The Commitment Economy

You can't always get what you want

We have long known that “I want” doesn’t always translate into “I get” – or even “I buy”. Theories of choice based on a combination of psychological preferences and situational factors most likely pre-date the ancient philosophers. In modern times this combination plays out in the difference between attitudinal and behavioural loyalty.

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Attitudinally loyal people will buy the brand to which they’re loyal if they can, resulting in behavioural loyalty. Yet there is many a potential barrier between attitude and behaviour. Sometimes situational market factors will nudge people towards an alternative. On other occasions these factors act more like a roadblock, flat-out preventing people from buying the brand they want. And sometimes, when people have no strong first choice to begin with, market factors themselves get to tip the scales in favour of one brand rather than another.

Understanding how these dynamics play out in real-world decision-making is essential for research to deliver meaningful analysis about a brand’s status, to identify opportunities and threats and explore the likely impact on consumer behaviour. Traditional brand research falls short because it does not reproduce the context that shapes behaviour. Although it can provide roughly accurate predictions at an aggregate level, it is ineffective at predicting what an individual will do – and why. Its contribution to meaningful brand planning is limited as a result.

Ben Blake
Marketing Controller, Nestlé Cereal Partners UK

“When it comes to brand tracking, one of the real frustrations is mismatches between what you hear in brand tracking and then what is actually happening in market with sales.”

The Commitment Economy explores brand and category dynamics in different categories across

17 markets

based on conversations with over

39,000 people

At TNS we have developed ConversionModel to reflect the combined role of situational factors (power in the market) and subjective brand preferences (power in the mind) in real-world human decision-making. We have refined the approach through a commitment to respondent-level validity (predicting what individual people will actually do) that involves asking a smaller number of questions that are far more focused on the factors that actually shape decisions. We then applied the new ConversionModel to exploring decision-making in a global study, The Commitment Economy, covering 17 markets worldwide. Through 39,000 interviews, we were able to quantify precisely the material impact that situational factors have on consumer choices – and the opportunity that exists for brands that can pull these marketing levers effectively.

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Understanding brand attachment – or power in the mind
A fuller understanding of how subjective brand preferences play out in the real world must begin with an understanding of how these preferences form in the first place.

Products become brands with appeal when they create affective memories in what's called the hippocampus. An affective memory is more than simple emotion; it involves the formation of neural tracks within the brain that then bias choices in what's known as the dorsolateral prefrontal cortex. These neural tracks form when brands become connected to the things that people care about. To properly understand the strength of a brand's subjective appeal, research must move beyond asking people what they think of that brand and its messaging – and investigate whether such affective memories are actually being created.

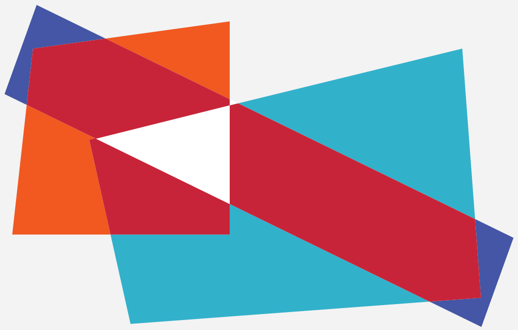
Neurological research shows how deeply embedded brand responses can become. In a 2004 study[1], McLure and others used fMRI[2] imaging to study brain activity whilst consumers took part in a blind taste test between Coca-Cola (Coke) and Pepsi. The brain activity showed people enjoying Coke significantly more when drinking from a labelled cup than when drinking the same product anonymously. The study concluded that while "Coca-Cola and Pepsi are nearly identical in chemical composition... humans routinely display strong subjective preferences for one or the other".

The limits of subjective urges
Subjective preferences may be strongly embedded but they must operate in the context of far more tangible influences on purchase decisions. This is where power in the market takes a greater role, deciding the extent to which consumers act on their preferences – and therefore the share that brands achieve.

Power in the mind

Building desire and demand for a brand

Power in the market



Creating an enviroment that helps customers to choose your brand

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The desire disconnect
One of the most startling revelations to emerge from The Commitment Economy study was the extent of the mismatch between people's preferences and their actions – what they want to do and what they actually do. In fact, in 42 percent of cases, people do not buy their preferred brand

The situation varies by category. It's no surprise that the disconnect is particularly high in the automotive sector, where aspirational disappointment is a familiar experience for most. While our preference might be for premium models and higher specification vehicles, we regularly defer these aspirations due to the practicalities of price, size and so on.

However, The Commitment Economy proves that the disconnect between desire and behaviour also exists in lower ticket, lower risk categories that consumers buy on a very regular basis. Hair care and laundry detergent, rank joint second in the desire disconnect stakes, with 43 percent of decisions not reflecting brand preference.

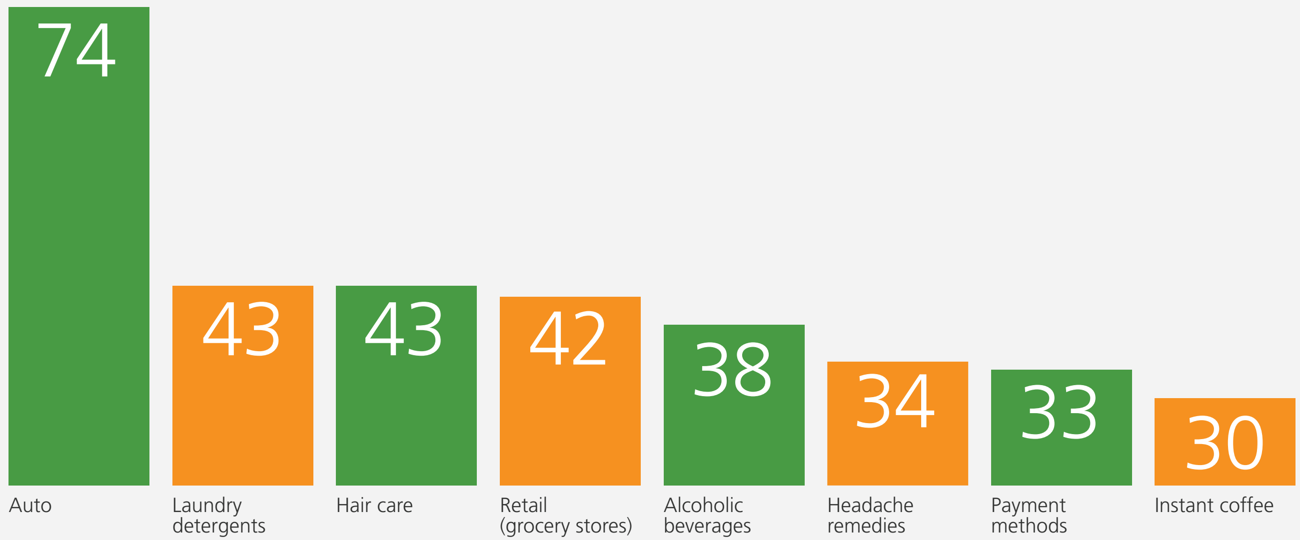
42%

of cases people do not buy their preferred brand

From a brand perspective, it's critical that we understand why consumers don't act on their desires and what this means for brands. It's important to bear in mind that brands can both benefit and be hurt by the disconnect between desire and fulfilment: they could create demand but lose out to competitors at the final hurdle – or they could be successfully nudging people towards buying them despite not being the preferred choice.

The mismatch between desire and behaviour varies across categories

% occasions



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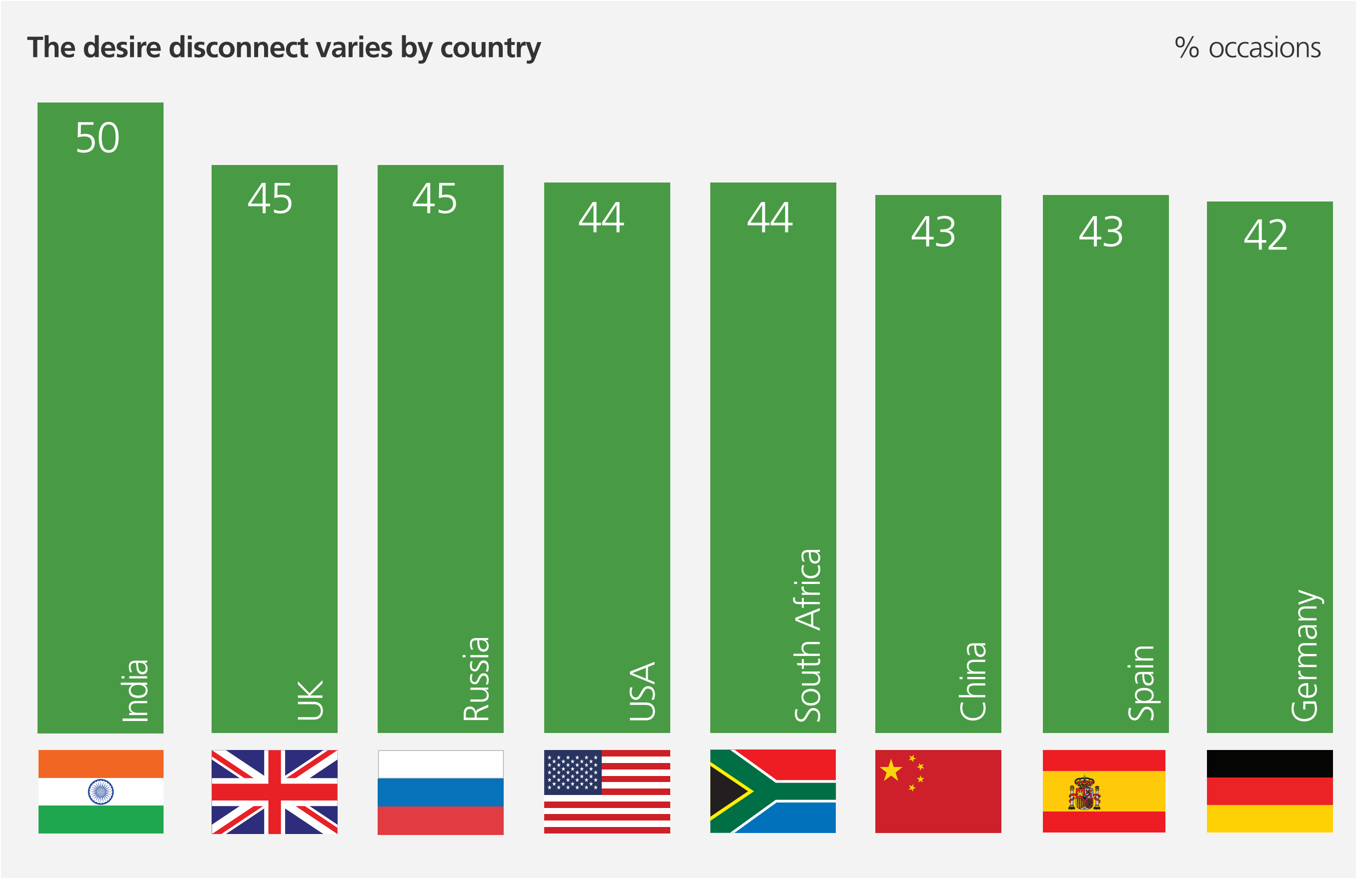
The desire disconnect varies by country, with the biggest gap in India where 50 percent of decisions or transactions do not align with preferences. But this isn't just an emerging market phenomenon: the US and UK also score above average when it comes to shoppers compromising on brand choice.



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Power in the market's three universal levers
Some categories have specific issues that force compromise on consumers, and account for a significant portion of the overall desire disconnect. And in many cases, brands' ability to affect these issues is itself constrained. With mobile phone networks and cable broadband providers, coverage or lack of it is a hugely significant market factor. Choices of airline are dictated to a large degree by routes and schedules. In other cases, brands invest in creating situations of exclusivity that ensure no choice takes place: McDonald's serving only Coca-Cola, for example, or United Airlines serving Starbucks coffee.

In general though, there are three universal market barriers that consistently influence decisions across markets, and which brands have the power to adjust. These three market "levers" are affordability, availability and shared decision-making. Affordability and availability are self-explanatory. Shared decision-making refers to the occasions when the person using the brand or making the purchase may not have sole responsibility for the decision. They might be buying a family brand to suit a number of different users or they may be setting aside personal preference to put others' needs ahead of their own.

Worldwide, 15 percent of all purchase decisions involve a compromise on the basis of affordability; availability influences choice on 6.5 percent of occasions; and shared decision-making affects 4.3 percent of purchases. These numbers may appear small, but in the context of brands' intensifying battle over share, a small incremental gain can have a significant effect on the bottom line.

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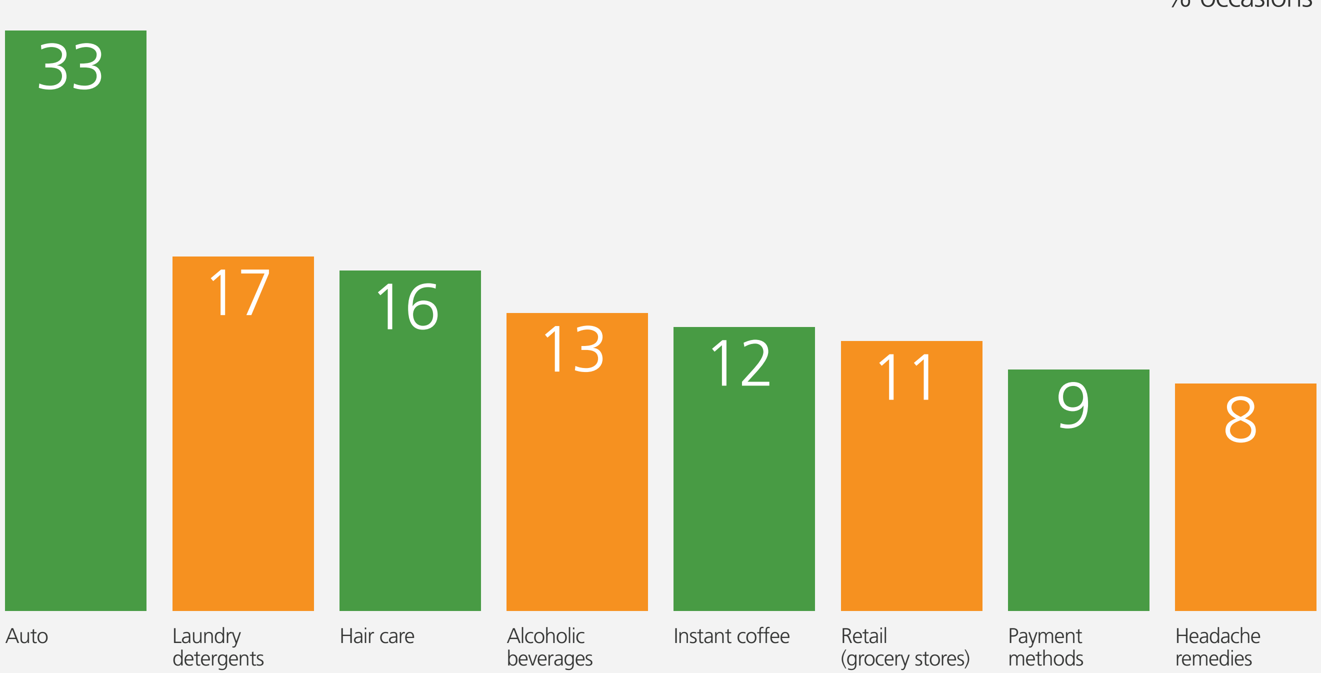
Affordability

Unsurprisingly, affordability is the primary constraint for car buyers, accounting for a third of all spend in the auto category going to brands other than a consumer's preferred choice. But affordability impacts categories like shampoo and laundry detergent too, affecting just under a quarter of purchase decisions in the US and UK laundry detergent markets, for example. The US brand leader Tide could gain 5.9 percent in share (USD$365.8m) if the brand were more affordable.

$365.8m

Tide has the potential to gain 5.9% share

Marketing levers: the impact of affordability



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Of course, price may be an easy variable of the marketing mix to manipulate in theory, but price and price setting are complex issues in practice. Price promotions and couponing can deliver short-term sales lifts, but they are not enough to prevent consumers returning to pre-promotion buying behaviour, once affordability constraints return. And it's important to remember that a brand's price also impacts on power in the mind, priming expectations of its quality and potentially altering consumers' experiences of it.

The position of Nurofen in the UK's headache remedy category shows how shifting perceptions of price can be more appropriate – and more effective – than shifting price itself. Nurofen is relatively stronger than paracetamol on key performance attributes such as "fast-acting", and "long-lasting". Communications focused on speed have played a role in reinforcing these perceptions of functional superiority, as has Nurofen's position as a premium brand with a price that primes expectations of a more effective remedy. Nurofen could unlock 2.4 percent growth and $23.1 million in revenue by increasing the perception of affordability, but it would constitute a risk to the brand to do this by cutting prices.

An alternative framing strategy that puts the price per tablet in the context of the price of a headache and its potential impact on personal performance could help to create a sense of urgency and at the same time heighten doubts about the efficacy of rivals.

Outside of FMCG categories, brands are able to employ a range of strategies to make a product's cost less painful. These include things like delaying payments – a well-established tactic for high-ticket items, but a strategy that works brilliantly with human psychology and loss aversion. Even a small delay in payment softens the immediate sting of parting with your cash, thereby removing a barrier to purchase.

Nurofen has the potential to gain

2.4%

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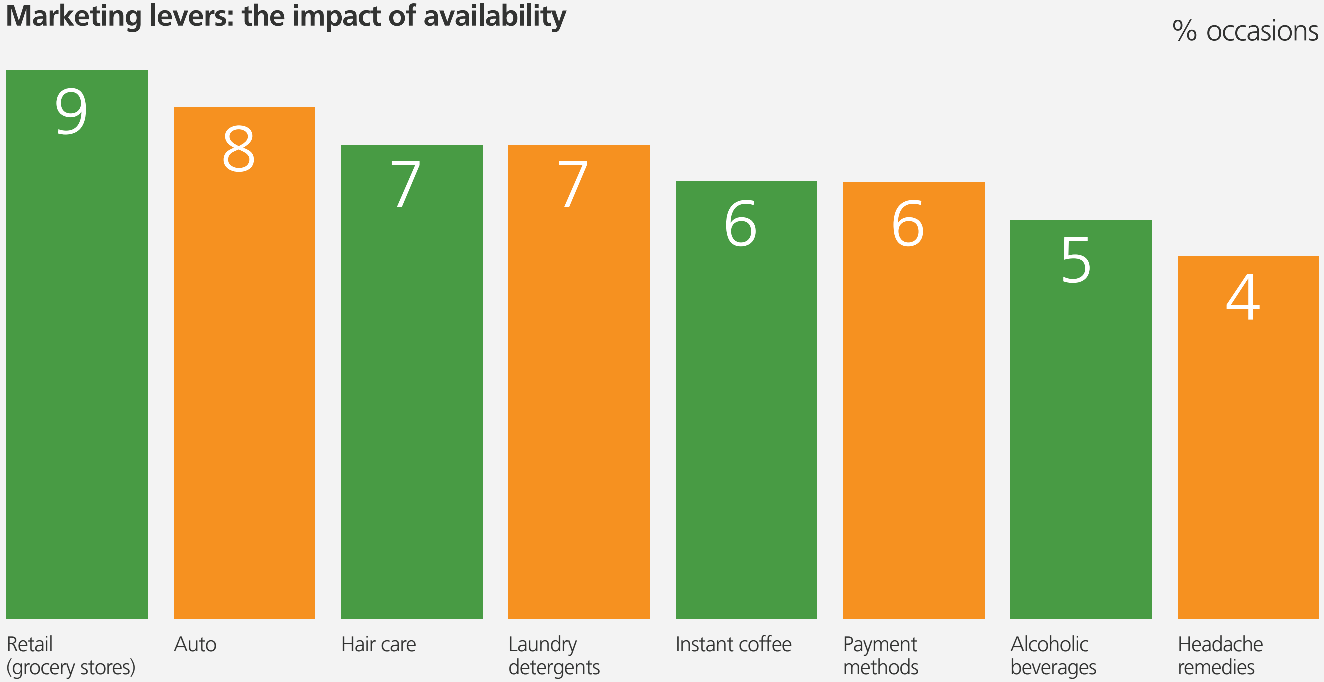
Availability

Although availability affects fewer purchase decisions than affordability overall, it can still have a significant impact, in particular for retailers. The location of stores has an obvious impact on shoppers' behaviour and there are different strategies available to address this.

In Brazil, the global retailer, Carrefour, uses Carrefour Express shops, smaller outlets closer to the consumer that seek to give it a foothold amid neighbourhood stores. Carrefour is also experimenting with creative solutions such as reimbursing shoppers for bus or taxi fares to persuade people to make longer trips to their stores.

In Indonesia, where Nescafé competes with the established brands Kapal Api, Torabika and ABC in the instant coffee market, the brand could take combined market share of 3.3 percent from its three rivals by addressing issues of affordability, availability and the right product mix. Of this potential gain, 2 percent comes through addressing issues of availability alone: making available the types of coffee that consumers prefer and making Nescafé's existing products easier to find where people shop.

Marketing levers: the impact of availability



As with pricing, availability can be a complex issue – and there are many factors beyond simple distribution that can affect shopper behaviour in-store, including the location of the product and category within the store, shelf position and visibility of the pack on shelf. Effective solutions often require pinpointing the precise stage of the path to purchase where availability becomes an issue.

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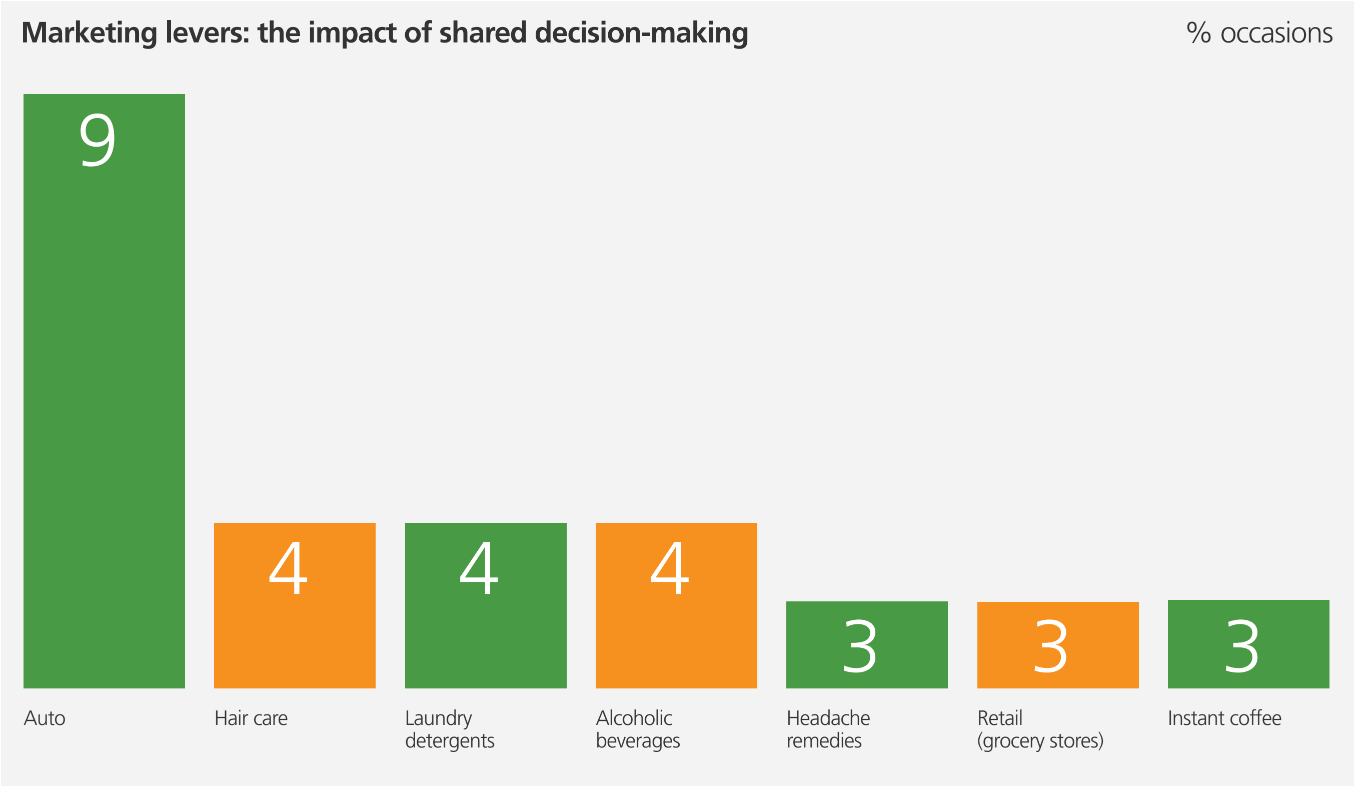
Shared decision-making
The final (and often the least-understood) universal lever is shared decision-making, by which consumers balance others' needs and preferences against their own.



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This pattern is most prevalent in emerging markets, where it is partly a function of limited disposable income for families – and the inability to purchase different products for different people.

However, shared decision-making is not simply affordability in another form: there are deeper underlying issues, which require a profound understanding of the cultural factors and perceptions that drive behaviour.

Shared decision-making is more prevalent in emerging markets % occasions

Family brands regularly use the lever of shared decision-making to override individual aspiration. In the context of developed markets, these brands are often perceived as cheap and heavily promoted alternatives in categories where people value propositions targeted at the individual. Conventional brand research in these markets tells us that, in personal care, a family brand undermines a woman's sexual identity; in home care, it undermines her ego. Yet family brands still play a dominant role in these developed markets, and are growing and thriving in emerging economies, particularly in Asia.

In fact, in family brands, we see an intriguing interplay between power in the mind and power in the market. On the one hand, it is practical to meet everyone's needs through one brand. On the other, being a careful mother and wife is itself an aspiration – and shared decision-making can tap into the genuine satisfaction that people achieve by performing this role. In India, Santoor has succeeded in combining femininity and family seamlessly and credibly in this way – and shows how a deeper understanding is essential for addressing the needs of shared brand users.

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Developing an informed framework for growth
Leveraging the holistic approach of the new ConversionModel has enabled The Commitment Economy study to quantify the disconnect between consumer desire and consumer action like never before. By taking into account the context in which people make decisions, the other brands available to them and the non-psychological factors that influence their choices, we are able to explain and predict consumer behaviour with far greater accuracy.

This is an essential foundation for brand research if it is to offer precise strategies to unlock growth. And the 42 percent of purchase decisions that currently involve a brand compromise represent considerable growth potential.

References

1. McClure, S.M., J. Li, D. Tomlin, K.S. Cypert, L.M. Montague, R. Montague (2004), "Neural Correlates of Behavioural Preference for Culturally Familiar Drinks," Neuron, 44.

2. Functional magnetic resonance imaging, or functional MRI (fMRI), uses MRI in order to measure brain activity through the detection of associated changes in blood flow (primarily done using blood-oxygen-level-dependent (BOLD) contrast). The technique allows for neural activity to be mapped in the brain or spinal cord of humans or animals by imaging the change in blood flow (haemodynamic response) related to energy use by brain cells.

About The Commitment Economy

The Commitment Economy is a global study conducted by TNS using ConversionModel to explore brand and category dynamics in different categories across 17 markets, based on conversations with over 39,000 people. It provides deep insights into emotional engagement, brand commitment and the real drivers of brand choice, identifying where the biggest growth opportunities lie for brands and how to exploit them.

About In Focus

In Focus is part of a regular series of articles that takes an in-depth look at a particular subject, region or demographic in more detail. All articles are written by TNS consultants and based on their expertise gathered through working on client assignments in over 80 markets globally, with additional insights gained through TNS proprietary studies such as Digital Life, Mobile Life and The Commitment Economy.

About TNS

TNS advises clients on specific growth strategies around new market entry, innovation, brand switching and stakeholder management, based on long-established expertise and market-leading solutions. With a presence in over 80 countries, TNS has more conversations with the world's consumers than anyone else and understands individual human behaviours and attitudes across every cultural, economic and political region of the world. TNS is part of Kantar, one of the world's largest insight, information and consultancy groups.

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Throughout her twenty year career Rosie has specialised in brand and communication research in both client and agency roles. Rosie joined TNS in Australia in 2000 to lead the Brand & Communication research division. After a regional role covering Asia Pacific, Latin America and the Middle East, Rosie was appointed as TNS's Global Head of Brand & Communication in 2008.

Rosie is responsible for driving and developing Brand & Communication expertise, new thinking and best practice across the TNS network and advising clients how to manage and grow their brands.