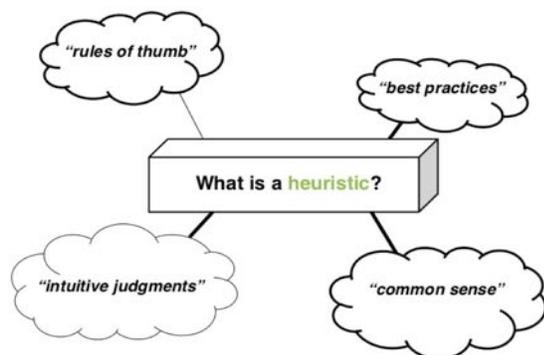




Understand Your Consumer, Faster



In the field of consumer research, researchers continually build models to understand consumer decision-making and their rationale in deciding what brands to use. Some methods seek to extract existing shortcuts in the consumer's mind, and the reasoning behind an individual's fast decision-making. This helps predict behaviors moving forward and can enable companies to build and update their brand and marketing strategies in a more deeply resonating and salient way. An often-overlooked methodology to reach these goals is the already understood and developed model of



<https://www.jeremysaid.com/blog/heuristics-for-conversion->

heuristics; Heuristics can be defined as a shortcut people subconsciously use to make decisions by basing decisions off previous knowledge and experiences. As human beings are said to be cognitive misers, we often make decisions as simple as possible by using heuristics. One way heuristics can be applied in marketing research is via conjunctive analysis. By employing a new way to design surveys, we can look more closely into why consumers choose one brand over another.

Here is a simplified version of how heuristics can be applied to understand consumer reasoning patterns in a purchase decision. For this example, let's assume a consumer is deciding whether to purchase the brand name, more premium priced, Tylenol (name brand) vs. private label Wal-Mart (store brand A), Walgreens (store brand B), CVS (store brand C) and Kroger (store brand D) pain medicine:



1. **How much would you pay for store brand pain medicine A and why?** — \$5.50, because store brand A is just a mediocre product
2. **How much would you pay for store brand pain medicine B and why?** — \$5.80, because store brand B is more reliable
3. **How much would you pay for a name brand pain medicine?** — \$5.60, because it's better quality than a store brand
4. **How much would you pay for another store brand pain medicine C, given that everything else remains the same but store brand C has better customer service than the store brand pain medicine A mentioned above?** — \$6, because it would be easier if I have any questions
5. **How much would you pay for another store brand pain medicine D, given that everything else remains the same but store brand D has faster-acting pain relief than store brand pain medicine A mentioned above?** — \$6.50, because the results are the most important factor

How can these 5 simple questions tell you what consumers are using as their secret criteria to judge *your* product? We found:

- Store Brand A (Wal-Mart) = \$5.50
- Store Brand B (Walgreens) = \$5.80
- Name Brand (Tylenol) = \$5.60
- Store Brand C (CVS) = Better customer service than A (Wal-Mart) = \$6
- Store Brand D (Kroger)= Faster-acting pain relief than A (Wal-Mart) = \$6.50

We can then find three pairs of questions, by keeping everything equal and only changing one variable (the brand), to see the resultant effect on willingness to pay.

First pair: 1 & 2. By comparing answers of the same person to these two questions, we understand how much more he/she is willing to pay for a pain medicine within the category of store brands. By taking the difference in price, here it would be 30¢ or 5.5%, and the reason given was 'reliability.' Thus, reliability can provide a 5.5% increase in consumer willingness to pay. *Note: Additional data should be gathered here, as this example is based on the simplified sample data point of one consumer's response. Surveying a large sample size is needed to understand the average change in willingness to pay for 'reliability.'*

Second pair: 1 & 3. By comparing answers of the same person to these two questions, we understand how much more he/she is willing to pay for a name brand pain medicine over a store brand. By taking the difference in price, here it would be 10¢, or



1.8%, and the reason given was 'quality.' Therefore, perceptions about quality can result in a 1.8% increase in consumer willingness to pay. *Note: When taking the difference in price, use a "typical store brand" or the average price of several store brands to ensure the store brand noted (e.g. Store Brand A in Question 1) is not the exception.*

Similarly, a **third pair** arises from questions **1 & 4**, where we note that consumer service results in a 50¢, or 9.1%, price increase. We can deduce that the consumer cares about customer service and being able to ask questions. Can you find the fourth pair? *

As this example illustrates, we can use a simple questionnaire to extract what factors consumers use in their decision-making process and what affects their willingness to pay. Heuristics are too often overlooked as a research methodology to understand decision-making processes. They are an efficient tool that yields powerful results for branding and marketing strategies. When it comes to short time lines and/or tight budgets, we love employing heuristics in our work with clients to achieve optimal ROI.

Want to understand how and why your audience purchases certain products or services?

Contact us at info@abilitytoengage.com or follow us on Twitter [@AbilityToEngage](https://twitter.com/AbilityToEngage)

Can you find the **fourth pair? Questions 1 & 5. From this pair, we learn that the faster-acting pain relief results in a \$1.00, or 18.2%, price increase. We deduce that the efficacy (via faster-acting relief) is one of the most important factors to consumers in deciding which brand of pain medicine to purchase.*

References:

Haselton, M. G., Bryant, G. A., Wilke, A., Frederick, D. A., Galperin, A., Frankenhuis, W. E., & Moore, T. (2009). Adaptive rationality: An evolutionary perspective on cognitive bias. *Social Cognition*, 27(5), 733.

Kahneman, D., Slovic, P., & Tversky, A. (1982). *Judgment under uncertainty: Heuristics and biases*.

Russell, S. J., Norvig, P., Canny, J. F., Malik, J. M., & Edwards, D. D. (2003). *Artificial intelligence: a modern approach* (Vol. 2). Upper Saddle River: Prentice hall.