Old Theory – New Theory 2

From the consumer's standpoint, marketing is a pragmatic discipline with an easily recognizable objective: It should make purchasing easier for the customer as well as pave the way for more customers to arrive at the act of buying – i.e., the purchase of the specific product the marketer sought to promote.

That's how simple marketing appears when viewed from the perspective of the purchasing consumer. From a theoretical perspective, however, marketing is substantially more complex. From this view, marketing resembles a patchwork quilt stretched out before us. Many theories overlap or are haphazardly stitched together under the term "marketing." Our quilt contains patches of theory where precise empiricism is applied (such as market research). It also has patches with mathematical models (e.g., pricing models) and large fields where rules of thumb are used and simple common sense prevails (when it comes to distribution issues and choice of channels, for example). Partial theories of the most different sort and scientific origin are interwoven.

2.1 The Theory of Brand Management at the Center

At pretty much the center of this patchwork quilt, however, we find a model that extends throughout all of marketing and borders many partial theories: It is the "theory of brand management" or "branding," as we call it for short.

Branding has many facets. We can, for example, look at quantitative characteristics, positioning brands in a Euclidean space. The dimensions used to describe this space correspond to the perceived characteristics of brands, which is why we refer to "psychological maps" that can be used to locate brands. There are also holistic psychological approaches

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in which metaphors abound. The term "brand personality" originates from here, for example. We are also not far away from the "identification worlds" promised by marketing: Exuberant claims are postulated that the consumer identifies with the brand and becomes one with it. When many consumers do this, the result is a "cult brand." People who identify with such worlds primarily come from the advertising scene. They rave about cult brands, while overlooking the fact that these are individual cases made possible by very specific external factors. Only in a handful of exceptions can we say cult brands are the result of a planned approach and intentional action. It's not uncommon to see those attempting to follow suit waste a huge amount of time and money.

Branding can have its esoteric side as well. Professions of faith are made, hailing the brand's overpowering importance: "We believe the … brand plays a pivotal role; we are convinced that it will grow in importance; the brand is on the verge of a renaissance." And then come promises for the future.

This jabber tends to become pathetically overinflated when marketers talk about their brands. But it doesn't just stop at a profession of faith. Action is taken, with consequences for the company. The hope is: "If we can just correctly position the brand (in a clearer, new or different way), revenues will start to flow." And so companies trustingly invest in the next branding campaign, hoping it will work. And they wait.

2.2 What Is Branding All About?

What is at the core of these theories revolving around the brand? Fans of branding espouse an empirical view that draws from statements about cause and effect. The common core of this view can be summarized more or less as follows:

- Consumers decide on a product (a brand), by weighing the merits of the various brands – both functional and emotional – in their minds and reaching a conclusion. This results in the decision to purchase a specific brand.

In other words, consumers weigh the merits of the various brands in their minds. Or they weigh them in their hearts, if emotions drive the process. Either way, this model has consumers deciding on a brand by virtue of a "concept" of the product and its characteristics that consumers have derived from the product's "image." What's more, brand theory indicates the weighing process results in a "vote" in favor of a brand. The consumer then marches ahead and makes a purchase …

2.3 What Would Be Nice – But Is by No Means Established Fact

The branding model contains three components that play a fundamental role in determining the deployment of resources and that are vital to the success of marketing measures. We should take a closer look at these three components and not just blindly accept them:

1. Are the characteristics perceived by consumers (the image) actually the lever for increasing the willingness to buy? Is influencing the perceived characteristics of a product with communication measures the right choice? Traditional branding would answer with an unqualified "yes!" Traditional branding assumes consumers weigh the characteristics of the item in question when they get ready to make a purchase. This initiates an evaluation process in which consumers somehow assess the perceived characteristics on the basis of their needs, values, and other similar factors. These characteristics are then compared and contrasted in order to reach an overall conclusion. This is the logic behind branding.

All branding communication makes the basic assumption that this overall conclusion can be influenced by tinkering with the perceived characteristics – i.e., the image. This justifies the use of resources to shift the image into the desired position.

Intuitively this does seem plausible – as plausible as the model of Homo economicus. Businesspeople are apparently no longer completely convinced, however. They often hesitate to approve large budgets for image communication campaigns, questioning their benefit. Empirical research appears to support their doubts.[1]

Developments here currently resemble those now seen in classical economics, where the supposedly self-evident model of Homo economicus is being gradually disproved. This will be addressed later.

Let's first take a closer look at the second and third components. They are also fundamental assumptions in the branding model, but of a more implicit nature:

2. It is tacitly assumed a "vote" somehow emerges from the weighing of perceived characteristics. Consumers choose the product that seems the most beneficial to them, resulting in an (internal) predilection, a "predisposition" as we call it, to purchase a specific brand. In other words, the process is not simply about reaching a judgment; rather, it is accompanied by an affective component that triggers dynamic action. From cognition to affect, as psychologists say.

[1] This includes findings from social psychology and communication research as well as our own research on purchase processes.

Intuitively, that appears to be correct as well. The consumer chooses the most beneficial product, resulting in the predisposition mentioned above. We question, however, if this description is really accurate. Do today's purchase decisions still follow this model of logic? Is it still even possible to refer to "decision-making"? After all, as we will see later, it's entirely possible that a consumer receives an impulse at the start of a process and makes a purchase at the end without having weighed any attributes.[2]

3. The third assumption has consumers doing just that. They act on their predispositions, heading out and buying – i.e., affect to motor activity.

This third assumption would also appear plausible if it weren't for the issue of time. After all, the time that passes between formation of the predisposition and the action taken on it often undermines the process. And the space that must be traversed until a decision can be implemented and a predisposition is translated into action at the point of sale (POS) holds numerous surprises.

Let me put it like this, the theory of brand management is calculating in nature. It assumes that a certain configuration of parameters will always automatically result in a certain output, in this case the decision in favor of a product or the purchase of a product. The calculation artificially compresses the event to one point in time.

We could argue that this reduction is reasonable. A model simplifies reality in order to make things easier to grasp. But what if the dimension of time grows steadily more important? What if, for example, an increasing number of "disruptive factors" arise between making the decision – the consumer heads out to purchase the product – and implementing it? And these factors result in the consumer not purchasing the product they were previously "predisposed" to buy?

In other words: If the branding model can no longer correctly forecast what the consumer will buy "at the end of the day," then the time dimension needs to be reexamined. This dimension must be incorporated into a model, as must the space the consumer has to traverse. We must identify the disruptive factors that emerge along the path between the (internal) decision to buy and making the purchase. Perhaps we can deal with these "disruptive factors" and make friends out of them?

We don't need a theoretical model-based explanation to see it would behoove us to take into account the time that has passed and the paths that were covered by the consumer. Common sense alone tells us that. We well know that many things can come between intention and implementation and that priorities can shift from one moment to the next – in particular when dealing with things that are not necessarily priorities for us. We well know that our thoughts can suddenly be overtaken by an entirely different aspect of our lives. And we have often enough experienced how a series of other issues can emerge along the way and take us by surprise. Along the path we encounter new things, are distracted by enticements, and can be lead astray by new ideas. Intuitively, we know what life is like.

[2] See Chap. 3.

Traditional marketing, which revolves around the premise of brand management, completely ignores any disruptive factors encountered on the way to making the purchase. Traditional marketing silently hopes the product in question will radiate such inherent magnetism and stir such a strong desire in consumers that they cannot help but buy it. The product is so alluring that nothing can stop consumers from acting on their original intentions …

In particular, this third assumption, which says that once generated a predisposition to buy will be acted upon, can no longer be accepted as a given. The enticements that consumers encounter "along the way" are too numerous, too diverse, and too seductive. On top of that, consumers have ever-changing moods. They are influenced by the moment, easily distracted, and so on. In a nutshell: When it comes to taking action, the mind is too mercurial for a past preference to seize the upper hand.

Branding is a disposition compressed into a single point in time – in other words, a pure abstraction, an artifact we would not find as such in reality. A model that does not incorporate the time and space between a decision and its implementation is too limited.

2.4 We Circumvent the Theory of Brand Management by Looking at Purchasing Behavior from a New Angle

How do we adequately depict consumer behavior so it reflects reality? And how do we manage to identify the "intervention points," those points in the process where a company can intervene and influence a consumer to make a purchase?

We have already identified three more or less explicit hypotheses of the brand management model that are crucial to the conclusions drawn from it – particularly in terms of allocating funds for communication activities:

(1) Everything revolves around the characteristics perceived by the consumer: These characteristics can be influenced by marketing measures, which prompt (2) an internal decision and a predisposition to purchase this product. This (3) predisposition then prevails; the product is purchased.

How do we approach these three hypotheses? To begin with, we suspect the content of the hypotheses cannot be verified. As the specialist literature reveals, attempts to test these "hypotheses" appear too feeble and too insincere. They do not seriously question the assumptions being made.[3] The "hypotheses" should instead be considered axioms. After all, they assume a priori that consumers weigh their options on the basis of the perceived characteristics of a product and then act accordingly – i.e., rationally. Salespeople on the

[3] This is the case, for example, when drawing conclusions on the basis of correlations that can be partially determined between a prestigious brand and a company's success without incorporating external factors into the explanation and without identifying the causalities, which, it can be assumed, often work in reverse: a company's success leads to more advertising, whereas other factors contributed to success.

front lines know this is not how things work in reality – as do Nobel Prize winners and renowned economists such as Reinhard Selten and Vernon Smith. The same conclusion has been drawn by Robert J. Shiller, Richard Thaler, and the two Zurich-based economists Bruno Frey and Ernst Fehr.

We are therefore going to drop all three of these hypotheses and not replace them with new ones. We will instead ascribe an important role to the dimension of time and to the space that consumers traverse before making a purchase. And we will be on the lookout for external factors that consumers encounter along their purchase path. These are the factors that can have an impact at a given moment. But they have to prove themselves in each case.

In addition to the external factors already mentioned, we always have to assume that internal dependencies exist as well. These are dispositions that predispose consumers to respond to a certain situation in a certain kind of way. Our intention, however, is to retrace these internal dependencies to the greatest degree possible back to external factors – namely, to conditions in the external world that may have had an effect at an earlier point and created these internal dependencies.

We have a fondness for interpreting consumer behavior on the basis of external factors because this approach is generally successful and lets us remain in familiar territory. The external factors are easy to identify, and, if necessary, it is possible to manipulate them with measures at a company's disposal – an important aspect for practical application.

To put it simply, we regard the events as a process, and we attempt to capture this process in its entirety: from the very first impulse – including existing experiences that consumers bring with them, the moment consumers perceive the first impulse, and further through all stages of the process (including the interruptions, the breaks, and the restart of the process) until the final step at the POS.

2.5 On the Lookout for an Open Model of Logic

We give precedence not to hypotheses but to a model of logic that enables us to classify the diversity we find in the real world and make it transparent. This approach can bring us closer to identifying regularities – compelling repetitive patterns that emerge over the process flow and can be leveraged for marketing applications. We refer to the model of logic we use here as the "action standpoint." It focuses on actions occurring in a sequence. For each link in the chain of actions, we can identify influencing factors that govern the relevant action by facilitating or inhibiting it.

In line with this model of logic, we apply a data-collection method we refer to as "behavioral analysis." This behavioral analysis makes it possible to learn about the purchase processes under real market conditions, to observe the processes there, or to have the consumer recount them for depiction in a model. This model is descriptive. We can examine it for "pivotal moments" that we can influence and that have a leverage effect on the final action, the one in which we are interested: usually the purchase.

2.6 Decoupled from Theory: How People Really Make Purchases

When we sever our ties to theoretical concepts and take an impartial look at the processes involved in making a purchase, we first see the purchase act itself. A person reaches out to the shelf with his or her right arm, picks up the product, places it in the shopping cart, and walks to the cash register. Or the person uncaps a pen and signs the insurance policy contract the adviser has just pushed across the desk. The purchase act is the final point in a process that may have begun in the far distant past.

Theoretically, the process could be traced back to earliest childhood if we were to unravel all experiences, memories, and the like. If we do not delve so deeply into the past, we might be able to locate the immediate origin of the purchase as the evening before at the moment the consumer opened the refrigerator door and discovered she was running out of yogurt and wrote it down on her shopping list. Or we can trace the immediate origin back to the window display at the entrance to the department store that triggered a desire, which enticed the consumer to enter the store and then prompted an unplanned purchase.

We refer to the action and thoughts preceding the purchase as a process. It is the process leading to a purchase. The origins of this process may lie the far-distant past. It is simply a question of being able to learn what happened, of how far back we can trace the process. Is a consumer able to remember and report what happened? Or are there other methods that can be used to trace the process back to its earliest origin, the first emerging needs, the experiences from childhood at home with the product category in question, and the subsequent experiences with purchasing or consuming? The observation method usually fails due to its infeasibility. We are dependent on the purchaser's memory and on interview techniques for facilitating recall. It is obvious that cause-and-effect chains can be long and have many links. But it is not very obvious how we can learn about these chains.

2.7 Purchase Processes: A Simple Explanation

Laying out a logical structure for such processes is also straightforward. Here we use the following simple categories:

The starting point involves the constellations in the environment of the person in question, internal emotions or inner drives providing impetus to the process. The process is set in motion. The person then begins to perceive with the eyes, ears, and other senses and engage in personal experiences associated with the process. These leave their mark on the person's experiential memory. This continues until a new internal disposition results or new external influences come into play and spur the process to the point where the consumer makes a purchase (or does not make a purchase, as the case may be). The process thus reaches its (preliminary) conclusion.

The process chain is long, and the influences are manifold. There are external influences and internal motives. These influences and motives are followed by actions that in turn lead to experiences and so forth and so on. Long pauses and moments of sudden reactivation punctuate the process.

On top of that, there's another characteristic that's easy to spot: The processes interact with other processes in the person's life. We will illustrate this with an example. A mother plans to go shopping on a certain day of the week, but she also has to take the children to school. The next day is someone's birthday, and she needs to buy a gift at a bookstore located far away from where she usually shops. What's more, the day's agenda also includes a bit of continuing education: Our mother would like to attend her Italian class in the afternoon. These processes are connected by points of contact, junctions, and mutual influences, yielding an image that resembles the railroad tracks in a large freight terminal.

Now we need to ask ourselves how to best depict the multifarious, many branched, and frequently cross-linked processes. How can we make them more transparent so we can compare them? We need a standpoint for depicting the process sequence. We'll stick with what we've termed the "action standpoint." This standpoint simplifies the complexity, reducing it to just a handful of categories:

1. We identify the actions of the purchasing consumer in a tangible manner – as movements of the skeleton and muscles over the course of time. When viewed in succession, these form action chains, chronological sequences of action that all interlink and lead to the final act, the purchase.
2. Each link in this action chain is preceded by stimuli. These are conditions in the respective environment at the particular process point. They can facilitate the flow of action or impede it. We are referring to triggers and inhibitors.

That is more or less the external view of events. We can also consider an internal standpoint when it seems appropriate: How does the person feel at a certain point in the process? What does he or she think? What motivates him or her, and so on? Whether or not this internal standpoint helps with our clarification is something we have to determine. Does it do more to obscure the picture and stand in the way of reaching a clear conclusion? Here, a pragmatic decision on the basis of the intended purpose is necessary. We will return to this point in greater detail later on.

2.8 Our Approach: Purchase-Process-Oriented Marketing

Human actions, including acts of purchasing, arise from more than just a simple weighing of pros and cons. But how do they come about? This is the question we examine here: how people really buy.

The topic is relevant for practical application because it has fundamental consequences for deployment of resources in marketing, and these resources are considerable (to put it delicately) when it comes to advertising campaigns and branding measures. The volume of funds channeled into media is huge. That is the practical part of this book.

To corroborate the theses presented here, we will also discuss the theoretical aspects of marketing. After all, the bottom-up approach (from the consumer standpoint) requires a theoretical foundation as well. Even just specifying the standpoint used to depict consumer behavior presupposes certain theoretical considerations and decisions. Our focus here, however, is on inductive determination: How do we classify the observed behavior? Which of the observed characteristics shape conclusions? What level of granularity and the like should we select? We remain grounded in experience.

Our core thesis, or set of theses, around which all our further discussions revolve is this:

- Purchasing can be better understood as a process that takes time and stretches across space. The time frames involved are large. The disposition to purchase a product takes days – often months or years – to mature. In addition, certain environmental factors must be present at the various points in the process before the impulse to act can assert itself, before the consumer walks over to the product, picks it up, and purchases it.
- Numerous "forks in the road" where processes can branch punctuate this long path. The product the marketer is interested in seeing purchased or sold is not the only factor to play a role at these forks in the road. Other factors such as "matters at hand" that demand consumers' attention weigh in as well and determine the process flow. Matters at hand include obligations that consumers must fulfill. There are also distractions to which consumers succumb and habits that determine which path consumers take – and which products they purchase at the end of the day.
- The process of purchasing and the process leading to a purchase pass through numerous phases with varying moods. These moods are triggered along the way and alternate as the process unfolds. The dominant mood of the moment tends to assert itself. And this has consequences for the further unfolding of the process and for its outcome, for the customer's purchase decision.
- Understanding this process, how some individuals engage with it, is essential for success in marketing. Initially we need to have empathy, the ability to intuitively comprehend what moves or blocks the individual at the different points in the process. But then we also have to empirically establish what really happens in individuals and make corroborated statements that can be examined intersubjectively.
- Quantification is important as well. What happens with the majority of individuals? How do the processes look in terms of numbers? Are there mainstreams worth identifying in order to then exert influence on them? Here, we use new research tools.
- And then there are the pragmatic aspects. The intervention points in these processes must be identified. The objective is to track down the points at which a company can do something to exert influence on the process flow and to accelerate it. Successful marketing hinges on giving the customer the right impulse at exactly these intervention points and in a manner tailored to the moods and the willingness to act that we find at the respective process point (and not just during the final purchase). The impulses and information in question can vary greatly from phase to phase. In fact, they must do so if our intervention is to be successful.

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