Observing Consumer Behavior: Past, Present, and Future

Introduction
Observing Consumer Behavior: Past, Present, and Future

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Overview

» Who is the consumer?
» Why study consumer behavior?
» How do we study consumer behavior
  – Surveys, forums, focus groups
  – Observational / Ethnographic studies
  – Rational thinking vs. emotional reaction

Past methods
Current focus
Future technologies

Greater market share
Higher sales
Happier customers
Who is the consumer?

*Individual, or group, who selects, secures, uses, and disposes of products, services, experiences or ideas to satisfy a need(s).*

» What do we want to know?

- What is purchased?
- Why?
- When and where?
- How is it used?
- How often purchased?
- Satisfaction?
Segmenting the consumer

» Why is this important?

– You must know who to recruit/observe in order to:

Meet the needs of a specific market

Accurately target that market

Get your message to that market

Be appealing to that market

Continue to appeal to that market
Why study consumer behavior?

Today, more than ever, consumers are presented with MANY options.

January 2015: Top Apple and Samsung Phone Models (based on web traffic)

- 37% - Apple iPhone 6
- 27% - Apple iPhone 5
- 18% - Samsung Galaxy S5
- 7% - Apple iPhone 1-4S
- 6% - Apple iPhone 6 Plus
- 5% - Samsung Galaxy Note 3
- 2% - Other

How do you stand out from the crowd?
Fill a need!

» Maslow’s Hierarchy of Needs

**Products**
- Hobbies, travel
- Cars, Credit cards
- Clothing, grooming
- Insurance, Retirement
- Medicine, Groceries

**Examples**
- Army: “Be all that you can be”
- Lexus: “The pursuit of perfection”
- Venus razors: “Reveal the goddess in you”
- Allstate: “You’re in good hands with Allstate”
- Cheerios: “Bee Heart Healthy”

» Marketers can focus advertising appeal on specific needs shared by large target markets

» A product can fill more than one need
How do we know what the consumer wants?

» Need to study behavior!

**Consumer Behavior:**
ALL activities undertaken when *obtaining*, *consuming*, and *disposing of* products and services
What factors affect the consumer?

Factors Influencing Consumer Behaviour

Psychological
- Motivation
- Perception
- Learning (memory)
- Beliefs and attitudes
- Personality and self-concept

Personal
- Age and lifecycle stage
- Occupation
- Education
- Economic situation

Social
- Household type
- Reference groups
- Roles and status

Marketing programs
- Marketing objectives
- Marketing strategy
- Marketing mix

Buyers’ responses
- Product service and
- category selection
- Brand selection
- Reseller selection
- Purchase timing and
- Repurchase intervals
- Purchase amount

Lifestyle

Experiences

Cultural
- Culture
- Subculture
- Social Class

Environmental influences
- Economic
- Technological
- Political

BUYER DECISION PROCESS
How do we know what the consumer wants?

» Need to study behavior.... Modified.
3 aspects of consumer behavior

1. Thought processes/reaction
2. Intended behavior
3. Affect/emotion
Cognition – The Buying Process

1. Problem/need recognition
2. Information Research
3. Evaluation of alternatives
4. Purchase Decision
5. Post-Purchase Behavior
Why do we measure consumer thinking?

» Why do we care what people think?
  – They can tell us
  – Cheap and easy

How do we measure consumer thinking?

» Empirical knowledge
» Conjoint / Discrete Modeling
» Implicit Association Test (IAT)
» Data – numbers!
» Survey

A typical “Choice task”

<table>
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<tr>
<th>Type</th>
<th>Plasma</th>
<th>LCD</th>
<th>LED</th>
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<tr>
<td>Size</td>
<td>36 inch</td>
<td>40 inch</td>
<td>46 inch</td>
</tr>
<tr>
<td>Brand</td>
<td>Sony</td>
<td>Toshiba</td>
<td>Philips</td>
</tr>
<tr>
<td>Price</td>
<td>$499</td>
<td>$699</td>
<td>$899</td>
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“Attributes” Three “Product profiles” each of four attributes

“Levels” for each attribute
How do we gather data on consumer thinking?

» Are you measuring **opinions** or **behavior**?

- Can the respondent answer accurately?
  - **YES**
    - Interviews
    - Surveys
    - Focus Groups

- Can the relevant behavior be observed naturally?
  - **YES**
    - Observation
  - **NO**
    - Scanner Data
    - Experimentation
    - Physiological
Measuring opinions

Surveys – Focus Groups - Interviews

» Surveys

<table>
<thead>
<tr>
<th>Pros</th>
<th>Cons</th>
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</table>
| • Gather a lot of data  
• Reach many respondents  
• Inexpensive | • What do you do with the data?  
• Need a lot of respondents  
• Low response rates  
• Very susceptible to bias |

Often, people do not know why they feel the way they feel!
**Measuring opinions**

**Surveys – Focus Groups - Interviews**

» Focus Groups

<table>
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<th>Pros</th>
<th>Cons</th>
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</table>
| • Excellent for getting at broad issues  
• Allows for elaboration  
• Consumers can play off of one another  
• Target a very specific demographic | • Represent a small sample size  
• Worry over what others in the group may think  
• Need to remain aloof from discussion |

Ideal for very specific purposes, but not all
Measuring opinions

Surveys – Focus Groups - Interviews

 Interviews

<table>
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<tr>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Very in-depth</td>
<td>• Costly</td>
</tr>
<tr>
<td>• Personal interest stories</td>
<td>• Inherent bias from</td>
</tr>
<tr>
<td></td>
<td>researcher</td>
</tr>
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Useful, but very difficult to carry off effectively
Measuring opinions

» Surveys, Focus Groups, and Interviews
Purchase Intent is the extent to which a consumer will categorically estimate a purchase decision for some time in the future.

Which is most true about product X?
- I definitely would use product X
- I probably would use product X
- I might use product X
- I probably would not use product X
- I definitely would not use product X
Consumer thinking ➔ Consumer behavior

» Tap into consumers’ reasoning and logic
  – Numbers (sales, discounts)
  – Options (choices)
  – Visualization

GOLD STAR CLEARANCE
60-70% off
shop our hot new markdowns today

0%
So... we’ve figured out consumers!

But wait...
Measuring Consumer Behavior

» Why do we measure consumer behavior?
  – Because actions speak louder than words
  – Behavior does not always match what people think they will do

» Observation / Ethnography
  – Allows the consumer to act naturally
  – Technological advances = new research

Can the relevant behavior be observed naturally?

YES

NO

Observation

Experimentation
Measuring consumer behavior

» How do we measure consumer **behavior**?
  – Record, watch, and note the consumers’ behaviors

» Reduce subjectivity and make research more objective

- Collect videos of consumers in a natural environment
- Watch for and note events of interest
- Synchronize other data (Eye tracking, EEG, screen capture)
- Data on how the consumer used the product
Using The Observer XT: In-home Study

- Observe refrigerator usage in the home, over a 2 week period
  - Option 1: Survey
  - Option 2: Observe actual behavior

Who is in contact with refrigerator (father/mother/child)
What compartment (freezer/refrigerator)
What part (door/shelf 1/drawer...)
What is the posture of the person (squat/deep bend)
Type of interaction (open/close/load products/clean...)
What product is loaded/taken from the refrigerator
What package is the product in (bottle/plastic box...)
Using The Observer XT: Laboratory Study

» Observe consumers in a naturalistic restaurant; experiment with food presentation and how it impacts food choice
  – Option 1: Survey
  – Option 2: Observe actual behaviors

» Question:
  – Does presentation at the salad bar affect selection and buying behavior?

» Method:
  – Present buffet with different chicken sandwiches labeled:
    - NEW
    - Lower Price
    - Healthy

» Results:
  – Men preferred those labeled “New”
  – Women preferred those labeled “Healthy”
Which yogurt does a target demographic prefer?

- Option 1: Survey
- Option 2: Observe actual behaviors

Conclusion: Customers like yogurt A better than yogurt B
Measuring behavior: *Direct observation*

<table>
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<tr>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Very in-depth</td>
<td>• Can be costly</td>
</tr>
<tr>
<td>• Note exactly what the consumer does</td>
<td>• Requires time</td>
</tr>
<tr>
<td>• Note many activities</td>
<td>• A lot of data is gathered</td>
</tr>
<tr>
<td>• Little bias by researcher</td>
<td>• Requires <em>a priori</em> knowledge of</td>
</tr>
<tr>
<td>• Easily analyze large data sets</td>
<td>anticipated outcomes</td>
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For certain questions, this is the only real way to measure consumer behavior
So... we’ve figured out consumers!

But wait...

There’s no evidence whatsoever that men are more rational than women. Both sexes seem to be equally irrational.

Albert Ellis

Diagram:
- Cognition (thought processes)
- Personal & Environmental Factors
- Affect (emotion)
- Conation (intended behavior)

Result: Consumer Behavior
Why study affect/emotion?

» What is it about emotions that are worth studying?
  – Universally expressed
  – Unconscious, Non-declarative
  – Powerful

» We know that tapping into emotion works!
  – Branding/logos
  – Conditioning (jingles!)
  – Messaging
  – Feeling (color, cuteness)
How is emotion typically measured?

» Neuromarketing
» Storytelling
» Reaction time

But what about....

» The face!!
The face: a window into the mind

“His dress told her nothing, but his face told her things which she was glad to know.”
— A.A. Milne, Once on a Time

Are human emotions learned or innate?

- Charles Darwin
- Neuroscience: fusiform face gyrus
- Paul Ekman
Automatic analysis of Facial Emotion

- FaceReader: Automatically analyze facial emotion
- Classify 7 basic emotions:
  - Happy
  - Sad
  - Angry
  - Surprised
  - Disgusted
  - Scared
  - Contempt
  (plus a neutral)
Automatic analysis of Facial Emotion
A facial emotion case study

» A fragrance company uses FaceReader to study:

- **Immediate reaction**
  - Emotion displayed when the odor is first smelled

- **Habituation**
  - How emotion changes with continued exposure to the odor
Multiple ways to measure facial emotion

FaceReader

In person

User Experience

Product Research

Online

Ad Testing

leresearch.com
FaceReader validation for ad testing

» As hypothesized, ads that perform(ed) well showed significantly higher levels of Happy and a trend towards lower Anger than average- and low-performing ads.

» Average ads elicit less emotion in general
So... NOW we've figured out consumers?

» We’re getting there...

- Surveys, focus groups, interviews
- Demographic data
- Scanner data
- Consumer Behavior
- Automated facial analysis
- Coding software: observation & experimentation
- Cognition (thought processes)
- Personal & Environmental Factors
- Affect (emotion)
- Conation (intended behavior)
- Tracking studies
- Physiology/eye tracking

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