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Introduction: hit-or-miss consumer insights

Book section

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Why People (Don't) Buy:
GO and **STOP** Signals

December 02, 2014

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ZERO

HIT-OR-MISS CONSUMER INSIGHTS

Behavior is Context Dependent

Improving In-Store Experience

Hit. In the first decade of this century, Ron Johnson, a Harvard MBA had built a formidable reputation as a brilliant retail executive. His laser-sharp focus on improving the in-store customer experience yielded rich dividends at Target. It transformed Target from just-another-discount-store to a unique store brand that sells chic yet affordable products. Target became Targé under Johnson's stewardship. Not just at Target, the same focus on customer experience during Johnson's tenure at Apple made Apple Stores, including the Genius Bar, a runaway success and one of the most profitable retail outlets in the country. A similar focus helped him improve patient experiences and outcomes at a Stanford University hospital.

Miss. Inexplicably however, during Johnson's tenure at JC Penney, the same strategy led to a 25% drop in sales and over \$500 million in losses in a single year and culminated in Johnson's firing in a little over fourteen months.

Launching a New Pack

Hit. When Nabisco executives introduced the new "100-Calorie Pack" packaging format for their cookies in 2004, it was an unqualified success and competitors rushed to copy this packaging innovation. The end result was a boom time for snack food brands with sales of 100-calories packs of cookies reaching the \$200 million-a-year mark by 2007, even though they often charged a 250% price premium over regular packs of cookies.

Miss. However, at the height of this 100-calorie pack frenzy in 2007, when Ocean Spray introduced a 100-calorie pack for their "Craisins" snack, it was such a failure that it was ultimately withdrawn from the market.



Bottom-of-Pyramid Strategies

Hit. Tata, a large multi-industry Indian conglomerate with worldwide operations, harnessed its excellent in-house engineering skills in order to reduce costs and introduce many successful innovations for Bottom-of-Pyramid (BOP) consumers. These innovations ranged from bringing low cost electricity and steel to the BOP customer to providing low-cost, yet highly effective water purifiers (e.g., the “Swach” brand) and fortified energy drinks (e.g., the “Activate” and “Glucos Plus” brands). Lowering the price for the BOP consumer led to many successes for Tata and bettered the lives of many impoverished BOP consumers.

Miss. Yet, this single-minded focus on reducing the price for the BOP consumer, proved to be an unequivocal failure when it came to the Tata Nano car, which, at a sticker price of \$2000, was heralded by the world press as the “World’s Cheapest Car” solution for the BOP consumer. Before Tata Nano, the Indian BOP consumer was stuck between the Scylla of unsafe, weather-susceptible two-wheeler driving conditions and the Charybdis of unaffordable, \$4000-plus automobile prices. Tata Nano, targeted at this customer, was expected to storm the Indian market and sell hundreds of thousands of units. To put this failure in perspective, consider that a paltry 509 Nanos sold in November 2010 (3 years after its launch), at a time when automobile sales in India had reached more than 200,000 units per month.

This hit-or-miss pattern is not restricted to consumer markets; it is equally widespread in the public policy domain. There are several examples of a policy intervention leading to spectacular success in one domain, but resulting in colossal failures in other domains.

Convenience Enhancing Technologies

Hit. Making it easy for consumers to order products and services from the convenience and comfort of their homes has increased consumer participation in the marketplace and led to the success of several online giants like Amazon, eBay, and Fresh Direct, to name a few.

Miss. Allowing people to cast their votes in a secure manner from the convenience of their homes completely backfired for the Swiss. Ironically, the presence of home-based (i.e., postal or online) voting significantly *reduced* voter turnout in Swiss cantonal elections from 1971 to 1999.

Monetary Incentives

Hit. Governments have always used monetary carrots to encourage socially desirable behaviors. Providing monetary incentives have allowed governments all over the world to successfully encourage their citizens to buy hybrid cars, recycle plastic bottles, and build energy-efficient homes, to name a few.

Miss. Monetary incentives, however, not only failed to spur blood donations, they, in fact, *decreased* blood donations in 2007 at the Regional Blood Center, Sahlgrenska University Hospital in Gothenburg, Sweden. Similarly, up until 2011, the UK government's sizable monetary incentive for homeowners to insulate their homes properly (in order to reduce energy waste) was not successful.

Monetary Fines

Hit. In a similar vein, governments all over the world have successfully used monetary fines to curb socially undesirable behaviors like late payment of taxes, littering, and smoking in public spaces, to name a few.

Miss. Monetary fines, however, backfired when the UK government started charging its residents a small penalty for the non-recyclable trash that each household was disposing off every month. The program proved so unpopular that it had to be ultimately withdrawn. In yet another instance documented in Israel, charging parents a monetary fine for picking up their kids late from daycare actually *increased* late pickups.

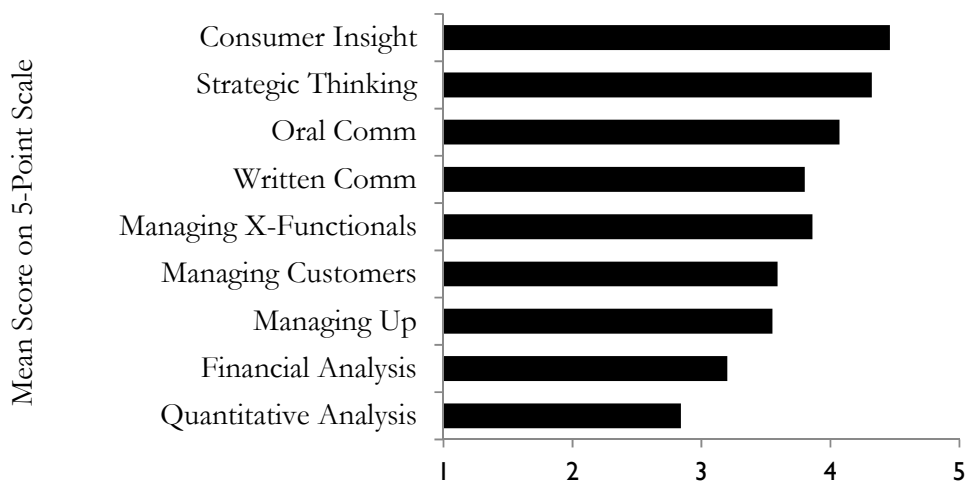
Consumer Insight: The Fountainhead of Marketing Decisions

Consumer insight is the fountainhead of marketing decisions.

In 2012, two MBA students at Cornell University – Mike DeCoste and Suman Dasgupta – were enlisted to help design the marketing curriculum at their university by finding out what skills are required for a successful marketing career. They conducted a survey of marketing managers. They did not expect a conclusive answer to the question; what drives career success is far too broad and nebulous a question to be conclusively answered by one study. Nevertheless, the insights generated by even attempting an answer seemed promising. So Suman and Mike began by doing one-on-one exploratory interviews with managers at middle and senior management positions.

Based on the insights from these interviews, they came up with an exhaustive list of skills that are considered relevant for marketing positions. Then they designed a survey to rank the relative importance of these skills. The survey was administered to the members of several professional networks. Fifty eight managers at different stages of their careers – Associates, Managers, Directors, and Executives – completed the survey. Not surprisingly, the largest representation was from marketers in the consumer packaged goods industry (41%), although other types of marketers, notably business-to-business marketers (17%) and service marketers (13%), also responded to the survey. Figure 0.1 below depicts a summary of the importance ratings collected on a 5-point scale.

Figure 0.1: Relative Importance of Various Skills for Marketing Decisions



1 = Negligible Importance, 2 = Low Importance, 3 = Average Importance, 4 = High Importance, 5 = Extreme Importance

Which skills matter the most? Identifying consumer insights, along with strategic thinking, and communication were the three skills that received the highest importance ratings for marketing jobs. Identifying consumer insights refers to the ability to identify new cause-and-effect patterns,

behavioral patterns that consumers themselves might not be aware of, to predict consumers' response to a marketing stimulus. Strategic thinking refers to the ability to formulate a long-term product portfolio and market strategy, factoring in competitive response, to guide profit and loss forecasts. And communication refers to the ability to prioritize the right elements of a message, to use the right tone, stories, metaphors, and body language to persuade internal and external stakeholders.

Although most managers believe that consumer insight is the fountainhead of marketing decisions, as the hit-or-miss vignettes in this chapter suggest, identifying consumer insights that will work in the marketplace is a challenge. Few managers can claim a very high hit rate in this area. A behavioral insight that leads to a successful marketing decision in one context can backfire and be a disaster in another context. An action designed to increase customer satisfaction can sometimes turn away the loyal customers.

Why such a disturbing pattern of hits-or-misses; what gives? Why does the same winning formula lead to consumer insight home-runs on some occasions and complete strike-outs at other times? There are 3 principal causes that have allowed this kind of a hit-or-miss pattern to persist, despite all the market research advances we have made in the last few decades. We discuss these three causes next.