

The Science Behind Consumer Choice

By Singapore Management University | Editorials
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SMU Assistant Professor Jane Wang uses her background in economics and psychology to answer how the choices we make – and the tradeoffs that come with each – affect our wellbeing.

AsianScientist (Apr. 2, 2014) – By Dora Yip – It is tea time and the choice is between an apple and a chocolate cookie. Deciding between a healthy snack and comfort food is a complex interplay of psychological and physiological processes, one of the staggering number of choices we have to make each day.

Assistant Professor Jane Wang from the Singapore Management University (SMU) Lee Kong Chian School of Business examines in both her lab and out in the real world how consumers make decisions and how these decisions affect them as a whole.

“How do their short- and long-term goals interact and influence people’s choices and happiness? For example, in the short term, are they immediately happy with the choices they have made? And for how long? What do people regret and how do they resolve these feelings of conflicts?” she asks.

From rational economic models to seemingly counterintuitive psychology

Professor Wang chanced upon the field of consumer judgement and decision-making by serendipity. While her undergraduate degree in economics armed her with theories and models aplenty to help chart and predict consumer and market behavior, it was a fish out of water moment for her when she took a psychology course as a PhD student at Yale University. The class introduced her to the study of human perception, and questioned what people pay attention to, things that she had previously never thought much about.

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“My professor showed us a video of two teams of basketball players, one group dressed in black and the other in white. He asked us to count the number of passes the team in white made. After half a minute, he asked if any of us had noticed anything unusual. None of us did. He replayed the video again and there, in the middle of all that ball passing, was a moonwalking bear! It was amazing that in a class of 40, no one noticed a dancing animal. It was all about what you are motivated to direct your attention to,” she says.

Based on this experience, Professor Wang realized that she could not only rely on mathematical models to understand consumer behavior.

“We can’t even be sure that the information being incorporated into the decision models is complete,” she says.

How one frames a problem might change the outcome of the decision completely, she explains.

By the end of the first year of her PhD program, she decided to pursue judgement and decision-making as her concentration.

“My research tries to identify systematic deviations from economic models, or biases. If biases are found then we try to explain them using all tools available across various social science disciplines. If we can identify these biases, we may have a chance at improving people’s decision-making,” she says.

Self-control and the art of letting go

Professor Wang’s latest research on tradeoffs and depletion in choice is based on research findings showing that self-control actually consumes energy, by drawing upon a limited pool of mental resource that feeds other executive functions and gets depleted after prior exertion.

“By foregoing the burger now, you might be more likely to splurge on a dress at the mall later on,” she says.

Linked to this is the notion of tradeoff in choices, where you have to live with the consequences – good or bad – that come with your choice. You have to accept that by choosing what you chose, you are letting go the advantages of the unchosen options.

She also studies psychological closure in consumer scenarios.

“When you make a difficult consumer choice, you find yourself pondering if you made the right choice. This lack of closure induces regrets,” she says.

Compellingly, her research shows that “some bodily movements and physical acts bear a ‘magical’ connection with our minds.” The idea is simple: if you put a receipt or picture of a consumer choice you have made in an envelope, the act of enclosing it and putting it away may help you achieve psychological closure.

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Inspired by real-life scenarios

Many of Professor Wang's research interests also stem from behaviors she observes in real-life. The bi-monthly Chief Marketing Officer (CMO) roundtable organized by the SMU Centre for Marketing Excellence provides a rich data mine of issues CMOs face on a daily basis. One thing strikes her in particular: management problems don't always come with a label.

"When CMOs talk about how complaints on social media or new technologies threaten their whole business model, to me, it is more than just solving problems, it is about deciding if there is a problem at all and what the nature of the problem is," she says.

When senior management gets stuck in a particular frame without realizing it, it limits the number of solutions that can be found, and worse, it may push them further away from understanding the real underlying problem, she says.

"These frames can be arbitrary and random. Sometimes, even the email subject liner can affect the frame you use. I want to help managers get out of these pre-imposed frames, take a step back, truly understand the problems at hand, and look for the most suitable approach," she says.

While her research clearly holds significant implications for practitioners, the challenge is breaking out of the boundaries of academia.

"There is no real sense of gratification from writing papers in an ivory tower. Good research should bear practical value in the real world. It doesn't have to mean immediate solutions to any imminent problem people have. But if people, from marketing managers to my grandmother, can relate to the questions I ask in my research, and if my findings intrigue some of them or perhaps spark reflections and debates, it gives me an intense sense of joy," she says.

Integral to her research will be collaborations with other departments in SMU, from colleagues in the Organizational Behavior and Human Resources (OBHR) group who are researching regret, to SMU's social psychologists, whom she has already started exploring opportunities to collaborate with. She also hopes to work with colleagues from SMU's LiveLabs Urban Lifestyle Innovation Platform.

"My long term plans are to build a research program that studies consumer choice and wellbeing. The idea is to steer students away from only wanting to learn tricks to get people to buy their products rather than their competitors' products, and instead have them approach any marketing problem from a consumer's perspective as well. After all we are all individuals struggling to find peace and happiness in an increasingly consumerist world," she concludes.

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