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Getting Into The Mind Of The Consumer

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Assistant Professor Hannah Chang of the SMU Lee Kong Chian School of Business studies the science behind how consumers make decisions.



AsianScientist (Jun 11, 2014) – By Dora Yip – In an ideal world, consumers would optimise their decisions based on perfect sets of information. In reality, however, the way we arrive at our daily consumer decisions is a far cry from the rational choice theory that economists espouse.

This discrepancy between theory and practice is what drew Assistant Professor Hannah Chang of the Singapore Management University (SMU) Lee Kong Chian School of Business to study how consumers make judgments and decisions, particularly the underlying psychological and contextual mechanisms. “I am interested in finding out how feelings and thinking can influence judgment and decisions, and under what conditions would people be more inclined to rely on one of the two,” she says.

Professor Chang’s interest in the field emerged during her undergraduate years as a research assistant at the University of California, Irvine. The research, which spanned disciplines in medicine, economics, psychology, and sociology, found that patients made less than optimal decisions regarding their choice of medical treatment. “I was fascinated that even in such settings, feelings have a very large influence on how people make decisions,” she says. This research project prompted her to study consumer behaviour at the Graduate School of Business, Columbia University, where she received a PhD in Marketing.

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When consumers follow their heart

Professor Chang has several ongoing projects that look at when consumers are more likely to rely on feelings for decision making compared to logical assessments.

“We base many of our decisions—from which snack to consume to which apartment to rent—largely on either how we feel about the different options, or our objective assessment of the specific features of these options. A natural question is: when do consumers rely more on feelings than rational assessments?” she notes.

In a 2013 research paper titled “Affect as a Decision Making System of the Present,” college students were asked to imagine a scenario: they were about to graduate, had found a well-paying job, and were looking for an apartment to rent after graduation. They were then given a choice between an apartment that appealed more to their feelings (a smaller, prettier apartment with better views), and another that was functionally better (a bigger, more conveniently located apartment).

Compared to those who were asked to imagine graduating in a year, Professor Chang found that students who were asked to imagine an imminent graduation were more likely to choose the apartment that appealed to their feelings instead of logic.

“Because those who imagined graduating and moving into an apartment sooner were more likely to rely on their feelings, they found the prettier apartment—the more emotionally pleasant option—to be more attractive,” she explains.

She is currently collaborating with Associate Professor Iris Hung from the National University of Singapore to study how the design of decision environments may influence consumer judgment, in particular, whether the presence of mirrors and other self-reflective surfaces would affect people’s decision making process.

Participants were split into two groups, one with a mirror on a table, and the other without. They were then asked to evaluate several products that were classified as either hedonic (like chocolates and spa treatments) or functional (like fruit salads and therapeutic massages). The findings revealed that participants tend to find hedonic products much more attractive when there were mirrors present in the immediate surroundings.

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“In general, when there is compatibility between the decision-making environment and the way in which consumers go about making decisions, then their purchase intention, overall satisfaction level, and willingness to pay tend to increase significantly,” she explains.

Catering to consumer motivation

In a 2010 research paper titled “Regulatory Focus, Regulatory Fit, and the Search and Consideration of Choice Alternatives”, Professor Chang found that consumers’ motivation influence the way they search for information in decision environments which offer abundant, but less straightforward options.

When consumers have a promotion focus – an approach-oriented style of pursuing dreams and aspirations, they tend to search for information in a global, big picture manner. In contrast, when consumers have a prevention focus – an avoidance-oriented style of fulfilling duties and obligations, they tend to search for information in a local, detail-oriented manner.

In one study, participants were asked to make dinner selections from a restaurant’s prix fixe menu that was presented in the form of hierarchically organised web pages. Promotion-focused participants searched the menu in a more global manner, devoting a greater share of their efforts to higher levels of the menu hierarchy (e.g., soups, appetizers or other subcategories), whereas prevention-focused participants searched the menu in a more local manner, devoting a greater share of their efforts to lower levels of the menu hierarchy (e.g., specific descriptions of individual dishes).

According to another study, when the menu was structured in a way that fit their search inclinations, participants were willing to pay up to 20 percent more. “We found that when the menu fits the way people search for information, they feel more ‘right’ about these options. This sense of ‘feeling right’ makes people willing to pay more for the chosen items,” explains Professor Chang. This research has implications for the design of various decision environments such as service menus, product catalogues, physical store displays and retail websites.

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Cultural differences in consumer behavior

“There are a lot of cultural differences in terms of how customers respond to information, and make judgments and decisions. For example, when it comes to decision making, Asian consumers are more likely to use logical assessments, whereas American consumers are more likely to rely on feelings. I see an opportunity to develop this understanding further, and take these cultural differences into account,” she says.

She has a long wish-list of people she would like to collaborate with.

“The study of consumer behaviour is inter-disciplinary in nature. I would love to work with academics with shared interests and common ground, such as researchers in organisational behaviour and social psychology.”

On a practical level, she hopes that her findings on consumer decision making can be used to improve the existing suite of marketing practices.

“For many of us who deal with consumer behaviour, we hope our work can improve consumer welfare and help them make better decisions, and ultimately, be happier. This is one of the main reasons why I am intrigued by this field, and why I study consumer behaviour,” she shares.

Asian Scientist Magazine is a media partner of the Singapore Management University Office of Research.