

Cracking the Code

**Leveraging Consumer Psychology
to Drive Profitability**

STEVEN S. POSAVAC, EDITOR



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Introduction

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Steven S. Posavac

The mind of the consumer is complex. Numerous contextual influences interact to drive individuals' deliberations about products and services, and the processes that govern how and when individuals decide to pull the trigger on purchases are both varied and fluid over time and across consumption situations. Moreover, as if the contextual influences on consumerism were not extraordinarily unwieldy in their own respects, consumers are neither blank slates nor carbon copies of each other. Instead, each individual has a host of unique attributes and experiences that influence his or her consumption-related judgments and decisions.

The complex nature of consumer behavior, of course, is why successfully managing a business is so difficult. To win in the marketplace one's strategy must be predicated on accurate predictions of how consumers will react cognitively, emotionally, and ultimately behaviorally, both to products and to product-related communications. Unfortunately, all too often managers fail at the tasks of predicting and influencing consumer behavior. Marketing research, if conducted at all, often misreads potential consumers. New product introductions critical to firms' futures fall flat up to 90 percent of the time, according to some estimates. Predicting and influencing consumers' behavior is made all the more difficult because consumers often are not consciously aware of the factors influencing their thoughts and actions.

Although understanding, predicting, and influencing consumers' behavior is a difficult trifecta to be sure, managers have access to a potentially extraordinarily powerful tool that currently is underleveraged: consumer psychology. Consumer psychologists have produced a wealth of insights that explain how consumers form judgments and make decisions. Such study is intrinsically important because of the key role that consumerism plays in the human experience. If, however, the study of consumer psychology extends

only to the level of basic science, researchers take the risk that their science will be impotent and without impact. For consumer psychology research to add tangible value, it is essential that we consider how consumer psychology can be leveraged to help managers be more successful in their jobs and thereby facilitate organizational outcomes.

Unfortunately, there is currently a deep disconnect between the outlets in which consumer researchers publish their insights and the organizations in which marketing is practiced. The result is that the science of consumer psychology is currently being underutilized. Given what would appear to be an enormous potential for consumer psychology knowledge to enhance managerial effectiveness, why does this disconnect between science and practice persist? One key contributor is the fundamental difference between consumer psychologists' and managers' production goals. For consumer psychologists, both intrinsic thrill and professional reward result from advancing knowledge regarding the science of thought and behavior. The relevant product is research published in top journals such as the *Journal of Consumer Psychology*, the *Journal of Consumer Research*, and the *Journal of Marketing Research*. Marketing journals do a great job of ensuring that the research results that appear in the literature are novel and internally valid. That is, when reading a paper in a top journal, one can be confident that the effects or tendencies reported are current and real, and can be replicated by other researchers. Moreover, for a paper to be accepted for publication in a top journal, it is necessary for the authors to provide empirical evidence of a new phenomenon, as well as to document the psychological processes that drive the phenomenon.

The problem is that uncovering a novel finding about consumer behavior is not in and of itself helpful to a manager trying to move a product. Indeed, the way our journals operate is not conducive to the production of research that can be easily and confidently applied. Top journals require such precision in the nailing down of new findings that the paper ultimately must be extremely narrow to meet a journal's requirements. On a related note, the contexts investigated in most consumer psychology journal articles are limited, the range of consumer behaviors studied tends to be small, and the effects of numerous variables that may affect behavior but that are not the focus of the research are held constant in the interest of maximizing scientific integrity. In the real world, of course, there is not much that is held constant; there are many influences on consumers' behavior that simultaneously affect their choices. Moreover, managers have myriad tasks that demand attention, and multiple dials that can be turned and levers that can be pulled. It is the rule rather than the exception that all of these variables interact in complex ways that are typically beyond the scope of any one piece of consumer psychology research.

The purpose of this book is to bridge the gap between academic research in consumer psychology and managerial practice. The authors each started with a bird's-eye perspective on given themes in the consumer psychology literature and distilled a set of implications for action that can immediately facilitate managerial decision making. When we broaden our focus from a single finding or a closely related set of experiments, general implications for the practice of management may emerge. Each of the chapters in this book thus provides an overview of a research stream, which in most cases covers several decades of inquiry. When one takes this approach, the limitations that would constrain any single article are lessened. Although the consumer contexts considered in a given article are limited, the contexts studied in fifty articles are varied. The number of variables explored in any one study is small, but many variables are studied across a large literature.

From this broader view, the authors in this book have been able to glean pearls of wisdom for marketing practitioners. The chapters identify the key findings that have emerged in a variety of crucially important research streams and summarize what these insights into the mind of the consumer mean for managerial action. Bernd Schmitt's incredibly insightful chapter is targeted to academics. Schmitt argues for the importance of relevant consumer psychology research, and offers a framework for crafting research with organizational value.

The subsequent chapters are written for managers who aspire to leverage consumer psychology to improve the effectiveness of their organizations and academics interested in the real-world applications of our science. Hoeffler and Herzstein discuss the body of knowledge regarding best practices in the management of really new products. Posavac, Sanbonmatsu, and Jain review the growing body of knowledge documenting consumers' tendency toward tunnel vision in thinking about products and services, and offer a series of tactical suggestions for managing the marketing mix.

Several chapters cover issues in marketing communications and advertising. Brumbaugh discusses how to best craft advertising appeals to diverse consumers, as well as how to coordinate ethnocentrically targeted and mainstream marketing efforts. Xie and Boush provide a comprehensive review of what is and what is not deceptive advertising from legal and empirical perspectives, and offer managerial guidance for crafting advertisements that persuade without crossing the line to deception. Bao, Zhang, and Simpson summarize how to coordinate verbal and visual information in print ads, especially for communications regarding imported products. Hsieh, Blower, Li, Jain, and Posavac provide a comprehensive review of what is known about comparative advertising, allowing managers to assess whether a given

communication situation is appropriate for a comparative advertising strategy, and if so, how best to design the advertisement or campaign.

Researchers investigating the experiences consumers have with brands and how they create and interpret stories regarding their brand experiences are quickly generating knowledge that is immediately applicable to brand management. Brakus, Schmitt, and Zarantonello discuss a truly paradigm-changing way to conceive of branding and marketing communications in their chapter on experiential marketing. Escalas summarizes how consumers make sense of their brand experiences by constructing brand stories, as well as how managers can leverage consumers' tendency to think about brands in terms of narrative to maximize brand performance. Kwon and Sung delve into the rapidly evolving realm of social media and consider how consumer-generated product reviews affect other consumers and the implications for marketing management.

Two chapters focus on how to better generate consumer insights to drive organizational performance. Cronley, Kardes, Mantel, and Deval discuss the difference between attitudes that are measured in research versus those naturally occurring in consumers' minds, and how to conduct research that is more accurate and more valuable to the organization. Powers presents data showing that consumer negativity is not simply the absence of satisfaction, but instead is a toxic condition that must be avoided if possible and well managed if present.

To maximize one's effectiveness as a manager, it is essential to understand the forces that drive individuals' consumption behaviors. Many of these forces are ethereal and not readily observed. In some cases, consumers themselves may not have a clear appreciation of the determinants of their perceptions, judgments, and choices. Martinez, Cataño, Quintanilla, and Reimann discuss nonconscious processes in consumer behavior and what their implications are for management. Fennell presents a model of consumer action that considers how individuals seek to improve their condition through consumption behaviors.

It is clear that consumer psychologists have a lot to share. Researchers are studying the phenomena that drive business success and failure, and are doing it very well. The knowledge consumer psychologists generate can be of enormous value to managers and, hence, organizations. It is incumbent on researchers to disseminate what we know about the hearts and minds of consumers in formats that can be readily put into action by those on the front lines of business. It is my hope that this book will be an important step toward that goal.

I thank the authors for their efforts, the Owen Graduate School of Management at Vanderbilt University for sponsoring and hosting the conference at

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Cracking the Code

1

Bridging Theory and Practice

A Conceptual Model of Relevant Research

Bernd Schmitt

Merriam-Webster.com defines the word “relevant” as “having significant and demonstrable bearing on the matter at hand.” The word “applicable” is listed as a synonym, noting that “applicable suggests the fitness of bringing a general rule or principle to bear upon a particular case.” The word “relevant,” however, is distinguished from “applicable” in that “relevant implies a traceable, significant, logical connection.”

Assessing research in the field of consumer psychology as applicable and/or relevant to business, I would say that most consumer psychology and consumer behavior research is, at best, applicable to some narrowly defined area of business. However, I feel that very little research has had a significant and demonstrable impact on business and thus proven its relevance.

As Harter (1992) noted, relevance is more complex than applicability (or topicality): “a phenomenon that is relevant changes the matter in some way; it adds information, or decreases information, offers a new perspective, or causes other kinds of cognitive change” (pp. 602–3). Change is also at the core of Sperber and Wilson’s (1995) discourse-based relevance theory. Relevance is accomplished if the exchange of ideas between parties results in changes in the assumptions of both parties and large contextual effects (Sperber and Wilson 1997; Wilson and Sperber 2005). Whereas applicable research may vaguely relate a theoretical topic to a topic in business practice, relevant research offers more significant opportunities for both researchers and business leaders—opportunities to drive change, add valuable insight, provide new frameworks, and offer new ways of thinking and deciding. To secure such

benefits, however, we need to build a bridge between theory and practice and engage in relevant research.

In this chapter, I present a conceptual model of relevant research geared toward the interests of consumer psychologists and consumer behavior researchers affiliated with business schools. I explore specifically the bridge between consumer psychology and behavioral theory to business practice. The relevance issue of consumer psychology research is of course broader, and concerns additional constituents besides businesses (such as consumer groups, nonprofit organizations, and government agencies).

Before presenting the model, I review various perspectives and debates on relevance, ranging from views on relevance in the field of marketing to Kurt Lewin's action theory and the external validity debate.

Relevance in Marketing

Over the last few decades, the issue of relevance has arisen every few years in the field of consumer behavior and in the broader field of marketing. Interestingly, some consumer researchers and marketers would not share my view of our discipline's lack of relevance. For example, Varadarajan (2003) presented a passionate argument for the relevance of marketing research, writing that "from A to Z, practically every topic that is the focus of scholarly research in marketing (e.g., advertising, branding, channels, distribution, e-commerce, franchising, global marketing, innovation, marketing ethics, new product development, pricing, quality, retailing, sales promotion, and strategy) is either integral to the practice of marketing, has public policy implications, or affects society at large" (p. 369). However, are the topics listed by Varadarajan really the focus of scholarly research in marketing, or, for that matter, of concern to consumer psychologists and behavioral researchers? Do articles in consumer psychology and consumer behavior journals really contribute to such topics and provide solutions to practitioners' decision issues?

A quick perusal of the titles of articles published in one of the leading consumer research journals, the *Journal of Consumer Psychology*, suggests that this is not the case. Here are the titles of the top 10 cited articles published in the previous five years. (The journal extracted this information from Scopus on July 25, 2010.)

- "Construal levels and psychological distance: Effects on representation, prediction, evaluation, and behavior"
- "A theory of regret regulation 1.0"
- "The unconscious consumer: Effects of environment on consumer behavior"

- “The ties that bind: Measuring the strength of consumers’ emotional attachments to brands”
- “Feelings and consumer decision making: The appraisal-tendency framework”
- “Reflective and impulsive determinants of consumer behavior”
- “The role of conscious awareness in consumer behavior”
- “Free will in consumer behavior: Self-control, ego depletion, and choice”
- “A meditation on mediation: Evidence that structural equations models perform better than regressions”
- “Taboo trade-offs, relational framing, and the acceptability of exchanges”

Note that only one article—the one focused on the emotional attachment to brands—refers to a pertinent marketing topic identified by Varadarajan (2003). All the other articles seem to follow strictly and narrowly the aims and scope of the *Journal of Consumer Psychology* as stated on its website, which in fact shield consumer psychologists from conducting business-relevant research:

The *Journal of Consumer Psychology* is devoted to psychological perspectives on the study of the consumer. It publishes articles that contribute both theoretically and empirically to an understanding of psychological processes underlying consumers’ thoughts, feelings, decisions, and behaviors. Areas of emphasis include, but are not limited to, consumer judgment and decision processes, attitude formation and change, reactions to persuasive communications, affective experiences, consumer information processing, consumer-brand relationships, affective, cognitive, and motivational determinants of consumer behavior, family and group decision processes, and cultural and individual differences in consumer behavior. Most accepted articles contribute to or extend theory in psychology and consumer research by empirical research (often from lab or field experiments, though survey and other methodological paradigms are welcomed as well). Theoretical and/or review articles that integrate existing bodies of research and that provide new insights into the underpinnings of consumer behavior and decision processes are also encouraged.

To be sure, it is valuable that articles in a consumer psychology journal should “contribute to or extend theory in psychology and consumer research.” It is surprising, however, that there is no concern whatsoever about business impact, nor about applicability of concepts to any practical area. I would like to note that the *Journal of Consumer Psychology* is not alone in this. Other academic journals show at best a concern for potential applicability of concepts rather than true relevance.

Yet even if these articles are not directly relevant, they may still, as Varadarajan (2003) argued further, affect marketing practice “indirectly,” “latently,” “serendipitously,” or “ex-post,” as he put it. Moreover, research may follow some sort of variation of the familiar argument that Mendel’s bean counting led to genetics. (Gregor Mendel [1822–1884], an Augustinian priest, studied inheritance in pea plants and unexpectedly became the figurehead of the new science of genetics.) Indeed, as Lehmann (2003) observed, it may be “hard to predict when a piece of research will prove useful. For example, when a highly mathematical paper on the axioms of choice appeared in the *Journal of Mathematical Psychology*, few would have known that it foretold the development of conjoint analysis. . . . Today, conjoint analysis is one of the most widely accepted research tools for understanding consumer choice” (p. 4). However, how many such examples exist? How often does research coming out of the interests of the lonely dedicated scientist produce business impact? Should business schools support any kind of “bean counting” activities by marketing and consumer psychologists because of the slim likelihood of some potential impact in the future, no matter how small?

Or is there a way to increase the probability of impact and thus decide which research may be, more or less, relevant to business? Most important, can we develop a model of relevance that would enhance the probability of such success? The latter concern is the goal of this chapter.

Irrespective of academicians’ view of how relevant their research is or potentially might be, there is, unfortunately, increasing evidence that business managers care little about what marketing academics do. In an empirical study of experienced marketing practitioners in a business-to-business context, Ankers and Brennan (2002) found that the marketers knew little about academic research and felt that academicians did not understand the realities of business life and could not communicate effectively with managers. Brennan and Turnbull (2002) identified barriers to collaborations, including different attitudes toward research, dissimilar aspirations and goals, and incompatibilities in the reward and promotion systems.

Also, McAlister (2005) argued that “emerging consumer behavior researchers,” that is, doctoral students and junior faculty, believe they cannot publish their work in top-level journals when their work is managerially relevant. Moreover, she argued that some influential scholars are outright disdainful of managerially relevant consumer behavior research. McAlister seems to point to a self-sustaining culture of pure research that does not approve of conducting relevant research and erects barriers to get relevant work published in academic journals.