



THE
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OF MARKETING

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WHY CMOs NEED TO PARTNER WITH CONSUMER PSYCHOLOGISTS

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Aparna Labroo is a consumer psychologist who studies the psychological side of marketing. She seeks to understand how to guide people to take actions beneficial to themselves – in terms of physical and financial health – and to society, for example in terms of reducing behaviors harmful to the climate and getting involved in charitable enterprises.

Dr. Labroo's research has featured in The New York Times, Time, MSN, Forbes, The Financial Times, Business Week, Scientific American, and other leading media outlets. A recipient of the Society for Consumer Psychology Early Career Award, she is currently Editor-in-Chief of Marketing Letters and Associate Editor at Perspectives on Psychological Science (PPS) and serves on the editorial/advisory boards of several other journals.

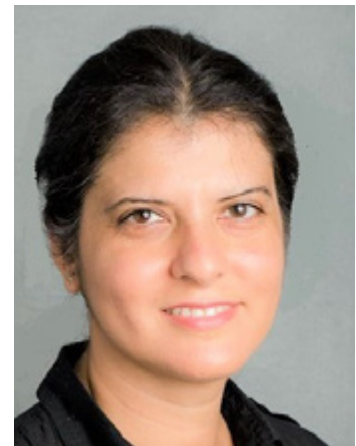
The Capgemini Research Institute spoke to Aparna about how emotions influence consumer choices and how marketers can use nudging techniques to steer consumers towards mutually beneficial objectives.

SHAPING CONSUMER BEHAVIOR, ONE NUDGE AT A TIME

How do nudges help consumers make effective choices?

— A psychological “nudge” is formed when a marketer understands the consumer’s behavior, desires, and motivations, and uses that knowledge to design messages or connections that motivate consumers to act in a manner they may not have otherwise. All this without letting their mental barriers come in the way of action.

Policymakers in the US, for example, are keen to direct lower-income consumers towards healthier food consumption. There are many reasons why this demographic may engage in unhealthy eating choices. It may be due to lower information or awareness, a lack of availability of healthy food, and cost, for example. We suggested that a key barrier in the mind of the lower-income consumer to the purchase of “healthy” food is that it is associated with feeling hungry even after eating – in other words, it’s less filling – even though it need not be, because foods such as legumes, lean protein, eggs can be healthy and filling. In a store, we gave out flyers that featured a healthy recipe printed alongside the message: “Be full.” We didn't mention the term “healthy” at all. Suddenly, there was a big bump in purchase of those healthier foods compared to when we said “be healthy” or nothing at all.



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Another example is default opt-in, opt-out settings. Researchers have found that people have a bias towards the status quo: they don't want to engage in change unless they are obliged to. So, if you let them opt in or out by default, they'll stay with that. Companies are catching on to this tendency and are beginning to use a default opt-in with their subscription models.

In other contexts, as well, sometimes it's best not to give too many options. In respect to retirement savings, some researchers found that if we just tell people to save, they will save more overall than if we tell them to save for

three different things. These multiple goals compete with each other, they can lose urgency, and the message becomes diluted.



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How has the psyche of consumers been impacted by recent global developments (such as the pandemic)?

— The pandemic may have changed mindsets from a "gain frame" to a "loss

frame." In the former, people value the excitement and sense of being individually rewarded for personal accomplishment. But when something unprecedented happens, people shift toward a loss frame; they begin to focus on safety, comfort, certainty, and reassurance. This mindset change naturally influences consumer choice. In a loss frame, when people feel more vulnerable and want to change the conditions of life, they could become more socially conscious, changing the kind of products they consume, and their consumer-patience levels: "Do I want to consume more now? Am I willing to wait longer?"

Executive Conversations

In a marketing context, some companies have responded smartly in a commercial sense to this shift in mindset. US-based fast food retailer McDonald's, for instance, in these more stressful periods, appears to have responded to consumers' need for comfort through use of nostalgia as a marketing tool. McDonald's highlighted some of its classic burgers – classic is familiar and comforting. They also brought in new hot drinks and desserts and underplayed salads and the breakfast menus.

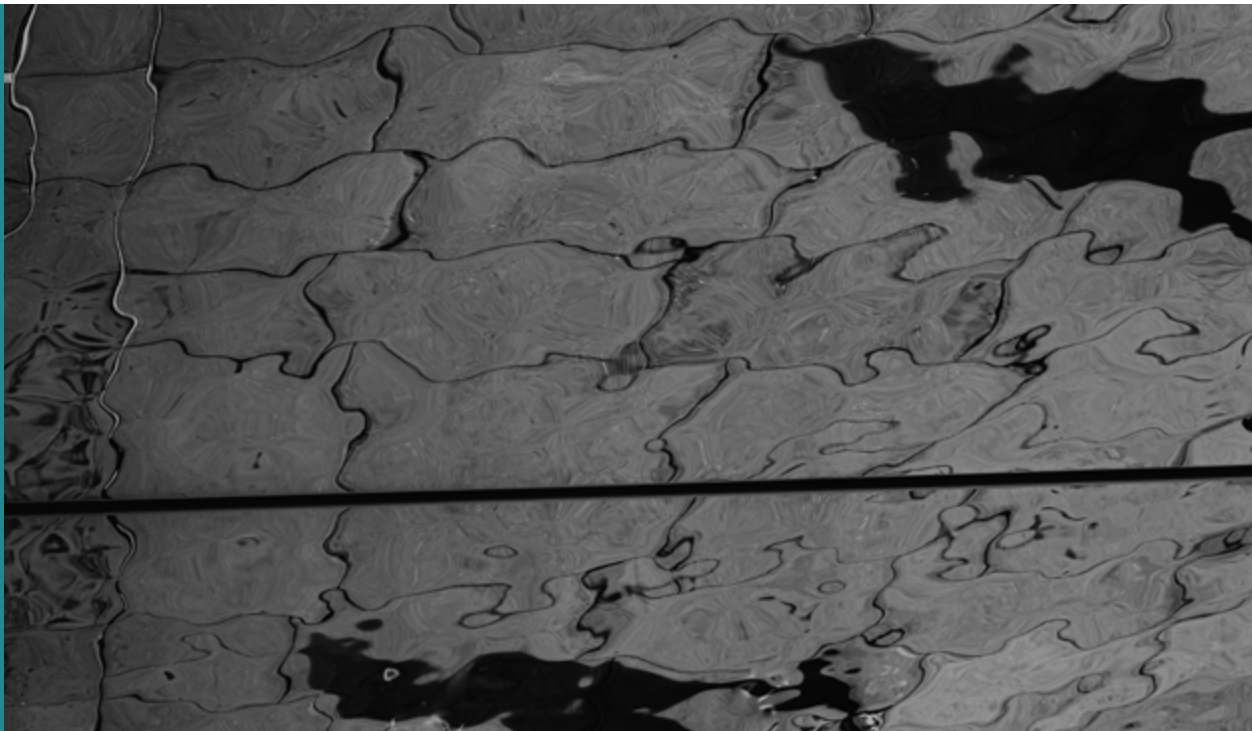
If you understand broadly what people are going through, and how that makes them feel and affects their purchasing choices, you can tailor your offering to meet those needs, helping the consumer and advancing corporate goals at the same time.

"You have to catch the consumer in the right state of mind at the right moment, with the right style and level of intervention"

NUDGING WITH CARE: SUSTAINING IMPACT AND MITIGATING RISK

Consumers react differently to any given nudge. What implications do these have for consumer insights teams?

— You have to catch the consumer in the right state of mind at the right moment, with the right style and level of intervention. Take Botox: in the US, people think, “I don’t want to look old,” and that is their motivation for using Botox. But in Japan, looking old is often associated with “kawaii” or being cute and loveable. However, Allergan, a US pharma company, came up with the insight that there are still times when frown lines look unpleasant, even in this social context, and they played with that. Allergan put up advertising in places where people were typically under time pressure, in a rush, and frowning. This had the desired effect and consumers registered



the message. If Allergan had framed this nudge as an email, people would probably have ignored it. This is what is meant by creating a meaningful intervention with the consumer at the right time, when they're in the right mindset and will be receptive to your message.

Do you think that the growing awareness of marketing nudges among consumers reduces their overall effectiveness?

— Customers are smart and do not like to feel they are being manipulated, for example, if something is permanently on the table (i.e. “last chance”

emails that are sent all year round by a particular brand, with no interruption), then there is no limited time offer and, therefore, no imperative to buy.

Organizations should be careful not to use nudges indiscriminately. For instance, geolocation can be useful but if you are only targeting people who are likely to be in a rush to catch a train, even an otherwise irresistible deal is not going to promote sales – they won't have time to consider and act on it and their goals are different at this time.

Novel, intriguing nudges are likely to work when they make action the consumer may have mental barriers toward feel easy to do or they highlight goals the consumer may not have considered at the time or explain why the action is in sync with the consumer's

goals. As long as the nudge highlights consumer interest or makes action easy – while still allowing them to feel that it is they who are making those choices – nudges as a marketing tool will likely continue to work.

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How can marketers use nudging strategies without invading consumer privacy?

— Above everything else, consumers value autonomy of choice. People don't like to feel as if they're being manipulated, or that a brand is intruding into their personal space. This may have been what might have happened with the vaccination drive or the directive to wear facemasks. Even though the message was in people's general interest, some may have felt that the message was violating their personal autonomy, and have reacted against it. So, it's very important that nudges don't come across as authoritarian.

How can the effects of a successful nudge be sustained over the long term?

— When marketers design nudges, they should draw from consumer psychology and an understanding of consumer motivations. Having a theory-driven testing approach where one specifies a hypothesis in advance regarding how an intervention will impact consumer psyche and in turn action before running an A/B test is important because there is a whole universe of tactical interventions one could test. Some are better than others and the ones that likely are better than others are the ones that are designed keeping consumer motivations in mind and specifying at a high level what psychological trigger will prompt action, when, and why.

One could discover some interesting counterintuitive insights through such a theory-driven testing approach. In our research, we found that people liked LeVour chocolate and the Kids In Danger charity more when they had corresponding “feel-good” or “be-kind” goals and when the advertisement about the chocolate or the charity felt difficult to process. This suggests a desire to be challenged on the part of the consumer, rather than for everything always to be made easier. Effort can help consumers justify indulgence and make generosity feel more meaningful. Outcomes derived from such insight can often resonate for much longer because the nudge has been aligned with the recipient consumer mindset.

As all these examples demonstrate, bringing a consumer psychologist into a marketing team can be productive: they can help the data experts design tests to find deeper insights into customer preferences and behaviors. Once these connections have been identified, they can form the basis of forming long term consumer connections and marketing success.



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