

How we like to think and the impact it has on what we end up buying

Segmenting consumers by decision making styles

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The recent popularity of behavioural economics has shed light on the fallibility of our reasoning as well as highlighted a need for deeper understanding of consumer decision making in market research. Principles from behavioural economics are currently being widely adopted throughout the market research industry both to re-evaluate our methodologies as well as to support the findings and recommendations from primary research projects. However, behaviour change strategies such as framing and anchoring affect certain people more than others, so we need to understand more thoroughly how our consumers think before giving guidance to our clients.

As researchers, we know that consumers are not all the same so we use demographic, socioeconomic and psychographic measures to get under their skin. These factors might indeed explain what, where and how consumers buy (and even a little bit about *why* they buy), but we are often still left guessing how we can best influence their behaviour, and more importantly how to predict how consumers will react to marketers' attempts to persuade them. We know that consumers have different tastes, attitudes and values, but so far we have assumed that they all make decisions in largely the same way. But do they?

We're all irrational, but in different ways

So far, most of the discussion around behavioural economics in market research has focused on the impact of contextual factors such as framing or priming on how we make decisions. However, this assumes that behavioural economics phenomena operate similarly amongst all consumers.

In fact, decisions are influenced not just by contextual factors but also by the psychological characteristics of decision makers. Extensive scientific literature over the past 20 years has documented the impact of these individual traits, which influence *high level motivation strategies* such as how quickly people want to make a decision as well as the amount and type of information they seek beforehand. These characteristics are instrumental to the decision maker rather than specific to each decision but are likely to vary based on the type of decision being made.

While there is no question that situational factors do significantly influence decision making, psychological differences moderate *the strength* of these factors for each individual. Therefore it is not enough to merely integrate an understanding of the contextual factors into market research to determine the best ways in which to influence and persuade consumers.

The four horsemen of cognitive goals

When making a purchase decision, consumers are guided by what best meets their personal goals for that situation. These goals can be divided into temporary and permanent goals: temporary goals are things like 'I want to go on holiday' where as permanent goals are related to how someone's mind works.

These permanent, cognitive goals can also be described as individual motivational traits that guide people and characterise how their mind works, influencing how much consumers think about products or marketing messages, how they use cues and arguments in making their decision and most importantly how marketers can influence their decisions.

The four most important motivational traits for market researchers and marketers are:

- need for cognition,
- need for cognitive closure,
- need for affect, and
- need for uniqueness.

All of these guide consumers' decisions in fundamental ways. These motivational traits affect what types of communications they find most persuasive, how much effort they spend on finding information before a purchase, how they interpret the information they find and what types of marketing tactics are most effective. For example, consumers who have a high need for cognitive closure have a desire to make quick decisions by simplifying their decision making process and limiting the amount of information they look for because they feel uncomfortable with the ambiguity before making a purchase decision. This makes them more likely to use heuristics and simple cues such as substituting price for high quality as well as more susceptible to anchoring and framing effects. For these consumers, marketers need to emphasise simple and tangible attributes (such as leverage country of origin as a quality cue) to facilitate their purchase decisions. Likewise, humorous advertising is more likely to work for those who have a low need for cognition (the extent to which someone engages in and enjoys thinking).

Segmentation by thinking style as a solution

While there is considerable support in the scientific literature for the influence these traits exert over consumers' decision making, to date no market research tools exist that allow them to be used for segmentation and profiling. We've developed a methodology that allows us to detect the predominant thinking styles in different customer groups and understand which marketing tactics will work best to influence them. Built on years of academic psychology research and widely validated psychological research instruments, the inclusion of this kind of motivational profiling adds a deeper level of understanding consumers' needs in addition to demographic and psychographic measures. By adding this layer to segmentations we can more accurately predict how different groups of consumers will react to marketing activities such as advertising and pricing, and provide genuinely actionable recommendations for our clients.

For example, gaining an understanding of how a particular brand's users typically make decisions we can have more confidence in the recommendations we make to our clients on which marketing activities they should pursue to influence consumers' behaviour most effectively. Additionally, as these traits have considerable influence on purchase decisions, including these tools enables psychologically matched samples which will help provide consistency across research projects.

We currently profile consumers on demographic and socioeconomic characteristics, yet these factors often affect decision making less than one's psychological set up. While attitudes, values and tastes play an important role, persuasion strategies do not work for all consumers in the same ways. Just as consumers differ in tastes and preferences, they also differ in the way they make decisions. How we like to think in any one situation will impact on the resulting choices we make. To effectively persuade consumers, we need to understand these deeper motivations so that we can uncover the most effective marketing triggers for influencing behaviour.

About the author



Elina Halonen is co-founder and partner at The Irrational Agency which combines market research with behavioural economics and consumer psychology to advise companies on pricing strategy. An experienced researcher with a number of years under her belt in commercial research, she also conducts academic research and regularly presents at international psychology conferences. Most recently, she won the 2012 International Journal of Market Research Young Research Writer Award for her work on developing an improved way to measure brand personality.