

#### decode Science Update 1\_2016



## What commits customers to brands (it isn't love)

Brand loyalty from the perspective of neuropsychology

March 2016



## Welcome to the decode Science Update

What is the role of marketing? Marketing wants to, and should, provide brand experiences that commit people to brands and hence create ongoing value (increased frequency/quantity of purchase, greater brand loyalty).

Central to this is the brand experience, created across all contact points within the marketing mix. Even though we justifiably talk a lot about key trends, brand strategies, etc., at the end of the day, we create brand contact points: websites, apps, advertising, packaging, brochures, events, etc.; these are *the* brand interfaces to the customer. As a result of interaction at each contact point, brand commitment is increased: the customer buys again, buys more frequently, buys more and/or buys at a higher price.

However, a wide range of brand experiences can create loyalty. For example, Dacia and Porsche offer their customers completely different brand experiences, yet both still manage to commit customers to their respective brand. How can brand experiences be developed in such a way that the desired commitment is achieved/maximized? In this Science Update, we address this question using neuropsychological understanding. If such different brand experiences as those of Porsche and Dacia both result in loyalty, then there must be something about the experience (and the resulting loyalty) that determines whether a driver prefers Dacia or Porsche.

In this Science Update, we look more closely at what science has discovered about brand commitment and loyalty, and in particular what we can learn about effective brand experiences i.e. those that result in increased brand loyalty and thus lead to people choosing that brand as opposed to a cheaper aternative. With this knowledge, we can then improve the effectiveness of our brand contact points, increasing loyalty to our brands, hence creating sustainable value and meeting the key challenge for marketing.

We hope that you enjoy reading this. Your decode team

















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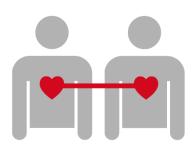
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### Brand loyalty – yes, but...

Let's first consider brand loyalty: there are few, if any, topics discussed more often in marketing than the question "How can we make people loyal to our brand?" The fact that successful brands offer value to the customer that stretches beyond mere functional benefits is undisputed. For example, consider the huge queues outside Apple Stores when the latest iPhone is launched, and the eleven million plus customers who have registered for the Starbucks loyalty program. But how exactly does the emotional level work in the relationship of customers to brands?



The most common assumption in applied marketing is that this relationship is analogous to an interpersonal relationship, especially the emotional elements. Many papers on brand strategy refer to terms such as *brand personality, trust* and even *love for a brand*. Some in fact make the assumption that love is involved, which is expressed in terms such as *lovemarks* and *love brands*, particularly because the interaction between people and brands has become very direct (1 to 1) in today's world of interactive and social media. The fact that people can enter into such a relationship with brands leads to an assumption that brands are perceived like people, in other words, that they have a personality. Furthermore, subjects in focus groups have no problem assigning human characteristics to brands or perceiving brands as people or personae, so it seems to make sense to assume that brands are perceived like people.

However, there are many phenomena of customer behavior that are difficult to reconcile with the idea of a kind of interpersonal brand/customer relationship:

- Customers tend to be "promiscuous" they often buy several brands simultaneously within a category (e.g. 70% of Coca-Cola customers also buy Pepsi-Cola regularly).
- Failed line extensions. Even for strong brands such as Campbell's Soup, NIVEA and Apple, new product launches flop again and again; people are obviously not "blinded by love" in relation to brands. The majority of all product launches fail each year, including those of strong brands.
- We often buy brands that we do not feel as strongly towards. For example, most people prefer their local bookstore to Amazon, but they usually buy from Amazon.
- A study by IBM investigated what attracts people to the social media pages of brands. The answer is that people are hoping to find bargains, and less so to do with any urge to indulge in their love for a brand.

Bruce McColl, CMO of Mars Inc., sums the matter up as follows: "For most people out there buying our brands, they don't love us; we just have to accept that. It goes against some of the popular stuff out there, [but] it's hard enough to have relationships with real people. If you think about the people in your life, your family and friends, how much time do you have to really connect with them? To ask consumers en masse to have that kind of relationship with brands is one step too far."

With this in mind, let's look at what neuropsychological research has to offer on this topic.

## The neuroscience of brand loyalty

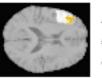


Neuroscientists have known for some time that objects and people are regulated in different regions in the brain. And it makes sense that our brains treat a hammer or a chair differently from our family or friends. But what is the situation with products and brands? Marketing professor Carolin Yoon examined this question some time ago in a <u>study</u>. The scientists asked people to assess the personalities of brands and people while lying in a brain scanner (functional magnetic resonance imaging, fMRI).

B: The contrast of Brand vs. Person comparison in left inferior prefrontal cortex







Source: Yoon et al.

Specifically, a frequently used brand personality scale was used, in which brands are described using personality characteristics, such as *friendly, competent*, and *reliable*. The subjects were asked to decide which of these properties apply to known brands such as McDonald's or Coca-Cola. To find out if the same brain areas are activated as in the description of people, the subjects were asked to describe people using the same characteristics. Celebrities, friends of the subjects and the subjects themselves were included in the analysis. The subjects were in the brain scanner the entire time; as a result, the researchers were able to investigate whether the brain treats brands the same way as it does people.

The result is clear: in the brain, **brands are treated like objects, not like people**. The assessment of brands activates, among other things, the left inferior prefrontal cortex (LIPC), an area that is responsible for processing objects. However, this area remains inactive when people perceive or assess other people. The authors summarize their findings as follows: "The neural responses associated with brand judgments in the present study appear to accord with the sort of object processing found in previous neuroimaging studies. This pattern lends credence to the assertion that brand personality may not be processed like human personality, and that it involves unique processes that do not extend to person trait processing. These findings serve to challenge the view that processing of products and brands is akin to that of humans". (Yoon et al.)

If brands are represented in the brain as objects, and not as people, the person-brand relationship is not like an interpersonal relationship. Therefore, we can't speak of a (two-sided) relationship in the sense of an interpersonal relationship. The "fit" to your own personality can not be the reason for brand loyalty since brands are not represented like people and therefore do not have a personality that could fit. This is confirmed by other psychological studies. Let's look at this more closely.\*

<sup>\*</sup>In the appendix to this Science Update, we discuss another neuroscientific study on the subject which has recently attracted some attention, but does not meet appropriate scientific standards (for example it lacks both robustness and rigour), which is why we do not discuss it here in the main part of the Science Update.

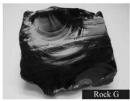


# The person-brand relationship from the perspective of psychological research

Not only neuroscientific analyses, but also psychological studies concern themselves with the person-brand relationship. A recent example is a <u>study</u> by <u>Thomas Langner</u>, a marketing professor at the University of Wuppertal. Langner examined whether the emotional relationship of people to brands functions in the same way as an interpersonal relationship. The main result: **The activation of emotions in an interpersonal relationship or in love is significantly higher than in the "love" for brands**. The authors summarize their conclusions as follows: "interpersonal love and brand love thus differ."

A number of studies have explored something else: Can it be that people are generally very flexible in ascribing human characteristics to objects (such as brands) without meaning it literally, or without this actually taking place in their brains? We say, for example, "the printer is acting crazy" or "I love ice cream" without assuming that the printer is a person or that we love ice cream the way that we love a person.







Source: Avis et al.

In a study published in the journal *Marketing Theory* entitled <u>The brand personality of rocks: a critical evaluation of a brand personality scale</u>, a team of authors led by Mark Avis shows how flexible people are in assigning human characteristics to objects. **The subjects were presented with pictures of rocks** (!). **Their task: to assign personality traits to the rocks**. This was accomplished based on one of the standard scales for determining person-brand relationships.

The result: The subjects had no problems assigning characteristics such as *intelligent, confident* and *family-oriented* to the rocks. The subjects also easily assigned personas to the rocks, such as whether a rock was more of a businessman or a farmer. The researchers wrote: "The fact that participants were able to assign distinct personalities to each rock can therefore only be reasonably explained as an artefact of the research methodology. (...). Rocks were found to have a personality simply because participants were asked to perceive one." In other words, the scales that are frequently used to describe brands as people led to the fact that people assign brands with personality characteristics. But this is an **artifact of the methodology** and not a real perception of people in their daily lives, which is also suggested by the neuroscience research mentioned previously.



## Back to the brain: so what determines the relationship between a person and a brand?

The results referenced previously suggest that relationships between people and brands do not work in the same way as interpersonal relationships. But how do they work? On the search for the true "driver", one region in the brain especially stands out: the so-called **ventromedial prefrontal cortex** (in the frontal lobe, directly behind the forehead). This region of the brain, which is also called vmPFC, controls the following aspects, which are of primary importance for marketing and the relationship between persons and brands:



- Expected reward: The expected reward is controlled in the vmPFC. The more reward that we expect from a brand, the higher the activation in this area.
- Willingness to pay: The greater the activation in the vmPFC, the greater our willingness to pay (see, for
  example, this <u>study</u>). And we would obviously expect that people who have a positive relationship with a
  brand are also willing to pay more for it.
- *Purchase decision*: When people decide on a brand, the activation in the vmPFC makes the difference (see, for example, this <u>study</u>).
- Loyalty to a brand: One study investigated the difference between "A" customers and "C" customers, that is, people who repeatedly purchase the same brand (A customers) vs. disloyal customers. It became apparent that the vmPFC (and thus strongly associated areas of the reward system, especially the so-called striatum) is significantly more activated in loyal customers than in disloyal customers. This result was confirmed in another study that used the so-called NIR (near infrared) method.
- A further <u>study</u> shows that if the vmPFC is damaged, brand preferences disappear entirely. While healthy
  people prefer Pepsi in a blind test (because it is slightly sweeter), the preference in naming the brand
  shifts markedly in favor of Coca-Cola. However, this effect does not occur with a damaged vmPFC. The
  authors write: "the VMPC is an important part of the neural substrate for translating commercial images
  into brand preferences."

The ventromedial prefrontal cortex is closely linked to the reward system and ultimately extracts how much reward we expect from an act of purchasing or from consuming/using a brand, i.e. the value that the decision or the brand has for us. In other words, we are loyal to the brands that optimally reward us. Activation in the vmPFC is accompanied by things that motivate us, to which we aspire, because they reward us. To be relevant for action, it is not sufficient for a brand to be liked – it must have a value reward to motivate a (repeated) act of purchasing. Consumers buy products and brands not as ends to themselves, but in order to do, to have, or to be, something. Reward is therefore the neuropsychological basis for the relationship, loyalty, and commitment to brands. In order to change a reward value, it is necessary to understand what constitutes the reward value. Let's look at this more closely.

## Case study: Starbucks



So how do brands provide rewards? How do they motivate people to repeatedly buy them and inspire loyalty? Before we turn to the relevant research on this subject, let us look at a practical example: Starbucks. With more than eleven million people who have registered for its loyalty program, Starbucks has managed to build up a large, loyal clientele. But how exactly does it work?

If you ask people why they buy their coffee at Starbucks – despite the high price – the answer is often: "Because the coffee tastes so good". In a blind test, however, most people are not able to distinguish Starbucks coffee from other coffee. On the contrary: In a blind test, people liked the coffee from McDonalds even better (see, for example, <u>here</u>). So the coffee is not the sole reason.



Let's look at how Starbucks provides rewards beyond the coffee itself. If you examine the interior of a typical Starbucks (see photo), you quickly find the underlying reward. People find a psychological goal at Starbucks in addition to the coffee: having a short break from their hectic everyday life – a kind of **brief mental vacation**, provided by the lighting, the music, the furniture and much more. Starbucks has understood this and in particular uses modern technologies in order to optimize the "vacation experience". For example, a partnership with Spotify means customers can play a part in designing the music experience locally and can take home playlists. Using a preorder app, coffee can be ordered in advance so that it is waiting for customers (as opposed to vice-versa).



In the context that we are interested in, however, the success of Starbucks in China is very exciting. In China, the coffee at Starbucks costs a whole dollar more than in the United States – even though China has lower purchasing power. Nevertheless, Starbucks is also very successful in China, which is a tea-drinking country. Why? Studies at the University of Leicester have shown that Starbucks in China helps people achieve the goals of status and recognition. Many Chinese go to Starbucks to show that they can afford to do so, that they are climbing the social ladder. Accordingly, the customers have to be given the opportunity to be seen in Starbucks. This means that there has to be enough space so that people can sit down. Starbucks expanded the size of its stores in China. Moreover, stores were completely fronted by glass so that people can be seen from the outside. And the stores are built on corners to maximize the viewing area (see photo). Therefore, the resulting brand experience – I can sit down and be seen – fits better with the intended status of the customers, with corresponding market success.

This example shows that people are loyal and have a higher willingness to pay if a brand optimally serves their goals. And these goals can be anchored at the functional level (coffee must taste good) and the psychological/emotional level (brief vacation, status, recognition). Now let's look at this again through the eyes of science.



# The motivational basis of the relationship between people and brands: scientific findings

What exactly happens when brands serve the functional and psychological goals of people – and how does this lead to loyalty? Many insights into this exist. A good summary, as well as relevant new studies on the subject, are included in the recent *magna cum laude* Ph.D. thesis by Dr. Dirk Held, co-founder and co-CEO of decode. In this dissertation, entitled *Motivatorische Grundlage der Beziehung und Bindung zwischen Marke und Mensch* (Motivational basis of the relationship and loyalty between brands and people), Held pursues the question of what makes people loyal to brands from a neuropsychological perspective. The key findings are as follows:

- For consumers, brands are a means to an end the relationship is instrumental in nature. People buy brands to have, do, be, or become something. The fact that this purpose goes beyond the purely functional uses of the product is undoubtedly correct. However, taking this rather psychological or emotional aspect into account in the relationship with brands requires neither of the two metaphors "brand as a person" nor "relationship as an interpersonal relationship".
- Brands are objectified to at least symbolically achieve both functional goals (such as getting from A to B, clean clothes) as well as psychological goals (such as status, self-confidence, a feeling of security). The central construct is the goal construct which plays a central role for motivated behavior in both neuro-economics as well as in the psychology of motivation. The fact that consumption, brand choice, and thus relationship and loyalty are goal-oriented, is summarized by the well-known psychologists Baumgartner and Pieters (2008; p. 367) as follows: "(...) to propose that consumer behavior is goal-directed seems like arguing that water is wet".
- Brand choice and the experienced relationship and loyalty depend on the currently activated goals; in other words, the higher the expected target objectification of a brand, the stronger the relationship with it. Chinese Starbucks customers become loyal because the brand has understood that customers primarily associate going to Starbucks with achieving their status goal. The Starbucks brand has a high level of objectification to achieve the status goal in China.

In short, brands are stepping stones for customer goals. If brands take care of this function better than the competition, people become loyal and are willing to pay a higher price for the brand. For new brands, this mechanism is a way to trigger purchasing behavior since there cannot yet be a relationship and loyalty with these brands. For this purpose, it is crucial to identify distinct consumer goals that are relevant so that they can be linked with the brand. This is a major challenge in saturated markets since the relevant goals are already served by the established brands. This is the reason for the high number of unsuccessful product launches: the instrumentality for the goal is not significantly higher than in existing offers; furthermore, consumers already have a stronger relationship and loyalty to established brands and products.

## Implications for marketing practice



What are the implications of the previously referenced findings for marketing practice?

- Firstly, we should break away from the idea that the person-brand relationship is analogous to an interpersonal relationship. A departure from the anthropomorphism of brands and the brand relationship also means that many of the currently popular positioning models are obsolete. Against the background of the goal perspective, brands need to be positioned with respect to distinct customer goals in order to be relevant, and the context must be considered, since this determines which goals are relevant. A useful test is to ask about the current positioning for each brand value: Is this something that people want to have, do, be, or become by buying our brand? If the answer is "Yes", it is a goal (for example, status). If the answer is "No", it is important to question the brand value, since it does not correspond to a customer goal and is thus not very motivating.
- This not only ensures the relevance of positioning, but also results in **clear guidelines for the design of the marketing mix**: If a brand is oriented to the goal of *welfare*, a TV spot automatically looks different than when positioning to the goal of *status*. Then it is also clear whether, for example, a gold color is correct: it is right for status, but not for welfare. In contrast, an orientation to a personality trait such as *modern* does not provide any reliable information for the implementation or the assessment whether a specific signal, such as the color gold, is correct or not.
- The "brand as a person" models are not only scientifically questionable, but they are not capable of specifically showing marketing teams how they can use the marketing mix to influence the behavior of people in such a manner that loyalty to the brand increases. Recommendations based on a relationship model do not provide any information on the how, since they neither indicate the process of how the relationship and loyalty are formed, nor do they make clear how this relationship can generate acts of purchasing or how the marketing mix as the key instrument of the company can specifically strengthen the relationship and loyalty. But this is precisely our job in marketing: We want and need to design the marketing mix or the brand experience in such a way that people are motivated to buy our brand, and in particular to buy it again and again.
- In contrast, the perspective of goals provides a clear indication of how purchasing behavior can be influenced using the marketing mix. The marketing mix establishes associations between the brand and goals (such as status or recognition). In the example of Starbucks, this involved increasing the size of, and adding windows to, stores in China.





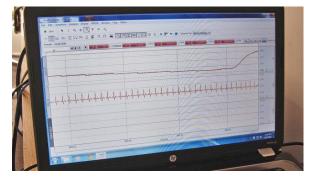
- A good introduction to goal-oriented consumer psychology is provided by this book: Ratneshwar, S., Mick, D. G. & Huffman, C. (2001). The Why of Consumption: Contemporary Perspectives on Consumer Motives, Goals, and Desires; New York: Routledge Press.
- A science-based discussion on the topic, including a review of neuro-economic and consumer-related psychological studies, is
  included in the aforementioned dissertation by Dr. Dirk Held (CEO of decode): Motivatorische Grundlage der Beziehung und Bindung
  zwischen Marke und Mensch (Motivational basis of the relationship and loyalty between brands and people); as yet unpublished,
  University of Mainz, 2015.

## **Appendix**



Recently, a "study" by the Innocean agency, in cooperation with neuroscientist Paul Zak, attracted a lot of attention. Here, the statement was made that we love brands in the same way as we love people; some people even love brands even more than they love people. Wow! Let's look at this more closely.

First, we deliberately put the word "study" in quotes because this is not a serious scientific study. It was not published in a scientific journal. Only 8(!) people were examined, and these were employees of the participating Innocean agency.



Source: Innocean

The investigation was set up as follows: Physiological parameters (in particular heart rate, skin resistance) were collected to record the *emotional activation* of people when they see 1) products that they "love" and 2) photos of loved ones. So the investigation was less concerned with the relationship with brands *per se*, but with the emotional activation at the sight of loved products and people.

It was found that, in two of the eight subjects, the physiological reaction to the product was higher than was the case for photos of loved ones. This included, for example, a watch that had been given to the subject by his father.

Another measurement using the same "method" examined the physiological activation of ten Super Bowl commercials. It was found that the physiological reaction that the spots triggered correlated only weakly with the "liking" evaluations of the subjects – spots such as Budweiser's *Puppy Love*, which most viewers liked, had only a little activation. This dissociation between liking and physiological activation is certainly exciting – however, contrary to the claims and the resultant media reports, no statements or insights into the question of whether brands are loved in the same way as people are can be derived from this.



## Dr. Nick Carnagey heads decode's US branch





Dr. Nick Carnagey, Managing Director, decode USA

After founding an office in the UK, decode has opened a second international branch in the US. The Managing Director for the office in the US is Dr. Nick Carnagey. Carnagey combines scientific expertise with many years of practical experience working at large brand-name companies. After a successful academic career in social cognitive psychology, he spent the last seven years at Procter & Gamble (USA). There, he worked in the Behavioral Science Innovation team and was responsible for the implementation of scientific findings into marketing practice.

http://www.decode-online.de/ueber-uns/nick-carnagey/





#### • The Behavioral Economics Guide 2015 (Alain Samson)

Contribution by **Phil Barden** (2015)

From Branding to Action.

<a href="http://scienceupdate.decode-online.de/system/files/Behavioral%20Economics%20Guide%202015">http://scienceupdate.decode-online.de/system/files/Behavioral%20Economics%20Guide%202015</a> 0.pdf

#### • 101 Great Minds on Music, Brands and Behavior (Uli Reese)

Contribution by **Dr. Christian Scheier** (2015) http://scienceupdate.decode-online.de/system/files/101\_Great\_Minds\_on\_Music.pdf

#### handelsjournal, handelszeit supplement

Contribution by **PD Dr. Martin Scarabis** (09/2015)

Shopping auf Autopilot & Verkaufen mit Köpfchen (Shopping on autopilot & selling using your brain).

<a href="http://scienceupdate.decode-online.de/system/files/15\_09\_handelsjournal\_handelszeit\_MS.pdf">http://scienceupdate.decode-online.de/system/files/15\_09\_handelsjournal\_handelszeit\_MS.pdf</a>

#### enos Weinmagazin

Contribution by **Dr. Christian Scheier** (09/2015)

Schwere Flaschen für's Gehirn (Heavy bottles for the brain).

<a href="http://scienceupdate.decode-online.de/system/files/15">http://scienceupdate.decode-online.de/system/files/15</a> 09 enos%20Weinmagazin SchwereFlaschen.pdf

#### Die besten Marken 2015 (The best brands of 2015; ETM Verlag)

Interview with **Dr. Christian Scheier** (04/2015) *It's all about fulfilling customer goals.* 

http://scienceupdate.decode-online.de/system/files/15 04 Die%20besten%20Marken Kundenziele%20erf%C3%BCllen.pdf





#### handelsjournal

Interview with **Dr. Christian Scheier** (04/2015)

Menschen wollen ungern nachdenken (People do not like thinking).

<a href="http://handelsjournal.de/2015/04/27/markt-marketing/simoneschwan/menschen-wollen-ungern-nachdenken">http://handelsjournal.de/2015/04/27/markt-marketing/simoneschwan/menschen-wollen-ungern-nachdenken</a>

#### horizont

Expert statement by **Dr. Christian Scheier** (34/2015)

Fernsehen stoppt den Gedankenstrudel beim Zuschauer (Television brings the eddy of thoughts of viewers to a halt).

<a href="http://scienceupdate.decode-online.de/system/files/15\_08\_Horizont\_Schaltzentrale%20Belohnungssystem.pdf">http://scienceupdate.decode-online.de/system/files/15\_08\_Horizont\_Schaltzentrale%20Belohnungssystem.pdf</a>

#### w&v

Expert statement by **Dr. Christian Scheier** (46/2015)

Eine Branche sieht gelb (An industry sees yellow).

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### decode talks



### • Pharma-Kommunikations-Akademie seminar: brand identities and products in a fragmented media world Johannes Schneider

Topic: Das Bauchgefühl im Kopf nutzen - Brand Code Management für mehr Effektivität in der Pharma-Kommunikation (Using gut feelings in your head – brand code management for more effectivity in pharmaceutical communications). Cologne, April 29, 2016

#### Manifesta 11 Zürich

#### **Johannes Schneider**

Topic: Wie entstehen Konsumbedürfnisse? (How do consumer needs arise?) Zurich, September 6-11, 2016

#### Schweizerische Post – DirectDay

#### **Dr. Christian Scheier**

Topic: Impulsreferat zu Marketing- und Verkaufspsychologie (keynote speech on marketing and sales psychology). Bern, November 24, 2015

#### Innovation conference on "Design meets nutrition."

#### Dr. Björn Held

Topic: Schein schafft Sein – Wie Design auf Wahrnehmung und Verhalten wirkt (Appearance creates being – the effect of design on perception and behavior). Brandenburg, November 19, 2015

#### • Münchner Gespräche

#### **Dr. Christian Scheier**

Topic: Wer treibt gesellschaftliche Veränderungen voran, Menschen oder Technik? (Who is advancing societal changes, people or technology?) Kempfenhausen am Starnberger See, October 1, 2015

#### • Margues Vienna 2015

#### **Dr. Christian Scheier**

Topic: The psychology of brands and its application to trademark law. Vienna, September 16, 2015



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## The start of a dialogue

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