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Book excerpt: Why People (Don't) Buy

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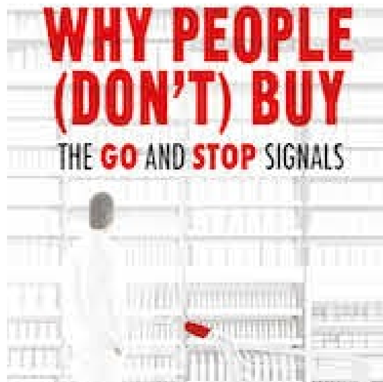

Why People (Don't) Buy

By A LUXURY DAILY COLUMNIST

By Amitav Chakravarti and Manoj Thomas

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Hedgehogian thinking
Isiah Berlin, British philosopher and thinker, wrote an essay titled "The Hedgehog and the Fox" in 1953, in which he argued that influential thinkers can be divided into two categories: hedgehogs and foxes. This analogy was inspired by the ancient Greek warrior-poet Archilochus, who is reported to have noted that the fox knows many things; the hedgehog one great thing. Hedgehogs have one very effective way of dealing with adversity—they use their sharp spines or quills to protect themselves and inflict pain on their foe. When a hedgehog encounters a foe, it rolls itself into a ball such that its quills point outward. Although the purpose of comparing a hedgehog to a fox is not very obvious, Berlin used this adage to argue that like hedgehogs, some people view the world through the lens of a single defining idea. In contrast, others, like foxes, draw on a wide variety of experiences and for them the world cannot be boiled down to a single idea.

Philip Tetlock, professor of psychology and management at the University of Pennsylvania, in a seminal 20-year-long study, compared the performance of political forecasters who had more of a "hedgehog" perspective with the performance of political forecasters who had more of a "fox" perspective. He found that despite the popularity of

hedgehogs in the mainstream media, foxes tended to outperform hedgehogs in their forecasts. He cautioned against the lure of one powerful idea that attempts to explain everything. Looking at the world through the lens of a single, albeit powerful, idea can lead to mistakes.

Tetlock's findings are very relevant for business managers. Mispredictions of consumer behavior—or incorrect consumer insights—caused by a hedgehogian view often result in misdirected business strategies. Managers often fall in love with one idea that seems powerful. They become obsessed with this seemingly powerful idea. They come to believe that this one particular idea will always beget successful marketing strategies. For example, some managers fervently believe that low prices and sales promotions are good for business. If they experience success with lowering prices and running sales promotions in one context, then they mindlessly try to implement the same strategy in all contexts without considering the fact that consumer behavior varies across contexts. A sales promotion might help a pizza delivery chain, but it might completely backfire for a formal dining restaurant. As another example, some managers adopt a new packaging that is trendy because it has worked for others. So they start mindlessly adopting the new packaging in all categories. And some, like a recent New York Times article documented, are falling over each other to create "emporiums of cool" user experiences. Why? Because they saw some case studies suggesting that improving user experience improves financial bottom lines.

Thomas Gilovich, a renowned professor of psychology from Cornell, captures this tendency to follow the herd and oversimplify the best when he mentions in his book How We Know What Isn't So: The Fallibility of Human Reason in Everyday Life (1991): "People will always prefer black-and-white over shades of grey, and so there will always be the temptation to hold overly-simplified beliefs and to hold them with excessive confidence."

Instead of understanding the root cause of weak GO signals and/or intense STOP signals that afflict their product, when managers see consumer behavior through the lens of a single (often previously successful) idea they perpetuate this hit-or-miss pattern. In particular, it leads to two types of prediction mistakes that we observe in many of the examples discussed in this book: side-effect neglect and misdiagnosis.

Side-effect neglect

Side-effect neglect is a prediction error—the failure to correctly anticipate the consequences of a prescribed action. Looking at the world through the lens of a single idea can lead to side-effect neglect.

Neglecting the side effects of a marketing action can have debilitating effects on the health of a business. If a marketing action intended to increase the GO signal inadvertently amplifies the STOP signal, it could lead to a completely unwelcome outcome. A similar misprediction can manifest when a marketing action intended to reduce the STOP signal inadvertently dampens the GO signal.

Misdiagnosing why consumers are not buying

Again in medical parlance, misdiagnosis happens when a doctor prescribes a medicine without diagnosing the root cause of the problem. One obvious cause of misdiagnosis is laziness.

However, laziness is not the only cause of misdiagnosis. It might not even be the most likely cause of misdiagnosis. Smart and diligent doctors can also misdiagnose a disease if environmental cues bias their reasoning.

In a similar vein, misdiagnosing the root cause of consumer behavior can lead managers to make strategic marketing mistakes. When consumers do not buy a product, it is important to understand the root cause of the behavior. Is it caused by weak GO signals? Or is it caused by intense STOP signals? The decision not to purchase a product could be because the GO signals elicited by the product are weak. We refer to such customers as uninterested customers. In such cases the solution should be to prescribe marketing actions that will strengthen the GO signal. Alternately, even when the GO signals elicited by a product are strong, consumers might not buy the product if the STOP signals are so intense that they completely counteract the GO signals. We refer to such customers as conflicted customers. In such cases the manager should prescribe marketing actions that will reduce the intensity of the STOP signals.

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