

Perceived Value

The added value of Marketing for consumers

decode Science Update December 2010

Welcome to the decode Science Update

Marketing often receives bad publicity. Journalists and consumer protectionists frequently accuse Marketing of manipulating and deceiving consumers. A current example of this is *The Food-fakers*, a book by Thilo Boden, the founder of Foodwatch. But a very different view prevails in companies: Marketing has nothing to do with powerful seduction or manipulation. In fact, it's usually the Marketeers who uphold the value of the brand but who can't actually prove the effect of the brand on sales. When it comes down to 'hard' sales data, the value of Marketing is often not rated highly within a business.

What value does Marketing really add? To answer this question, we want to change perspective in this Science Update and ask what Marketing delivers for customers. We'll look at this question from the angle of recent research on how consumers value products and product quality, and how product experience can be changed by Marketing. What this will show is this; there's a big gap between what science can tell us about how Marketing works and the general way in which Marketing's influence is discussed publicly and in business. Marketing is not a manipulator; but neither is it merely an ineffective, but expensive, collection of words and pretty pictures. Marketing adds a real, and objective, value – in particular for consumers.

We hope you enjoy reading this Update.



Dr. Christian Scheier

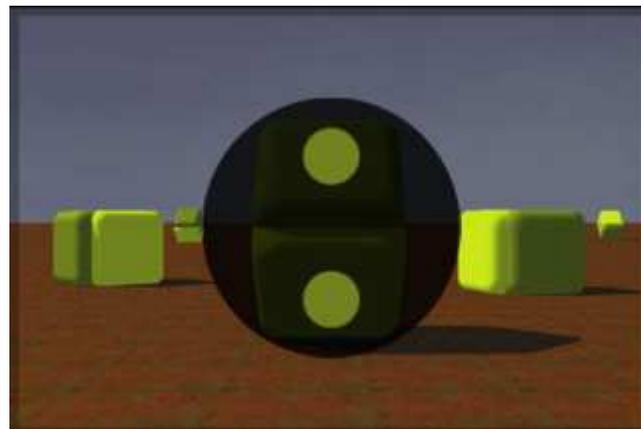
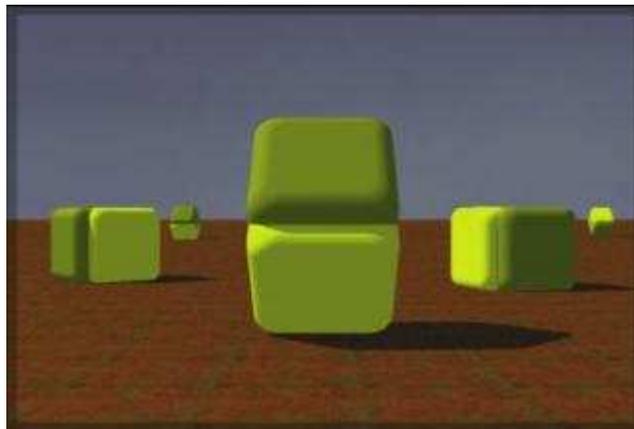


Dirk Held

How consumers perceive products

Observable Marketing signals (e.g. communication, packaging, aromas) represent the interface between the enterprise and the consumer. So let's start our journey through the research with this key first step: how consumers perceive such signals. Perception has been very thoroughly and scientifically-researched. The principles by which our brains process colours, for example, have been known for years. Let's look at the main, and most important, principle.

One might suppose that colour perception would be a simple and straightforward matter. In the picture below left, the faces of the cube in the foreground appear to be of different shades: the lower face is light green and the upper face is dark green. In fact, both faces are identical, as shown in the picture on the right. **Our perception of something as simple as a colour does not match the physical reality; instead our brain actively processes the incoming information.** Perception itself is a construct. Even the perception of colour is a construct i.e. we create our own reality! How exactly does that work, and what's behind it?

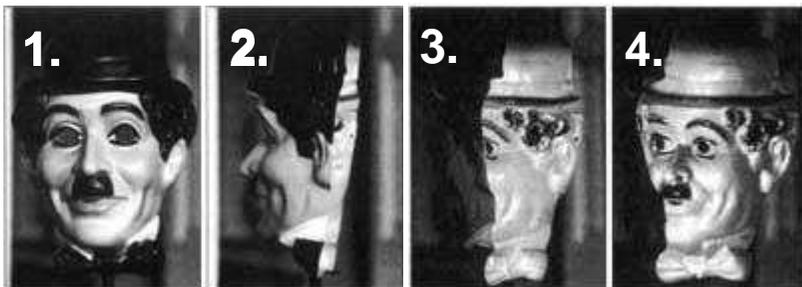


This example comes from Beau Lotto, whose website we recommend
<http://www.lottolab.org/articles/illusionsoflight.asp>

This is also worth reading:
http://www.ted.com/talks/beau_lotto_optical_illusions_show_how_we_see.html

Top-Down – Expectations affect perception

To understand this process better let's look at an example: the so-called 'Hollow-Mask-Illusion'. The basis of this illusion is the brain's expectation that faces curve outwards (convex). Look at a mask; the reverse side is obviously hollow (concave) but, if you rotate it, something surprising happens: instead of seeing the objective reality, a concave mask, we see an illusion – as if the mask also curves outwards on the inside.



Web-Tip: The 'Hollow-Mask-Illusion'

This clip is a powerful example of how our reality fits our expectations:

http://www.youtube.com/watch?v=G_Qwp2GdB1M

The expectation that faces face outwards overrides the objective input ie that the mask is hollow on the inside. Hence our perception is determined by our expectation. **Essentially, perception is initially created within us. It's actively modified by experiences and expectations.** In research, this process is known as Top-Down Modulation.

Richard Gregory, the famous researcher into perception, comments: "The strong visual bias of favoring seeing a hollow mask as a normal convex face, is evidence for the power of top-down knowledge for vision".

Expectations change attitude and opinion

Expectations change objective signals into subjective perception, and result in a different experience. This isn't only true for visual perception as so-called blind tests, which are commonly used, prove. Branded products are experienced differently, and lead to different evaluations, than the same product, but un-branded.



A great example of this was an experiment by the Behavioural Economist Dan Ariely. He invited people to try two different beers, one of which contained vinegar. One group of people weren't told this and they assessed both beers to be pretty similar. The second group were told, and they expressed a strong dislike for the beer + vinegar. **The objective properties of the product influenced the tasters' judgements LESS than did their expectations of how the combination of beer and vinegar would taste.**

Film of the experiment: <http://www.youtube.com/watch?v=8MS-LvS0aNw>

Expectations, therefore, change our perception of signals. However, signals themselves (eg a brand logo or the word 'vinegar') trigger expectations that in turn determine our perception and evaluation of product performance. **The objective properties of a product are over-ridden and altered by our subjective expectations.**

Web-Tip: Prof. Dan Ariely (M.I.T.) on the subject of how expectations are triggered by signals, and how this leads to different outcomes: <http://www.youtube.com/watch?v=bHBwHVbUwig&NR=1&feature=fvwp>

Marketing changes attitudes objectively

So far we've seen how signals, with their associated expectations, alter subjective perceptions and judgement. Right now you might be thinking 'but that's only psychobabble'! So what would you think if you knew that these expectations, with their Top-Down processes, actually changed our behaviour? Let's look at a researched example. In this experiment respondents had to play a car racing video game. Before the race they were assigned one of four cars. The only difference between the cars was sponsor branding (eg Coca-Cola, Red Bull, McDonalds). What was measured was whether driving speed and risk-taking varied according to the sponsoring brand.



The results were clear: respondents driving a 'Red Bull' car drove significantly faster and took significantly more risks than those driving the other cars. This shows: **Brands change actual behaviour**. Brands are signals which change people's behaviour in a measurable and objective way. They do this via Top-Down processes, and on the basis of the experiences and expectations that we associate with a brand.

Source: Brasel, S. & Gips, J. Red Bull "Gives You Wings" for better or worse: A double-edged impact of brand exposure on consumer performance. *Journal of Consumer Psychology*.

Placebo-Effect: Top-Down works at a physiological level

Quick summary so far: Expectations arise from experiences. Expectations shape our perception, our judgement and even our behaviour.

The power of this Top-Down processing is especially evident in research into placebos. We've all heard of the placebo-effect in medicine. **The most exciting thing about this is that expectations change not only subjective sensations but they also induce demonstrable physiological changes.** The Placebo-Effect (an effect caused by expectations which are activated by signals) used to be laughed at; it's now being researched intensively.

Red pills, which contain no drugs at all, raise blood pressure; blue ones lower it. In the field of cancer research much is already known about how placebos can counter the effects, and also side-effects, of treatment. This was evident in a clinical study where 30% of the patients who received a placebo – saline solution instead of chemo-therapy – did not suffer from the typical, ie expected, side-effects of chemo-therapy: from nausea and vomiting to hair loss. The only 'treatment' they had was an injection of saline.

Web-Tip: Fascinating BBC programme on Placebo- Research <http://www.decode-online.de/codes/webtipp4.html>

The same principle applies to Marketing. For example, compared with a no-name energy drink a branded energy drink not only receives better scores when evaluated subjectively, it also leads to better results in problem-solving tasks and higher blood pressure among test subjects.

Marketing and the expectations that are activated by marketing activities (communications, packaging, product details) are able to produce physiological effects in consumers.

Marketing changes both the subjective and objective product experience.

Marketing provides added-value for consumers

What implications do these insights from Top-Down processing and expectations have for Marketing? For a start, one task is clear : Marketing must support brands and products, and their associated components, with expectations; or else understand and use those expectations that already exist. In her synopsis on neuroscientific studies into 'Expectancy Bias' Hilke Plassmann, the neuro-economist, writes;

"The fact is that expectations about product usage, which have been triggered by marketing activity such as branding, change the product experience. For those managing brands, this accords a special significance to the management of expectations".

(Plassmann & Niessing, 2010, S. 129).

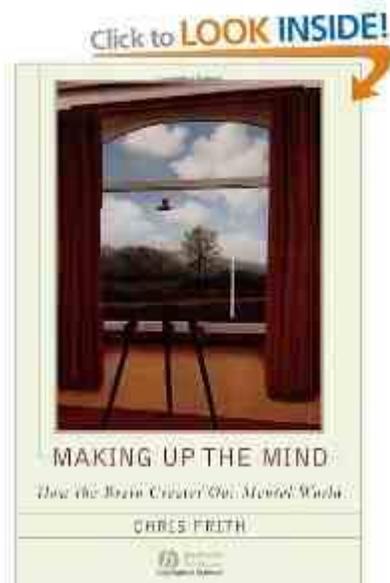
This perspective adds a well-founded lead-in to the debate about the value of Marketing: the allegations of deception are certainly put into perspective by this research. We've seen that the expectations that Marketing creates come true, subjectively, and lead to a corresponding product experience and 'psychological reward'. That consumers don't simply surrender helplessly to the siren calls of brands, but are able, rather, to choose between different messages and products, is proven by the high failure rate of new products. And this shows the key point: **Added value means much more on a mental level, as 'experiential value', than, for example, it does as added-, and verifiable, nutritional value.**

This very important point is addressed by Rory Sutherland in the TED-Talk cited below. Rory is President of the IPA (Institute of Practitioners in Advertising) in London. His talk shows how exciting the focus on perceived value is from the advertiser's point of view.

Web-Tip: Rory Sutherland on the theme of 'Perceived Value' <http://www.youtube.com/watch?v=pV-SkZs5rh8>

Book-Tip

Making Up the Mind: How the brain Creates Our Mental World by Chris Frith



This book, by one of the leading international neuroscientists, offers a fascinating summary of the experimental analyses that show how the brain creates our mental world.

The author shows that we acquire our knowledge of the world with the help of models that our brains construct. He also makes clear how our brains facilitate the communication of ideas between humans.

With over 400 publications, Frith is one of the ISI's (Information Services Institute) 'Highly Cited' authors on neuroscience. He writes very clearly and vividly and makes the science understandable in layman's terms. Highly recommended.

Welcome to the dialogue

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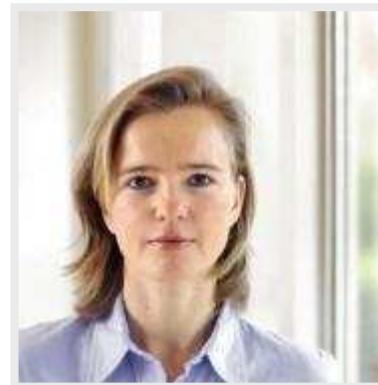
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