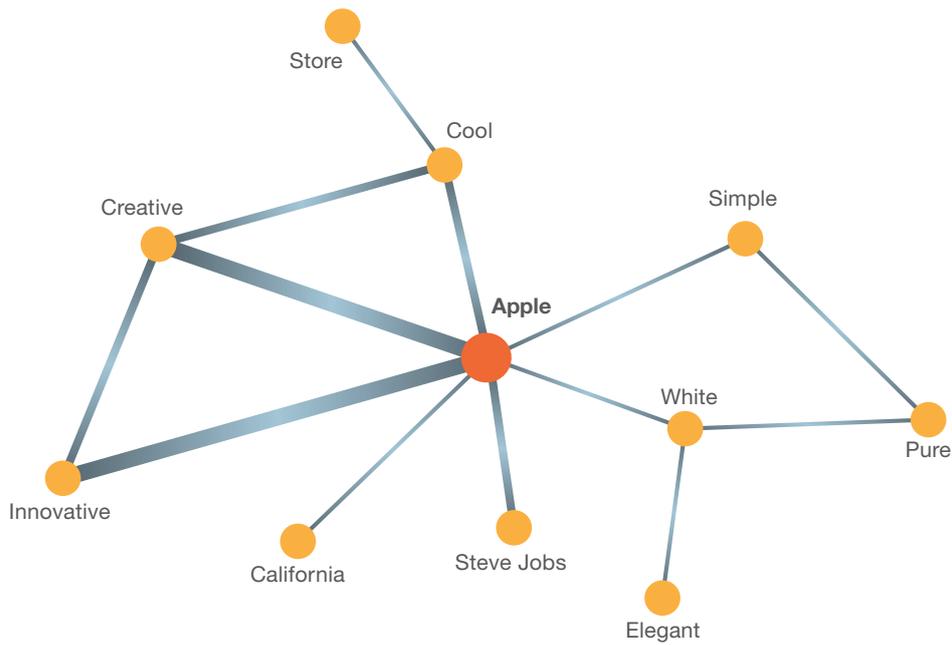
After being exposed to these brands, participants were asked to engage in a task to measure creativity. The task involved asking participants to come up with as many uses as they could for a brick. The authors of this study found that participants exposed to the Apple logo scored higher on the creativity test than those exposed to the IBM logo. Once again, while the cognitive process that influenced behavior was unconscious, the basis of knowledge that provided fodder for the unconscious influence was not. So while there are many occasions in which our behavior is influenced by the unconscious automatic activation of knowledge and experiences, the knowledge and experiences themselves can often be consciously accessed.

Network of Knowledge

These two examples suggest a simple framework for behavioral economics: we have a network of information in our brains that can be unconsciously activated by external cues. These external cues can be anything—a brand logo, a color or a sound. And they don't even have to be attended to consciously, as we saw in the aforementioned experiments. Once this network of information is activated, our behavior is guided in ways that reflect the previously developed associations.

Let's go back to the Apple study for a moment. As seen in Figure 1, we can imagine what the network of information for Apple might look like for many people.

Figure 1 – Hypothetical Network of Knowledge for Apple in Consumers' Minds



These networks are visual representations of the knowledge we have stored in our minds, knowledge gained through our experiences. Through the media or direct usage of their products, most of us learn or infer that Apple is a “cool” company, that their technology is easy to use, that they are innovative and creative, that Steve Jobs was their CEO, and that many of their products have the white Apple logo. This knowledge of Apple (visualized as the black node at the center of Figure 1) is depicted as interconnections between Apple and “nodes” of knowledge. Such visual representations are also an attempt to mirror the neuron connections in our brain. Some of the connections are thicker than others, which depicts that certain knowledge about Apple may be stronger. For example, the thick line between Apple, “creative” and “innovative” suggests that most consumers link these traits to Apple.

Once activated, this network of information influences our behavior accordingly. If we think back to the Fitzsimons et al (2008) study, in which participants were primed with the Apple logo, we can visualize the knowledge of Apple for these participants being activated unconsciously. The activation of this knowledge, in turn, influenced participants’ subsequent behavior on the brick exercise.

This framework was recently proposed by none other than Nobel laureate Daniel Kahneman. In a paper by Morewedge and Kahneman (2010), the authors identify System 1 with the automatic operations of associative memory and explain how what we have in our memory can unconsciously impact our perceptions and behavior.

We believe that the network of knowledge can be accessed consciously by adapting our current surveys. We will elaborate shortly.

Networks of Knowledge are Open-Ended

Now that we understand the distinction between the activation process and the source of knowledge that is activated, let's consider how we can capture these associative networks in our brain. In most surveys today, the ubiquitous attribute list is still the preferred approach for capturing associations with brands, retailers, products and so on. Since knowledge can be consciously accessed to some extent, respondents in surveys can certainly use their knowledge as they answer attribute rating questions.

There are many problems with attribute lists, however. First and foremost, they are communal lists, jointly decided on by the researcher and client. It is often assumed that communal lists are relevant and applicable to every respondent in a survey. But this is a weak argument, as we all have unique experiences with brands and products. One person may think of Apple as being primarily about Steve Jobs, and another may consider it to be about the latest Apple Watch. At Ipsos, we have shown that what people spontaneously associate with brands (asked via open-ended questions) can be different than a communal attribute list (Ho, 2012). The overlap between an a priori defined attribute list and the responses from an open-ended question can be as low as 30%. An attribute list is only as good as what it covers.

The second problem with attribute lists is respondents are fully capable of making logical inferences—or guesses—on attributes that they may not have thought of before with regards to a brand or product. Do we really want to capture associations that respondents do not think about unless brought up in a survey?

And finally, most lists cover only positive attributes. Coming up with negative attributes is a difficult task and not often done in survey research. But many academic studies have shown that negative impressions have a far greater impact than positive impressions on behavior. We have observed similar findings in our research on consumers, too (Ho, 2014).

What is the alternative to the ubiquitous attribute lists then? As hinted, we believe associations are best captured using open-ended approaches. They allow us to access individual level brand associations; each respondent can tell us what she/he uniquely associates with a brand. This is important as our experiences with brands can differ. Our associations with brands, therefore, will also vary from person to person. When we ask open-ended questions, we also allow respondents to report any type of associations with brands. Emotions, negative associations (e.g., news of unethical working conditions for Apple's supplier, Foxconn), and visual elements can all be captured via open-ended questions.

All of this does not mean that we do not see the value in closed-ended attribute lists, or that we should discontinue using them. Closed-ended attribute lists serve a purpose and have their advantage. For example, in brand tracking studies where we know exactly what we want to monitor a brand on, a tight list of attributes is not only appropriate but effective. We do, however, need to be aware of where attribute lists fall short and how an open-ended approach can provide better insights.

The Power of the Consumers' Own Voice

A common question we get from clients is, "Do open-ended responses really provide useful information?" If we step back from market research for a moment and think about online product and service reviews such as Amazon, Yelp and TripAdvisor, that question seems rhetorical. Open-ended product and service reviews online are extremely valuable; they help us choose products and services. We read them because we believe consumers are able to truthfully and accurately capture their perceptions and reactions.

We will share results from two Ipsos studies to illustrate how open-ended responses tap into the same knowledge captured by the "indirect" approaches mentioned at the beginning of this paper. We also highlight the results from a third study to illustrate the predictive power of open-ended responses on key measures that matter to us.

In the first case, a study was fielded where both open-ended questions and implicit reaction time were used. Implicit reaction time approaches were developed to capture unconscious motivations that respondents may not be able to verbally express, or don't want to express perhaps because of social desirability concerns. The basic premise is if consumers respond faster to certain stimuli in the implicit reaction time task, then those stimuli must have stronger associations in their minds.

Our findings showed that stimuli that were responded to most quickly in the implicit reaction task were also mentioned most frequently by respondents in the open-ended question. In other words, there was a good correspondence between the results from the open-ended question and how quickly respondents rated a list of attributes in the implicit reaction time task. Consumers' responses to open-ended questions captured the same associations in their minds as an implicit reaction time exercise did.

In a second study that looked at price perceptions of various retailers, the results from an open-ended question were compared to results from a driver analysis. We use driver analysis in market research to estimate the importance of attributes in impacting a key outcome measure, such as intent to purchase or renew. It goes by the belief that if consumers are unable to tell us what is important to them, we have to infer the relative importance of attributes by looking at attribute ratings and how they relate to a key outcome measure.

In this study, in addition to asking attribute ratings of retailers, we also asked respondents to tell us in an open-ended question why they thought a particular retailer had the best prices. The results showed that themes mentioned most in the open-ended question were also mathematically derived to be most important to determining price perceptions. In short, there was a good correspondence between what respondents reported in the open-ended questions as important in influencing their price perceptions and a more mathematically derived approach using attribute ratings.

In a third study, we found that adding open-ended responses to a statistical model for predicting a key outcome measure (purchase interest) helped improved prediction. Specifically, a model that included only data from an attribute list predicted only 11% of the variance in purchase interest. When open-ended responses were added to this model, the percentage of variance predicted increased to 56%. That is essentially a five times increase in the amount of variance predicted! This proves that open-ended responses can provide incremental information beyond an attribute list and improve the prediction of business outcomes.



Ask the Right Question, Get the Right Answer

We have seen that even though we are often unconsciously influenced by what is in our minds, the source of that influence can often be consciously accessed. Our experiences in this world lead to a network of knowledge in our brains that, once activated, influence our behavior.

As a final example, consider why many food manufacturers use the color green in their packaging to position a product as healthy. Most of us associate the color green with nature (e.g., trees, leaves). So, manufacturers hope that when we see green on packaging or in a logo, associations with nature will be activated in our minds, and in turn influence our perceptions of the brand or product. Again, we see that while behavioral economics is often about the unconscious activation of information in our brains, the information drawn from is often consciously accessible.

The survey is a measuring instrument that can play a key role in capturing the principles of behavioral economics. In particular, it can capture the associations in consumers' minds that are linked to brands, products and services. When activated, these associations can influence consumers' behaviors. The humble survey that has been used for many decades is still relevant today. It does, however, need a face-lift. Over the years, our surveys have become increasingly long and complex, and have not kept up with today's digital reality. More importantly, surveys with attribute lists are more likely to capture System 2 thinking than System 1 thinking.



Using more open-ended questions requires us to be creative in how we ask those types of questions. We need to go beyond the standard open-ended questions we typically ask today. Specifically, we believe that projective methods used effectively in qualitative research can be adapted to open-ended questions asked in surveys. And the truth is, we've only begun to unlock the power of the open-ended response in surveys. If we open our minds to how surveys can be done, we can get closer to discovering how consumers naturally think. To leave you with something concrete and inspirational, imagine the open-ended question that follows in Figure 2 with the accompanying image. What would you say if you were a respondent in this survey? And, what would it reveal about your associations with the BMW brand?

Figure 2 – Example of an Open-Ended Question to Get at Brand Associations



Appendix

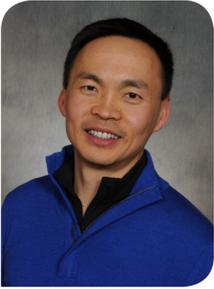
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