Consumer Psychology and Contextual Personalization
Why consumers respond to focused, relevant and contextual marketing
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Introduction

The pace of change in how we purchase goods and services has never been greater. Technology is allowing consumers to research and buy an ever-increasing range of products. However, the fragmentation of retailing and media across multiple channels and platforms makes it increasingly difficult for marketers to reach consumers with their message.

Could contextual personalization – where real-time data is combined with an in-depth analysis of customer behavior – have the power to bridge the gap between marketers’ needs and consumers’ desires?

Today, marketers face the challenge that customers are always connected, rarely engaged and easily distracted. How can psychology, combined with technology, improve your chances of conversion?

To answer this question we need to first look more closely at how consumers really make decisions; how our mental processing hasn’t evolved to keep pace with technological change and why it’s the customer’s unconscious mind that matters most. Considered from this perspective, you will see that contextual personalization has the power to significantly transform marketing communications.
The Same Brain in a Different Context

Life used to be considerably easier for marketers; it also used to be considerably easier for consumers. Less than a generation ago the vast majority of shoppers had a distinctly finite ‘shopping world’ to explore, one with which they were extremely familiar and where change was as interesting as it was unusual. If you wanted to buy something unusual, urban legend suggested that you would need to head to Knightsbridge and buy it from Harrods, who were reputed to sell everything. Marketing was predominantly advertising in the press, on billboards and on TV and radio.

The current consumer world could not be more different. Now, without leaving our homes, we have the opportunity to buy anything someone is willing to sell; we can research the price and even find out what other people who have bought the product think of it, as well as their thoughts on the company we’re considering buying it from. And if we do leave our homes, we can still access it all at any time of the day or night through our smartphones and tablets.

In theory we live in a consumer paradise, but only in theory. That theory would require us to have an infinite amount of time, an infinite amount of patience and, most significantly in psychological terms, limitless cognitive resources. Part of the key to understanding consumer behavior in the Internet age is recognizing that our brains have not evolved to cope with the challenges it presents – evolution takes much, much longer than technological change. Instead we use the same mental processes that have enabled us to get across the African savannah without being eaten by creatures that are faster, stronger and think of us as a tasty snack. Today, as shoppers, we are the using the same fundamental decision-making processes but in a completely different context.
Perhaps of most significance is the way we carefully ration our use of conscious thought. The precise reason why we do this is unclear. Some have suggested that it’s a consequence of the effort (and energy) demanded by focusing on something intently. However, studies measuring glucose levels have not found significant changes associated with different levels of mental activity\(^1\). Others have suggested that we may simply be automatically drawn from one thing to another simply because we implicitly associate it with an easier way of triggering the feel-good chemicals in our brains that motivate our actions.

Whatever the reason, the empirical evidence abounds; people routinely buy from the same Internet retailer because it’s easier than going through a new registration process with another vendor, even though it takes all of a minute to complete and could save them money. Many people could save money by switching their energy supplier or bank account, but don’t do so. Increasingly, Western society is blighted by the fact that, despite knowing they would feel terrific if they ate smaller quantities of healthier food and lost weight, most people eventually give in to temptation and eat the calorific food that takes less effort to prepare and is easily available.

Unconscious Optimization

Frequently, marketers (and regulators) make the mistake of asking consumers why they don’t act in a particular way. The responses obtained often seem compellingly plausible, but they don’t reflect the selective nature of human attention or the calculations we make to decide if engaging is worthwhile. These are rarely considered because they are unconscious processes that happen outside of conscious awareness.

Psychological studies have proved that what we do is a consequence of the attention we give something, the effort required to take action, the anticipated reward and the projected risks associated with doing something new. The optimization of these variables drives our behavior far more than the optimization of just one. Yes, we could probably save some money on our energy bill, but we rarely think about it and, if we do, the anticipated effort feels disproportionate – the reward is money we will never have in our hands and the risk that it will turn into an administrative hassle feels high.

While it’s easy to be wise after the event, the initial success of Groupon can be ascribed to its ability to attract attention and pull the ‘price lever’. In an age of fragmented media and almost infinite retail possibilities, Groupon offered people very little choice and, with limited time discounts, switched the consumer’s sense of risk from buying something that wasn’t worthwhile, to that of missing out on a bargain. The same can be said of the growing popularity of price comparison sites for insurance where the perceived hassle is minimized by only having to enter your details once. The truth is that you may well get your insurance cheaper if you do the work yourself. Groupon and CompareTheMarket.com are clever examples of unconscious optimization.
Ever-Changing Consumer Heuristics

The secret to consumer-cognitive efficiency is our use of heuristics; rules of thumb that mean we get an acceptable, low-risk return with little effort. Perhaps the most common that’s encountered in retail is the ‘bulk buy’ heuristic; we associate buying in quantity with saving money, so we pick up the multi-pack without doing the laborious mathematical calculations to be sure we’re buying at the best price.

But we also use heuristics to decide which marketing we should give our closer attention to. Most people receive so many emails that they will scan the ‘From’ and ‘Subject’ headings reflexively, leaving their unconscious mind to filter out what might be worth investing effort in from what can simply be deleted. The same is true of advertising messages. Increasingly, TV viewers delay watching ‘live TV’ by 15 minutes or ‘dual screen’ using a tablet or phone so that they can either fast forward through the advertising or use the time to communicate with others.

Interestingly, there is evidence from behavioral psychology that our unconscious mind learns and adapts our behavior before our conscious mind is aware of anything having changed. In a study where participants were gambling on the outcome of a selection from one of two decks of cards, with one loaded against them, people began to choose advantageously before they could consciously express which strategy worked best – they knew without knowing. Evidence that their unconscious mind ‘knew’ came from physiological evidence; they exhibited increased anticipatory skin conductivity responses when they were pondering a choice that turned out to be risky. This response happened after just ten cards had been taken but it took fifty cards for the hunch to be expressed².

It’s likely that you’ve found yourself automatically deleting a company’s marketing emails without reading them and that such a reaction happens without any active consideration on your part. It’s not just the spam filter that marketing communications need to get past!

In a recent survey conducted by Webtrends, British consumers had an average of 260 unopened emails in their inbox, the majority of which were from brands they had subscribed to. Surely the action of just unsubscribing would reduce the number coming in in the first place? However, unsubscribing is a conscious act; it requires the effort of finding the right link and clicking on it. While, in the greater scheme of things, this is hardly a herculean task, it is when compared to the reflexively skimming over of the ‘From’ and ‘Subject’ headers. In the email age we use the capability we developed for spotting predators to filter out communication or, more precisely, our unconscious mind does.

Another heuristic that has emerged thanks to the advent of smartphones comes in the information we can reference during a ‘traditional’ shopping trip. Consumers who go and look at products in-store are no longer bashful about buying online. Many even proactively look in-store at the product with no intention of purchasing in-store. Showrooming as this is known is rife and costing retailers millions of pounds. Where once the only input came from a salesperson, we have learned that it’s easy and rewarding to check if you can get a better deal elsewhere before you spend.
As each new communication platform emerges, consumers develop ways of unconsciously ‘managing’ them. Typically these are focused on out-and-out optimization, they are a means of attaining a reasonable benefit from as little effort as possible. We will all have missed out on deals that would have saved us money on items we genuinely wanted to buy but the benefit has been the many, many hours of time saved from engaging with the messages from all the businesses that want to reach us. Whether it’s the instantaneous deleting of a text message from your network, having the most cursory scan of the senders’ names in your spam folder for binning the lot of them, or immediately hovering over the ‘Skip in five seconds’ button on YouTube, our avoiding actions become the default and the challenge of reaching an audience constantly shifting and growing.

Communication in the New Age: Why Timing Really, Really Matters

Most people are familiar with the moment where they find themselves excited to discover a favorite program or movie is being aired on television; they settle in to enjoy it, their excitement undiminished by the fact that the same content has been sitting in a DVD box next to their television for months or years. Behavioral economists like labeling such inconsistencies – I’ll call this the serendipity bias.

We are infinitely more contextually sensitive than most people realize:

• What’s going on around us is processed by our unconscious minds and shapes how we feel about the focus of our attention. This is the reason that environmental influences such as background music and subtle fragrances can make us spend more.

• Our underlying mood will cause us to react quite differently to the same stimulus. Sometimes a colleague’s request for help with his PC will be met with patient guidance, at other times it’s a source of annoyance.

• Crucially, how easily something is to act upon or to take advantage of has a major bearing on how we feel about it; the easier it is the better we think it is.

It follows that there is no single objective message that will resonate with customers. How we receive any piece of marketing is as much a consequence of the context in which we receive it, as it is the message itself.

Reflect for a moment and you will recognize that someone telling you how to do something that you can’t foresee needing to do is irksome. My son is a keen modifier of NERF guns. Recently, ahead of a war on the landing, he briefed me on what to do in the event of a jam on a particular gun. I wasn’t interested. I just wanted to shoot him. So I did, even though technically we hadn’t said “go” (as he was quick to point out – this is a notable difference between Nerf gun wars and real ones, which tend not to start by mutual agreement). Of course, two minutes into the battle when my gun jammed and I was being pummelled with polystyrene bullets I had a different perspective.
On the other hand, providing information when you need it is delightful. I was just about to buy a ride-on lawn mower when a friend told me about Husqvarna auto-mowers; two days later a robot was cutting my grass and I haven’t had to mow a lawn for five years (and yes, I’m counting).

The same principle of timeliness is true of marketing. When information feels relevant it is an asset. Unfortunately, most of the time, it isn’t. Up to now, the only solution available for marketers was to ‘carpet bomb’ customers with communications; the price you pay for landing the message at just the right time is the sending of several thousand messages that, if you’re lucky, are simply ignored.

Contextual Personalization:
Seven Tips to Getting the Most Out of a Marketing ‘No-Brainer’

Contextual personalization is surely the closest thing to a marketing no-brainer since someone said, “Would you like to make a short film about your product and put it on TV in the break during Coronation Street?”

It is self-evident that the more information that can be leveraged to make a message to your customer relevant and personal the greater the chance it has of eliciting a positive response.

That said, like anything else, there are good ways and bad ways of approaching contextual personalization. So, from a consumer psychology perspective, what are the top seven things to keep in mind as you start down this path?

1. Think in Terms of Priming

Priming is the psychological phenomenon whereby how we respond to something is influenced by the ‘information’ that we encounter first. This raises two considerations with contextual personalization.

Firstly, what is going on in the potential recipient’s mind at the time that they receive the message: Where is he? What is he doing? What is he likely to be thinking about? What mood will he be in? Answer these questions before designing your communication.

Secondly, what is the prime in your message? It’s well known that different email subject headers result in different response rates. Consumers aren’t responding to the totality of communication, they are having their attention captured by one element (or, more often, not captured) which also shapes how they respond to what they see subsequently. Where marketing messages are being communicated prior to entering a store, or on landing at a website, they have the potential to influence the total journey.
One study found that adding the word ‘exclusive’ led to 8.2 percent increase in open rate. Another that offering a ‘free’ webinar performed less well than providing an ‘invitation to’ one. A number of studies have found that brief, to the point subject lines do better than less direct ones: “Free Shipping – Happy Easter” outperformed “Free Shipping this Easter – Offer Code Inside” by more than 25 percent. Did I mention that the unconscious mind likes ‘easy’?

2. Monitor Indifference

Understandably perhaps, marketers tend to focus on the positive; how many people have responded and what conversion rate has been achieved?

However, it’s also worth considering how many people are indifferent to what you’re saying to them. How many are screening out your communication and doing nothing more than skipping past it or deleting it? At some point, ignoring you will become an engrained habit and you will have to work disproportionately harder to be noticed.

Monitoring your customers indifference over time can help you adapt your strategy and may be the key to long-term success.
3. Don’t Stop Experimenting

The success of Internet giants like Google and Amazon hasn’t come about because they were first to market, but because they have constantly experimented. Specifically, they have consistently conducted randomized controlled trials to explore how people react to things that they change. Organizations should build experimentation into any marketing activity, but there really is no excuse for not doing so when A/B and multi-variate technology exists that makes it so easy.

Moreover, the insights obtained from such experiments are a vital source of understanding about your brand and your customers. The bullet-proof psychological validity of a real-world, behavioral response to a piece of marketing activity is infinitely more dependable than the post-rationalized claims of surveys and focus groups.

You also need to make the analysis of your experiments sufficiently broad. A contextually personalized message about one product may influence the sale of an apparently unrelated product or service.

4. Easy User Experience Almost Always Wins

Anything that you can do to make it easier for a customer to act in a way that they then find rewarding is likely to reap dividends. Most of us listen to music now that has been processed into an MP3, happily trading off the sonic benefits of vinyl and CDs for easy access to more of our music.

Making life easier includes developing communication that can be easily rejected too – in other words, where the recipient can immediately and easily filter it out in the way his unconscious mind prefers. Achieving this gives you the opportunity to embark on more ‘fishing trips’, which in turn gives you the opportunity to learn more about your target audience. So, for example, if you can push a message to a customer’s phone as he arrives at the store, can you make the message disappear after a few moments, so that the customer doesn’t have to unlock his phone and delete it to get it out of the way?
5. Make it Easy to Hear From You

In an ideal world every customer would download your app and allow you to shadow them through their shopping expeditions. In practice, people’s limited cognitive resources mean that they take the easiest path to a moderate reward. I might save the most by carrying fifteen store cards, but my wallet will be too full and I’ll forget I have them at which point I will feel worse at having missed out than if I’d never owned the card! It’s worth tracking what platforms your customers’ are using and ensuring you’re as easy to access as possible. Ultimately, there may be a greater prize available from integrating into a platform that contains multiple brands than going it alone.

6. Design Matters

We always judge books by their covers; this isn’t superficiality it’s another example of our bias for cognitive efficiency. Form and function need to work together. Ultimately how people respond to a message will depend on both content and design.

7. Timing is Important

In addition to the context and Personalization of the message, the timing of the message holds significant importance. A commuter browsing for shoes on a website on their way to work will more likely purchase if supported by contextual messaging at the time of interaction, whereas a commuter looking to purchase a 55” TV is more likely to respond positively if a contextually driven message is delivered when at home the same evening.

Conclusion

The only conceivable reasons why contextually personalized messages haven’t been used by marketers until now is that the technology has not been readily available and that there was insufficient data to provide the analytics to understand the individual customer (which as reasons go are fairly good ones). Now that the technology is becoming established and with the advent of big data, there is more data collected and available than ever before, and there is a competitive advantage to be gained by being amongst the first to leverage the opportunities it provides.

With the always connected, rarely engaged and distracted consumer gaining strength, you need to react in ways that align your marketing to this ‘snap-shot’ environment. Brand loyalty no longer holds the consumer so price becomes the dominant factor, therefore gaining attention at the time of interest is paramount. Context and personalization aren’t just two more variables in the communication mix; behavioral psychology shows that they are quite possibly the two most important variables for successful communication.

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About The Author

Philip is a consumer behavior consultant, author, speaker and regular contributor to the media. For the last eight years he has been working with international businesses, providing expert advice on consumer behavior and behavioral insight. His first book, Consumer.ology, was published in 2010. It was named one of Amazon’s top ten best business books of the year and has been translated into seven languages. Alongside his own consumer behavior consultancy work for clients, including the media, retailers and financial services companies, Philip is an associate of Frontier Economics and on the global advisory board of Next IT.

3 http://www.marketingexperiments.com/blog/research-topics/email-marketing/subject-line-testing-relevance.html
4 http://blog.hubspot.com/blog/tabid/6307/bid/2346/Lessons-from-a-Marketing-Experiment-Email-Marketing-Subject-Lines.aspx

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