MAKING BETTER MARKETING DECISIONS

A left-brain argument for the right brain

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Science is learning ever more about how humans make decisions, but only the smartest marketers and their businesses are taking advantage of the insights that have been emerging over the past decade.

There has always been a debate between those who believe that purchase decisions for most product categories are primarily rational and those who think that there are emotional components of every decision. Take automobiles, for example, clearly an important and expensive decision for most buyers. Some ads are pitched at the attributes and features of the car to convince the targets that the specific model has the most benefits for them. At the other extreme are those that primarily use jingles or brand imagery. This is the classic tension between those who believe that advertising is a scientific endeavor and those who argue that it should be creative-driven, pitched with an emotional more than rational appeal.

The debate is played out in various marketing communities, and in how businesses use research and measurement to help them make marketing decisions. With only a few exceptions, rationality rules in the market research world, as it pertains to research for decisions. Quantitative surveys are the standard, and the model is a simple one: Ask questions pitched to one or several stages of the sales funnel, and measure awareness, consideration, intent, actual purchase, loyalty and advocacy. Ads and other marketing communications may use emotional cues and focus groups may be used to develop them, but the decisive measurements are all focused on left-brained approaches. Even the most creative ads are subjected to standardized copy testing by most businesses.

Another good example is television ratings. Nielsen is, and always has been, the gold standard. The measurement has always purported to be a "rating"—that is, a count of households who are watching the program in question—and those rating counts are the metric for billions of dollars in exchange between buyers and sellers of TV time. Nielsen even presents its ratings to the decimal point as if there is precision to the tenth of a percent. The paradigm is that the ratings are a scientific measure of the effect of a TV ad. We measure and pay for (theoretical) exposure as if the TV programs in which ads are embedded do not have any impact on the ads being noticed or on the effect of the ads embedded in that program.

Over several decades, there have been challenges to this paradigm, as those believing that relative engagement in the surrounding TV programming may be vital to understanding the impact of advertising and they have tried to get alternative measurements accepted. However, the Nielsen ratings have remained supreme, arguably despite methodological deficiencies. The decision makers seem to like, if not need, the comfort of having a number, no matter how meaningless it might be. As Malcolm Gladwell has noted, people like the "certainty" that is implied by a finite number.

It is now time for the marketing community to rethink measurement models, as the evidence continues to pour in that emotion plays a role both in how we receive and perceive information and in purchase decisions. It's no longer enough to use only focus groups and other qualitative tools to investigate emotions but then employ quantitative research and the traditional funnel approach to plan and assess marketing communications. Marketing research still needs to use the science of probability theory to enable relatively small samples to represent large universes of interest. It needs to use sophisticated statistical modeling to determine which questions are most influential in understanding purchase (intentions). However, at the same time, marketers must eliminate the old linear thinking as it pertains to assessing how consumers approach buying and repurchasing. The focus needs to be on developing and using questions that tap right-brain functions and emotions in addition to the best traditional, functional, left-brain questions. The industry must accept that purchase and the reception of messaging can each be prompted by these emotional variables, often without consumers even moving through a formal consideration process as the funnel posits.

It's worth noting that this argument is even more important in this ever more digital world of marketing. Measurement of digital marketing's impact may have avoided the technical Nielsen sampling and execution issues, but the main metrics are purely behavioral (e.g., clicks). The world of Big Data is similar in that we can mine transactional and behavioral data to customize offerings to specific customers and then measure what they do, at least online. However, while we may know which marketing prompts to use, those measures do not tell us why customers are behaving in a certain way, or what they're thinking or feeling so that if and when we suddenly don't get the expected response for our prompts, we don't have a clue why, or what to do next. We have rational models, but they are not based on any

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understanding of what we need to do with our marketing beyond the universal need to prompt demand, purchase and repurchase.

Employing a research approach that uses the science of research to understand emotional connections driving purchase (intentions) and how specific marketing touch points impact these emotional connections can provide the direction for marketing communications: the why, the how and the who. It also can provide insight into which emotional levers should accompany the left-brain levers to lay out the road map for truly effective messaging and media.

How Consumers Decide

A raft of books have demonstrated the role of non-rational factors on consumer decisions and the ways that advertising, for example, works. Malcolm Gladwell's *Blink*, cited earlier, and Dan Ariely's *Predictably Irrational* are, perhaps, the best known examples. Proof points that they cite include:

- Studies show that more French wines are sold when French music is played in a liquor store and German wines when German music is played.

- Consumers will prefer whatever beverage they taste after seeing a Coke image flashed versus trying the same beverage without the stimulus. They literally are "tasting the brand."

- People will buy more when using plastic (or bet more using chips) than when they have to pay cash. They donate more when prompted with pictures than with words.

- Malpractice lawsuits can be predicted by knowing how the patient feels about the doctor more than by what he thinks about the doctor's skills.

None of these behaviors can be explained or predicted by conventional, left-brained quantitative research.

Broader points about consumer decision-making have been made by economist Daniel Kahneman, summarized in his book *Thinking, Fast and Slow.* We exhibit both "system 1" thinking, which is an id-like, immediate response, and "system 2" thinking, which is the kind of deliberative, logical processing that we typically associate with decision-making. The vast majority of decisions are controlled by the former type of thinking, despite our tendency to rationalize and describe almost all of our important decisions as if they had been made by the latter. In other words, actual purchasing is driven by system 1 thinking, while conventional, funnel-related surveys tap only system 2. Of course, these same factors impact when those of us inside and outside of business roles make decisions. These, too, often are made on less than rational grounds.

Coincidentally, and importantly, consumers do a very poor job of describing what they are going to do—sometimes lying in a socially acceptable way about, for example, whether they will vote, sometimes because situations or knowledge change before they act—or even change their thinking simply because of their being questioned. Thus, both sides of the rational equation—marketers making decisions based on quantitative research about consumers' decisions—are influenced by their emotions. While we can't do much except recognize this fact as it relates to decision makers, we can do something about improving the validity of the insights that we derive from research.

The solution that leading marketers are using employs sophisticated statistics and time series to develop, delineate and verify the questions that both tap emotions and influence purchase for the product or service in question. Linkage to different media or types of marketing and touch points make this information even more useful.

Emotional Connection Drives Results

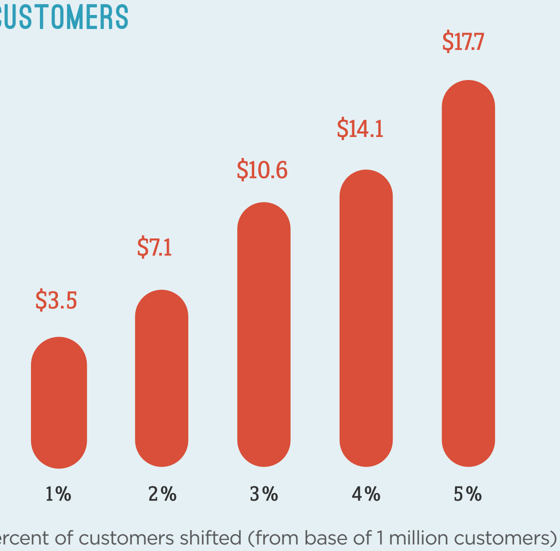
Proof of these ideas comes from a company called Motista (a company that I advise), which invested in more than 600,000 consumer interviews to build a fact-based understanding of which specific attributes drive reported behaviors in major consumer industries. Respondents are recruited online fresh for each survey from a myriad of websites. The respondents are screened for the appropriate category usage and other relevant characteristics. Surveys are conducted monthly and samples have proven to be stable.

The question to be proven was whether these emotional drivers relate to ultimate profitability—that is, real results—so I examined the behavior of "emotionally connected" customers per Motista's research in the banking industry and found that, in fact, these customers are significantly more valuable than those who are merely "highly satisfied" with their bank.

Through scientific research and mathematical modeling, Motista has identified and validated the top emotional connections—those specific questions about how they feel about each brand that have been found to be significant—that drive purchase and loyalty behaviors in the banking industry. Motista quantified the specific behaviors and attitudes by surveying more than 7,000 customers of U.S. banks in 2012. Respondents took the survey about a bank that they use and were placed into two derived groups for each bank: "emotionally connected," who scored 8s, 9s or 10s on a derived scale with emotional connection and satisfaction metrics; and "highly satisfied," who scored 7s, 8s, 9s or 10s on a derived scale with satisfaction metrics only.

On average, the emotionally connected scored an 8.3 on a 10-point scale on each of the relevant questions that define the feelings toward a banking brand, while the highly satisfied scored an average of 4.7 on those same questions. Significantly, on the brand satisfaction questions, the highly satisfied were quite close to the emotionally connected—7.4 compared with 8.7—so both groups are satisfied, but only one has an emotional attachment to the brand. And, most importantly, Motista research quantified the degree to which the emotionally connected customers own more banking products, carry higher credit card balances and advocate for the brand in question more often than highly satisfied customers.

IMPACT ON PROFITS (NET PRESENT VALUE, IN MILLIONS) OF SHIFTING HIGHLY SATISFIED CUSTOMERS TO EMOTIONALLY CONNECTED CUSTOMERS



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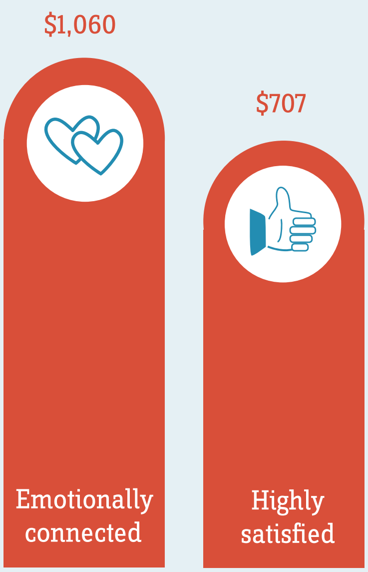
LIFETIME VALUE OF BANKING CUSTOMERS



Four-year time horizon (i.e., assumes that the value from customers will not extend beyond four years, a conservative estimate).

- Retention rate improves from 75% in year 1 to 80% in year 2, to 85% in years 3 and 4.
- Average revenue per product per year of $400, with direct costs of $256 each year.
- One-time acquisition cost of $80 and ongoing marketing costs of $25 per customer per year.

These emotionally connected customers deliver more value over their lifetimes to banks, as they use the banks for more of their product needs, keep higher balances with the bank, and have recommended the bank more often to their friends and families. Each of these factors relate to a higher marketing return on investment to attract and retain customers who are emotionally connected than targeting other customer groupings or target definitions.

To provide a sense of the bottom-line implications of these results, I looked at the lifetime value of adding an emotionally connected customer versus one who is highly satisfied and found almost a 50% lift. This means that shifting even 1% of a customer base in a million-customer bank to "emotionally connected" status would add more than $3.5 million to the bottom line.

	EMOTIONALLY CONNECTED	HIGHLY SATISFIED
Number of products with bank	4.4	3.1
Balance >$10,000	40%	25%
I have recommended	63%	33%
I will not switch	69%	35%

The evidence presented should convince even those who adhere to the rational, traditional research model that there are ways that the role of emotions can be assessed and intelligently applied to understanding customers and thereby making better marketing decisions. Even decision makers can emotionally relate with this type of bottom-line connection. m

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