

# WHY PEOPLE (DON'T) BUY

## The **GO** & **STOP** Signals

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<div><div><div>12</div><div>01/10/12</div><div>04-18-10</div></div><div><div><div>003010054073</div><div>DD</div><div>444939</div></div></div></div>	<div>UNIT PRICE</div> <div><div>\$2.82</div><div>PER POUND</div></div>	<div>YOU PAY</div> <div><div>2/\$5.00</div></div>
KEEBLER CHIPS DLX ORIG 14.2 OZ		



 03/28/13 04-18-05 DD 304814	UNIT PRICE <b>\$9.01</b> PER POUND	YOU PAY <b>2/\$5.00</b>
KEEB RT BT CHIP DELUXE 4.44 OZ		

# The 100-Calories Paradox



~ 300% expensive!



# The 100-Calories Paradox

“...overpriced and underfilled.”

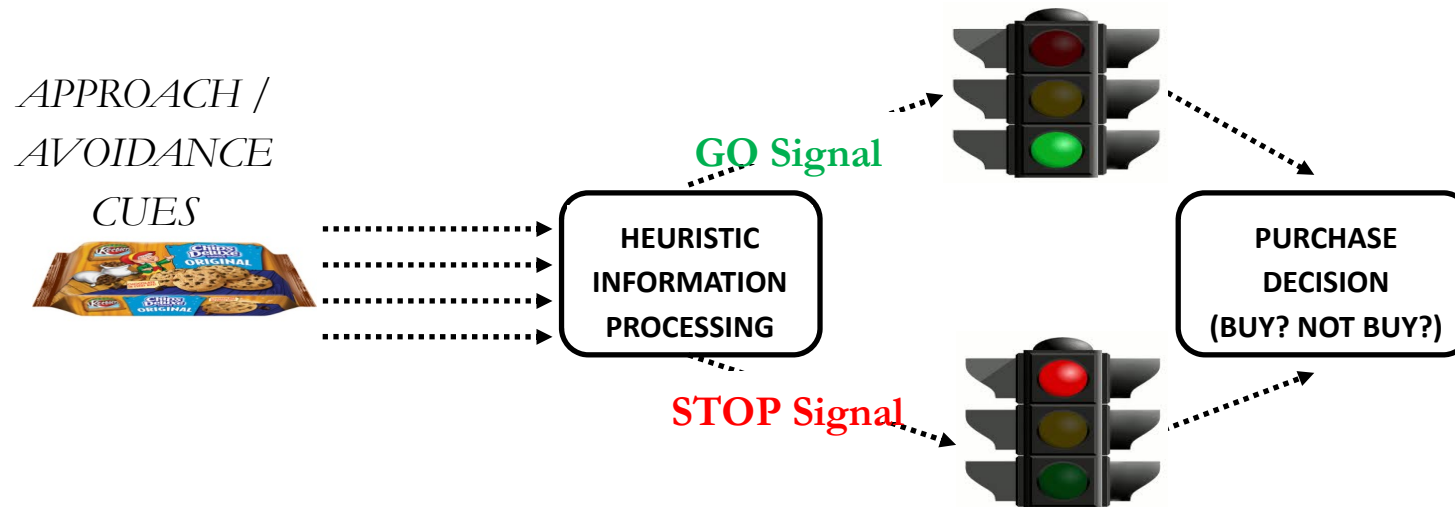
## 100-Calorie Pack Cost Comparison

Product	Percentage Increase Consumers Pay for 100-Calorie Pack Versions
Cheese Nips	279%
Keebler Chips Deluxe Cookies	250%
Chex Mix	248%
Ritz Crackers/Snack Mix	229%
Goldfish Pretzels	196%
Keebler Graham Crackers	188%
Oreo Cookies/Thin Crisps	187%
Keebler Sandies Cookies	185%
Snyder's Pretzels	175%
Chips Ahoy Cookies/Thin Crisps	175%
Goldfish Crackers	167%
Pringles	163%
Breyers Ice Cream	156%

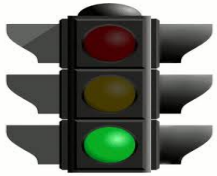
# But 100 Calorie Craisins was a Flop



# GO & STOP Signals (in purchase decisions)



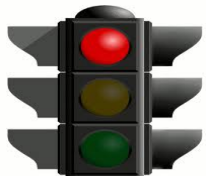
# GO & STOP Signals



## GO SIGNAL:

a thought, feeling, or a subconscious response that creates an approach tendency and energizes the potential buyers toward the product.

*e.g., product quality, design, packaging, brand name, in-store experience, self-signaling, social signaling*



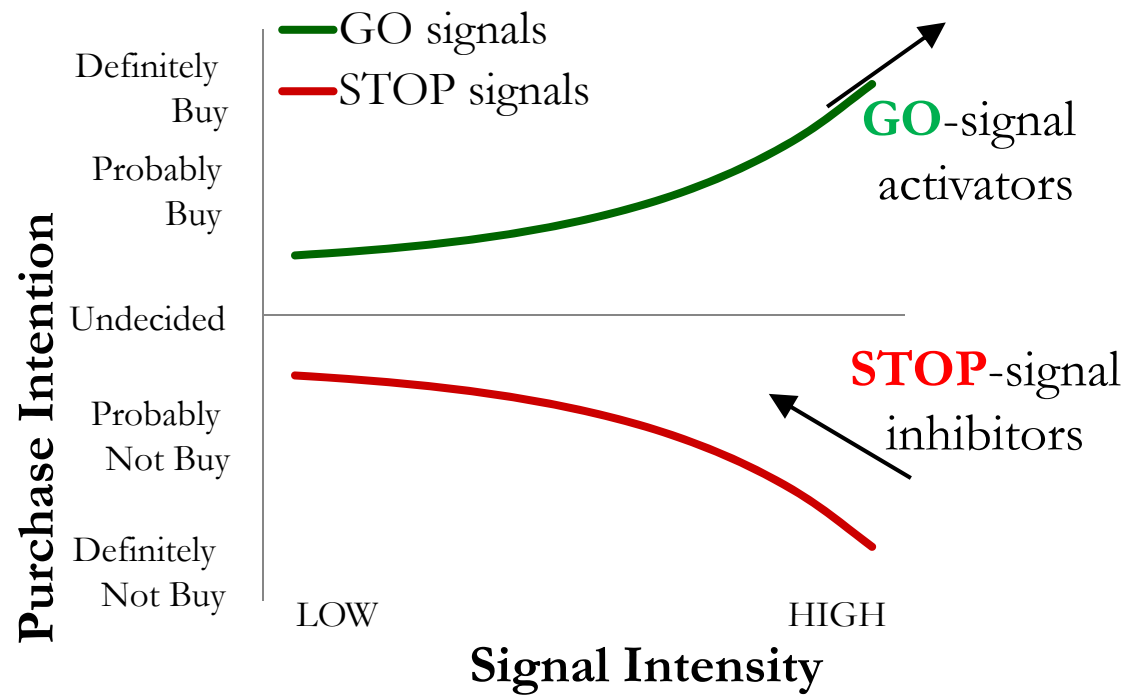
## STOP SIGNAL:

a thought, feeling, or a subconscious response that creates an avoidance tendency that inhibits consideration or purchase.

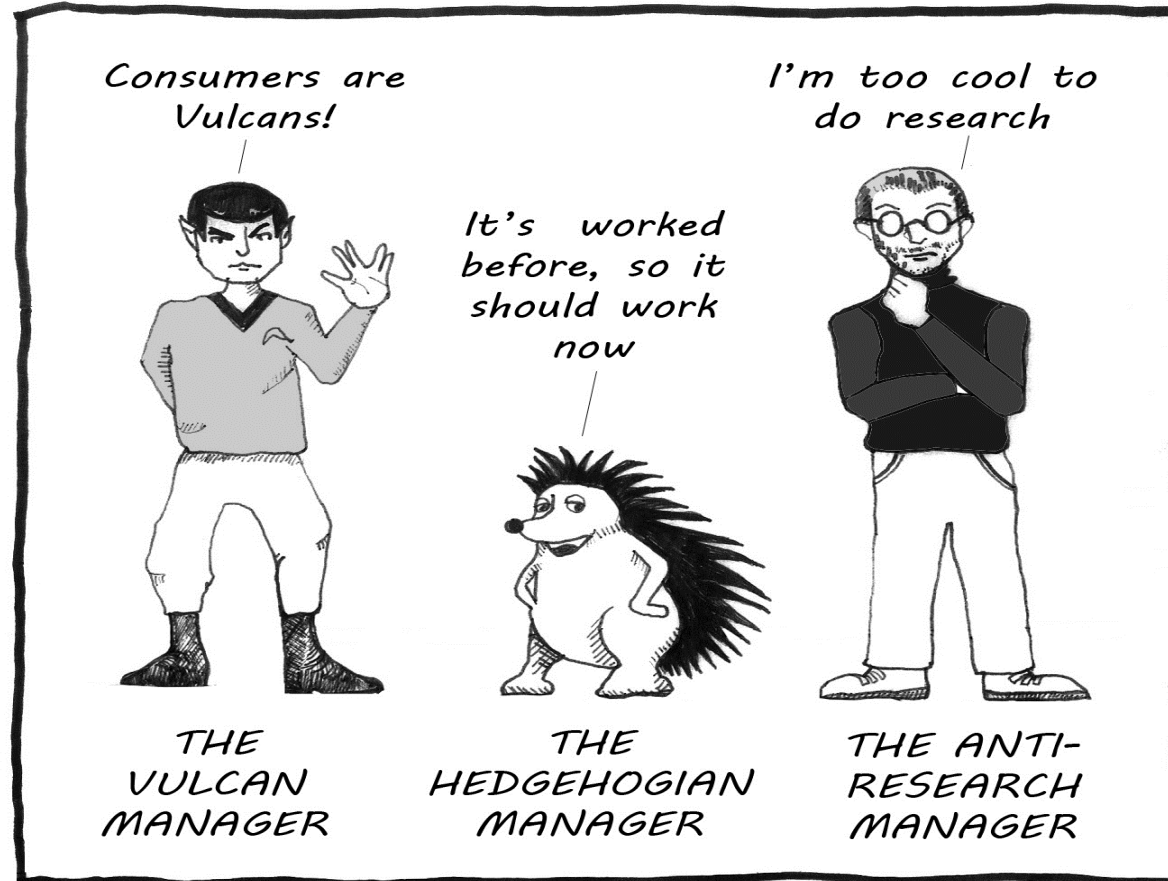
*e.g., pain of payment, risk, uncertainty, anticipated regret, guilt, social signaling, self-signaling*



# GO & STOP Signals



# 3 Types of Managerial Mistakes



# JC Penney – Pre-2011



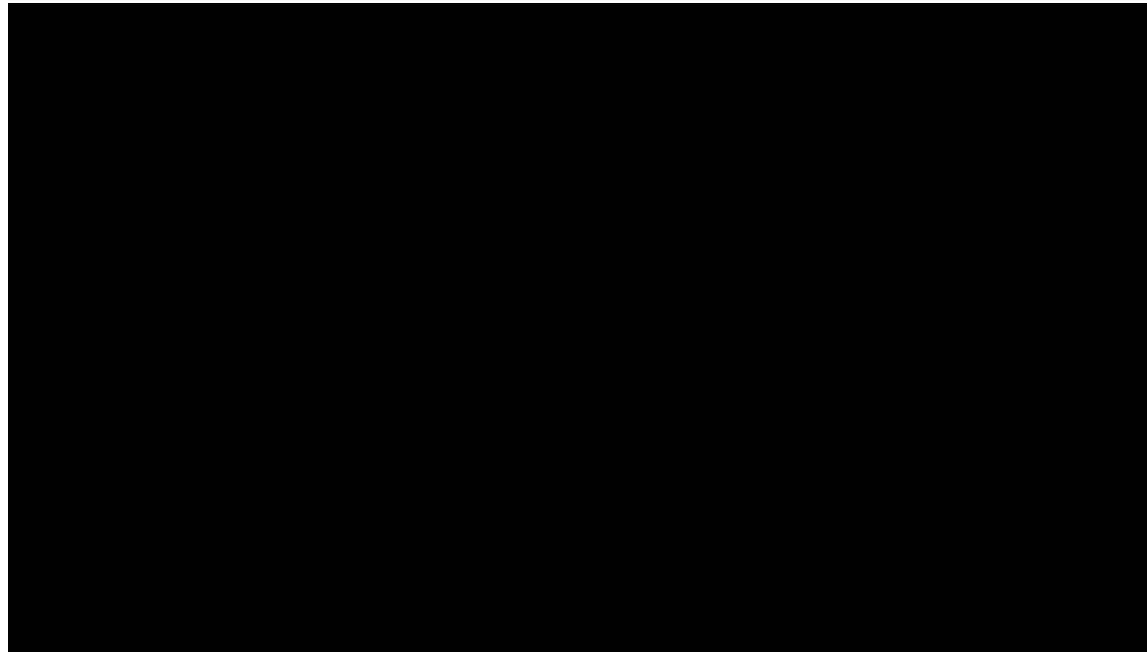
- In deep, deep trouble...
- Enter Ron Johnson...
  - Apple Stores (Genius Bar), Target, Stanford Hospital
- Solution: A better “Customer Experience”
  - “...how do you explain the fact that people flock to Apple Stores to buy Apple products at full price when Walmart, Best Buy, and Target carry most of them, often discounted in various ways, and Amazon carries them all—and doesn’t charge sales tax! People come to the Apple Store for the experience—and they’re willing to pay a premium for that.”

# JC Penney – Pre-2011



- In deep, deep trouble...
- Enter Ron Johnson...
  - Apple Stores (Genius Bar), Target, Stanford Hospital
- Solution: A better “Customer Experience”
  - Changes: (1) “Market Square” Concept (2) Simplify dizzying array of discounts/coupons (590 discount schemes per year!!)
    - “That means the customer ignored us 99 % of the time.”
    - “I would like to build trust, and it starts with the price tag. I want truth in the price tag...people were just tired of coupons.”

# The Fair & Square Pricing Strategy



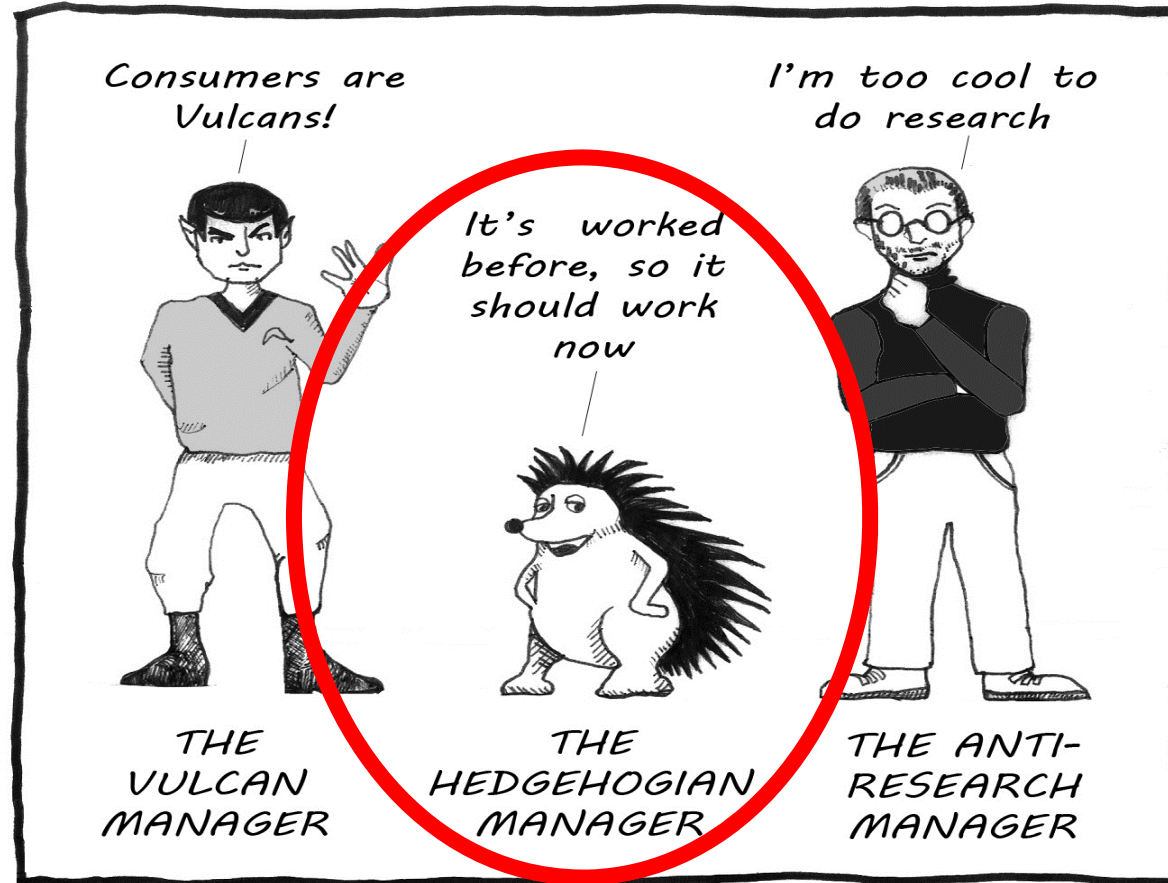
- [https://www.youtube.com/watch?v=K\\_78iVigjSI](https://www.youtube.com/watch?v=K_78iVigjSI)
- <https://www.youtube.com/watch?v=UeSmCLmjph0>

# JC Penney – Post-2011



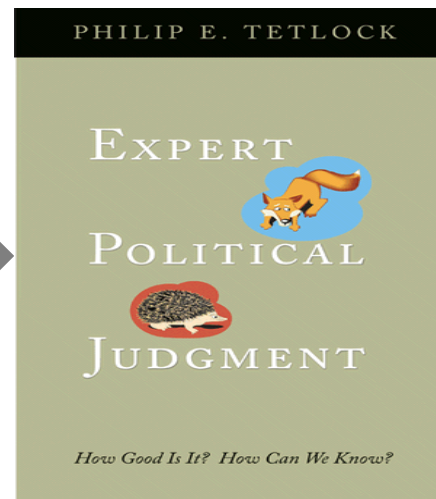
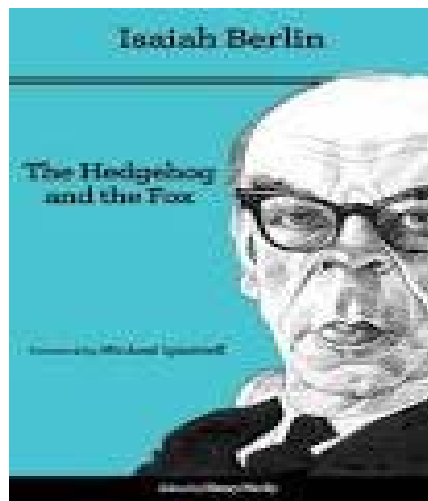
- In deep, deep trouble...
- Enter Ron Johnson...
  - Apple Stores (Genius Bar), Target, Stanford Hospital
- Solution: A better “Customer Experience”
  - (1) “Market Square” Concept (2) “Fair & Square Pricing”
- Results
  - 3 Months: 19% drop in sales (losses \$163 million)
  - 6 Months: 23.1% drop in sales (losses \$433 million)
  - 12 Months: 25% drop in sales (losses \$552 million)
  - Johnson fired after a little over a year...

# 3 Types of Managerial Mistakes



# Hedgehogian Managers:

*It has worked before, so it must work now*





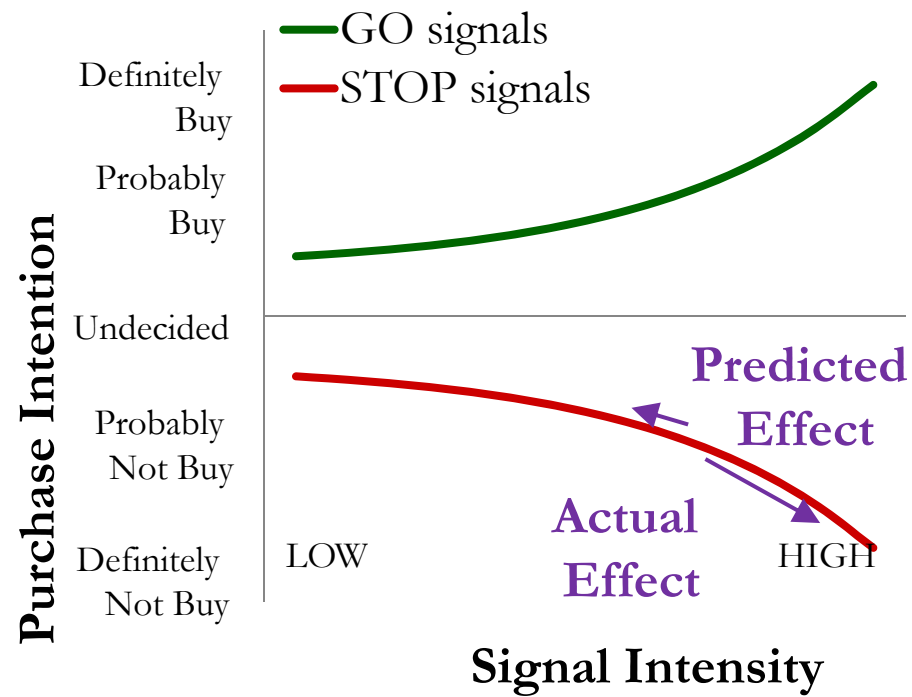
# **HEDGHOGIAN MANAGER'S ERRORS**

Two most frequent sources of errors:

1. Signal Side-Effect Neglect

- Obsession with one of the signals
- Overlook the (side) effects of the proposed marketing actions on the “other” signal

# JOHNSON'S MISPREDICTION: SIDE-EFFECT NEGLECT



# Tata Nano: The World's Cheapest Car

- “Today's story started some years ago when I observed families riding on two wheelers, the father driving a scooter, his young kid standing in front of him, his wife sitting behind him holding a baby and I asked myself whether one could conceive of a safe, affordable, all weather form of transport for such a family.”

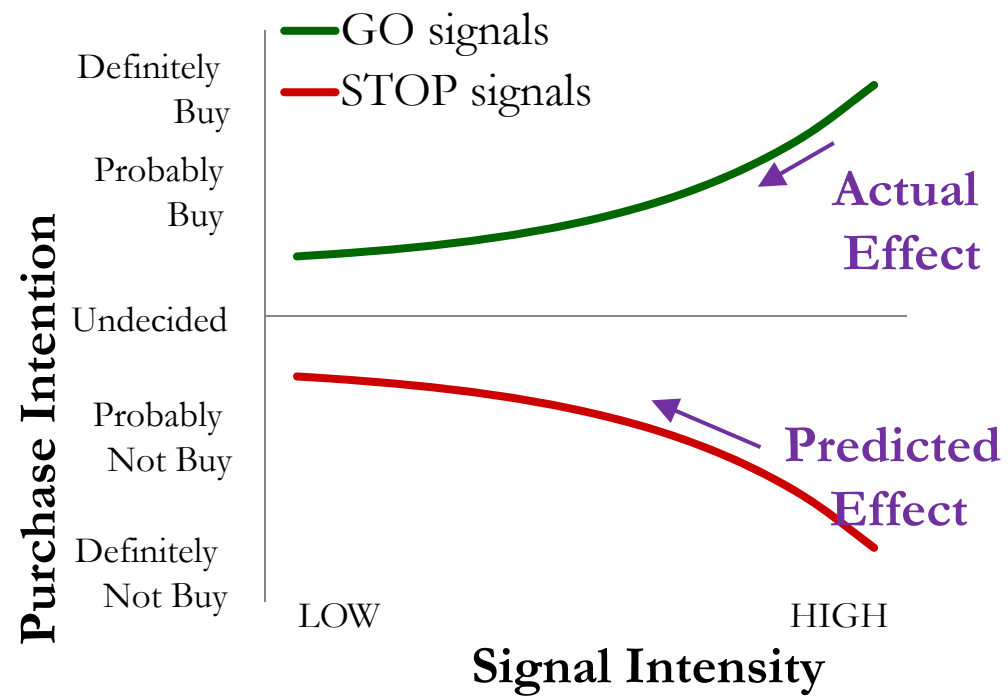


# Tata Nano: The World's Cheapest Car

- “Let me assure you and also assure our critics that the car we have designed and we will be presenting to you today will indeed meet all the current safety requirements of a modern day car.”

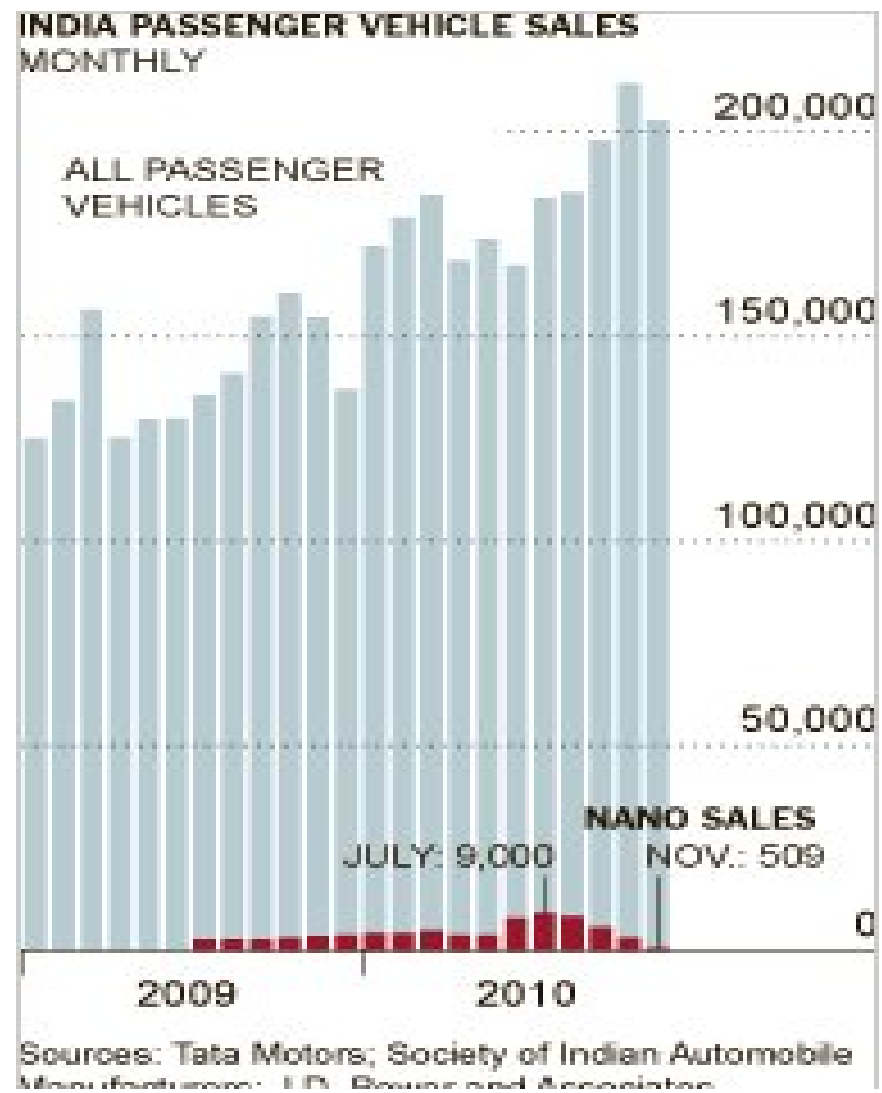


# TATA'S MIS\_PREDICTION: SIDE-EFFECT NEGLECT



# GO & STOP Signals: Tata Nano (Social-Signals & Self Signals)





# HEDGHOGLIAN MANAGER'S ERRORS

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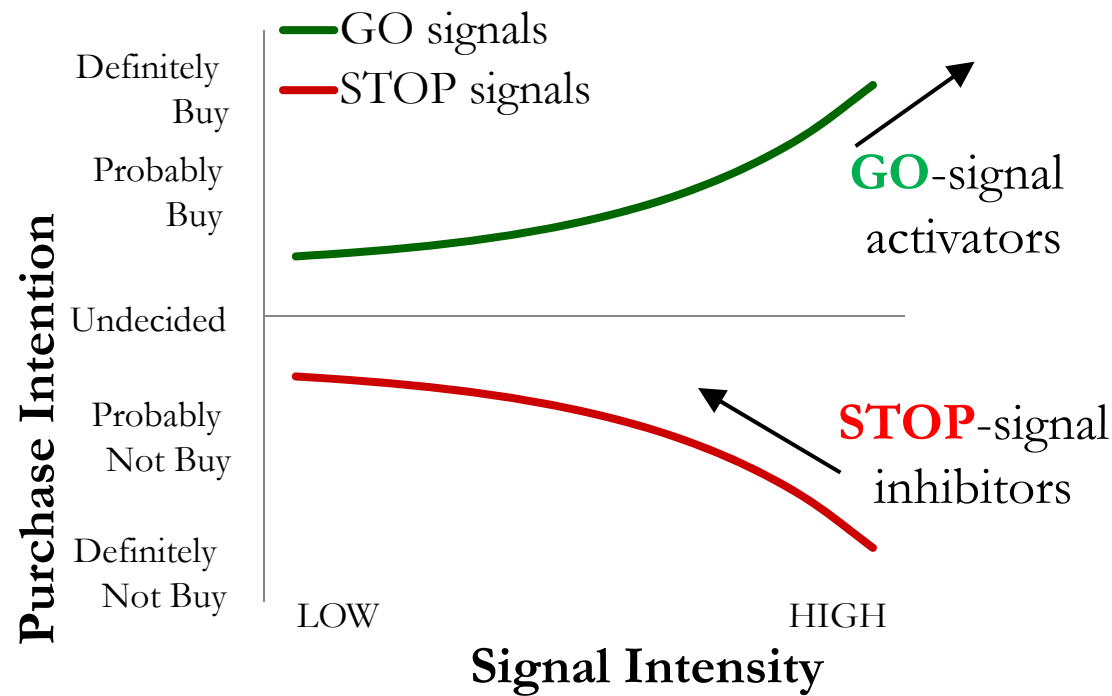
## 2. Signal Sensitivity Neglect

- Acknowledge both signals, but...
- Neglect *differential/relative sensitivity* of GO vs. STOP signals

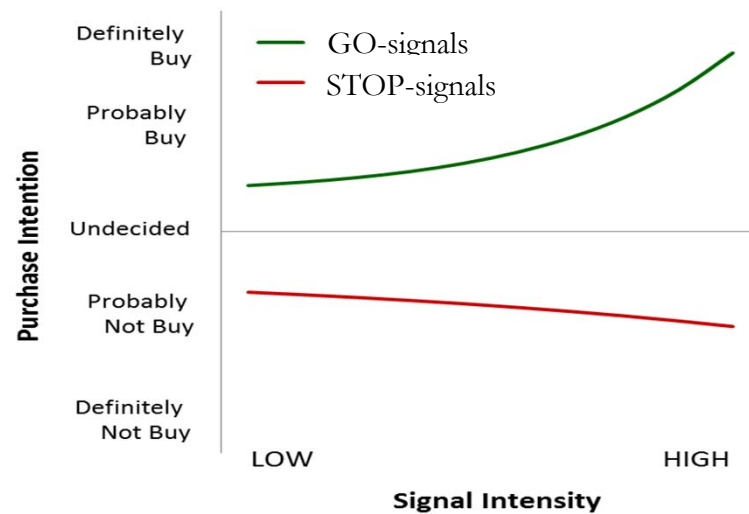


So far we talked of situations when...

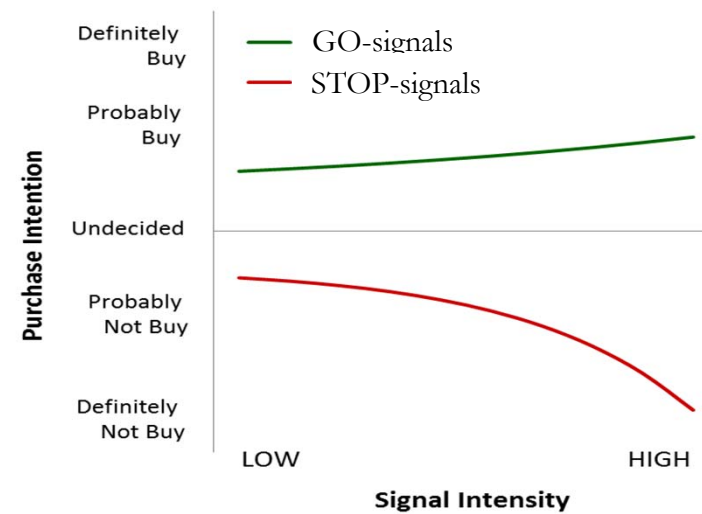
## **GO-SIGNALS & STOP-SIGNALS ARE EQUALLY IMPORTANT**



# GO-SIGNAL ACTIVATORS or STOP-SIGNAL INHIBITORS?



Approach Mindset



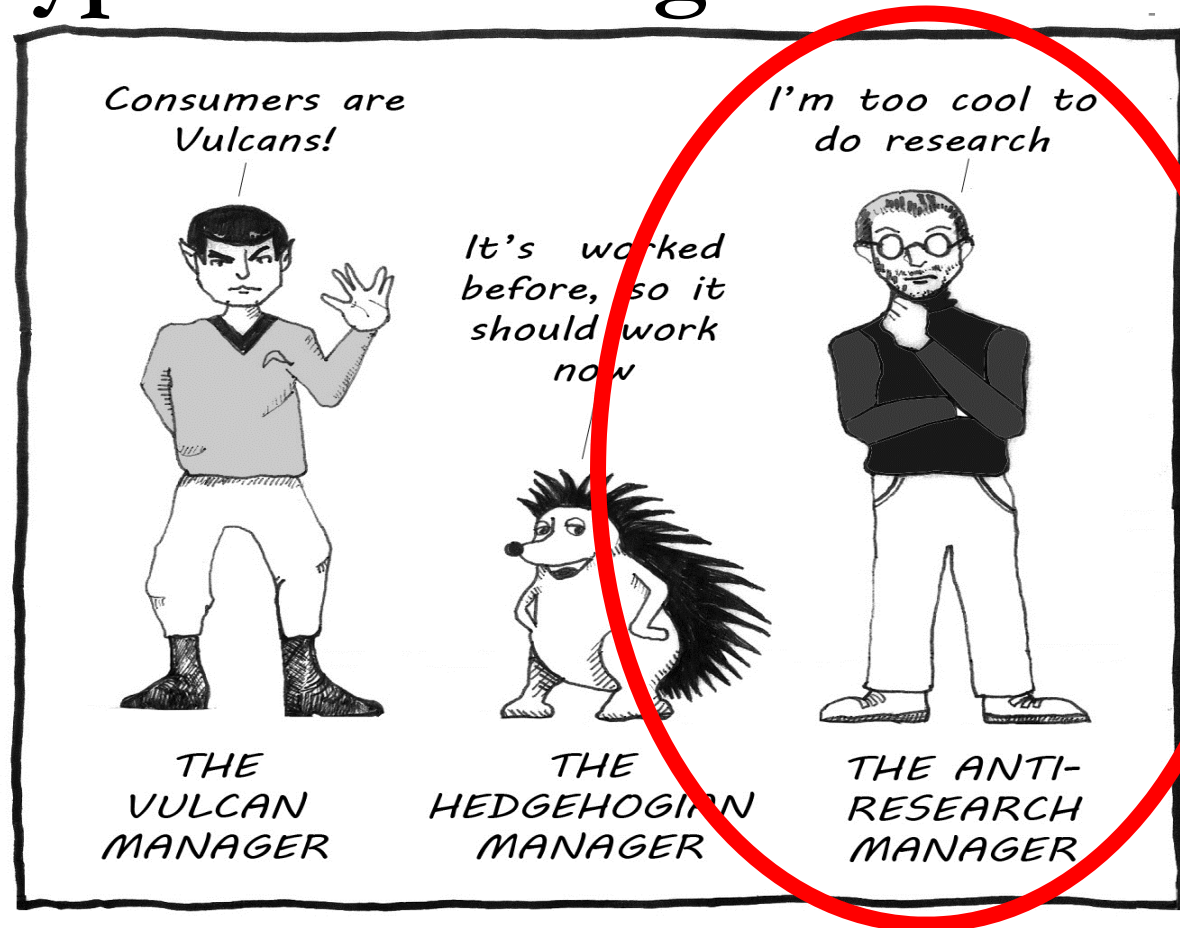
Avoidance Mindset

Markets/Purchase Situations Differ in their Sensitivity to Approach and Avoidance Cues

# But 100 Calorie Craisins was a Flop



# 3 Types of Managerial Mistakes



# Anti-Research Managers

## *I Don't Believe in Research*



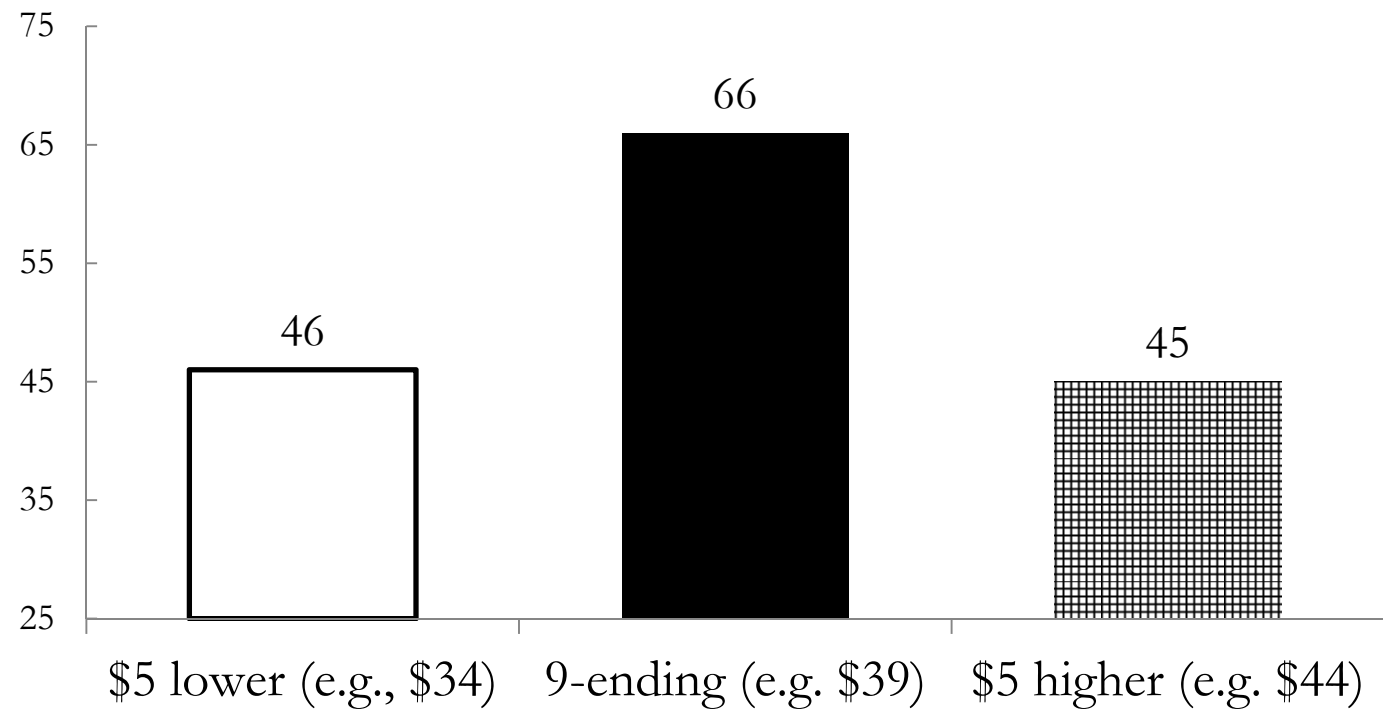
“People don’t know what they want until you show it to them. That’s why I never rely on market research. Our task is to read things that are not yet on the page.”

# The Effect of Price Cues Could Have Been Predicted & Tested

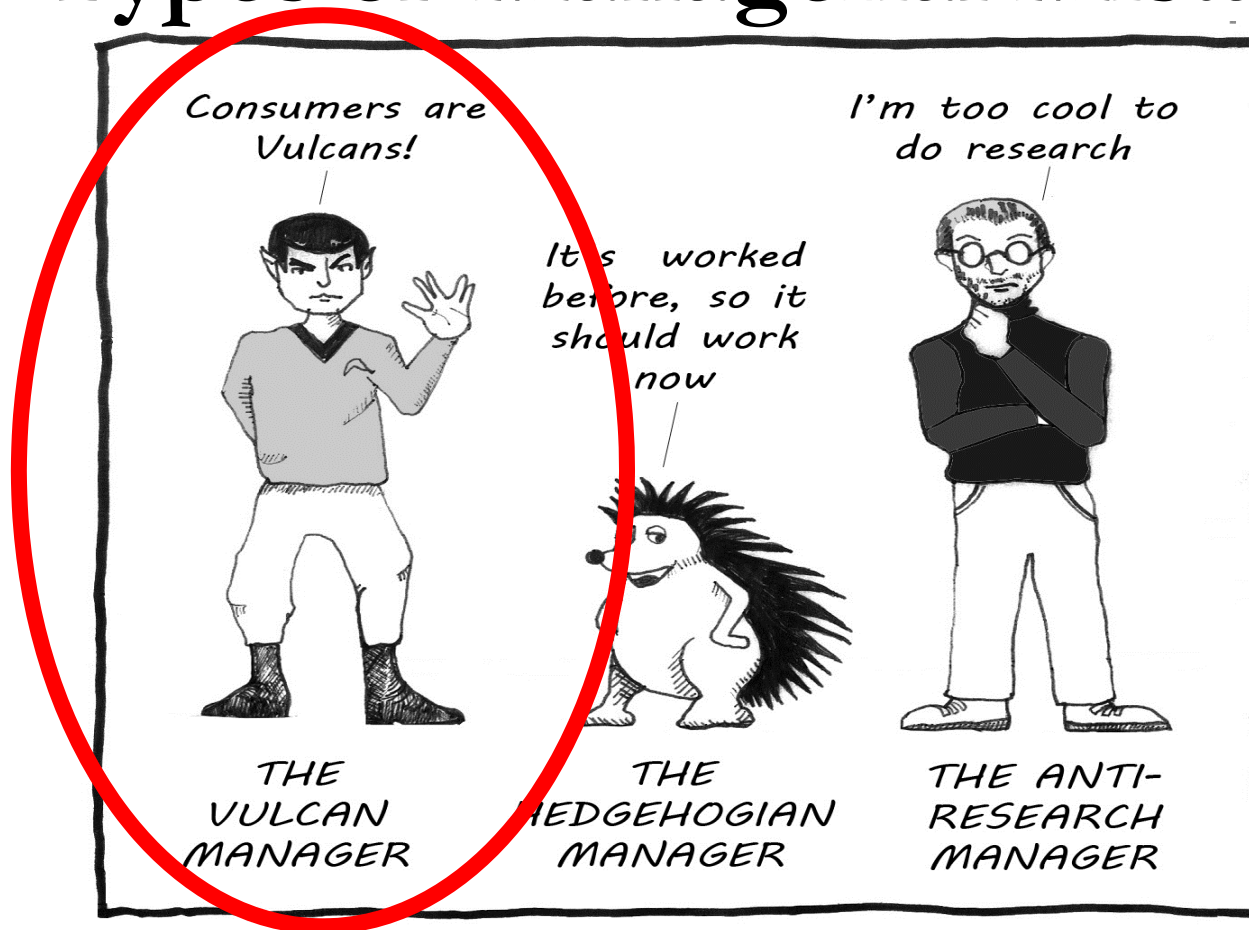
*I'm too cool to do research*



**THE ANTI-RESEARCH MANAGER**



# 3 Types of Managerial Mistakes



# Vulcan Managers

*Vulcans = Emotionless, Deliberative Thinkers*

*Consumers are  
Vulcans!*



*THE  
VULCAN  
MANAGER*

Product  
Information

Utility  
gained from  
the product

Utility lost  
by paying  
the price

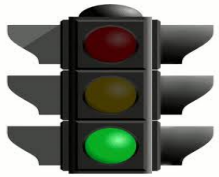
Utility  
Maximization → Purchase  
Decision



# Public Policy Examples

- **Monetary Incentives**
  - ...but Blood Donations (Sweden)?!
- **Monetary Fines**
  - ...but Day Care Pickups (Israel)?!
- **Non-Monetary Incentives**
  - ...but Voting (Switzerland)?!

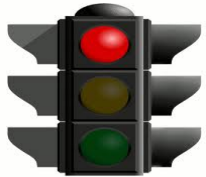
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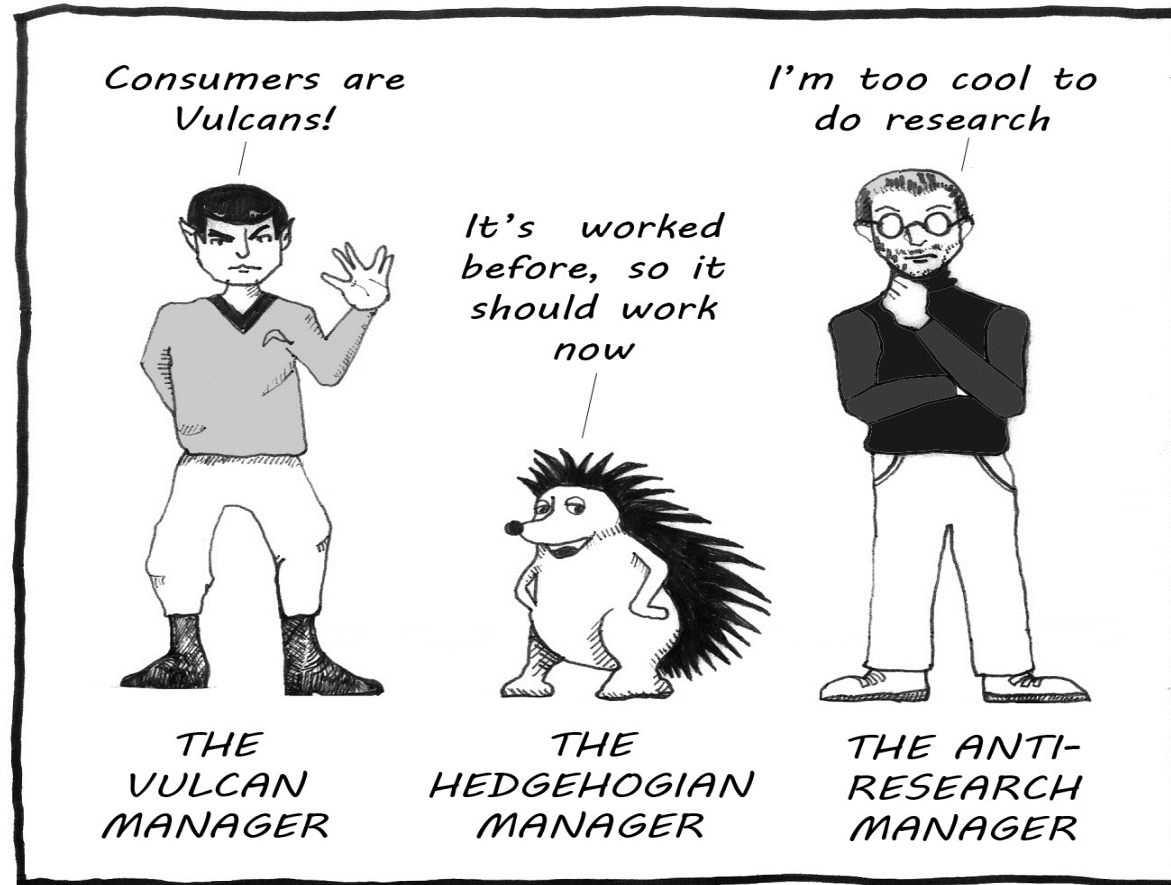
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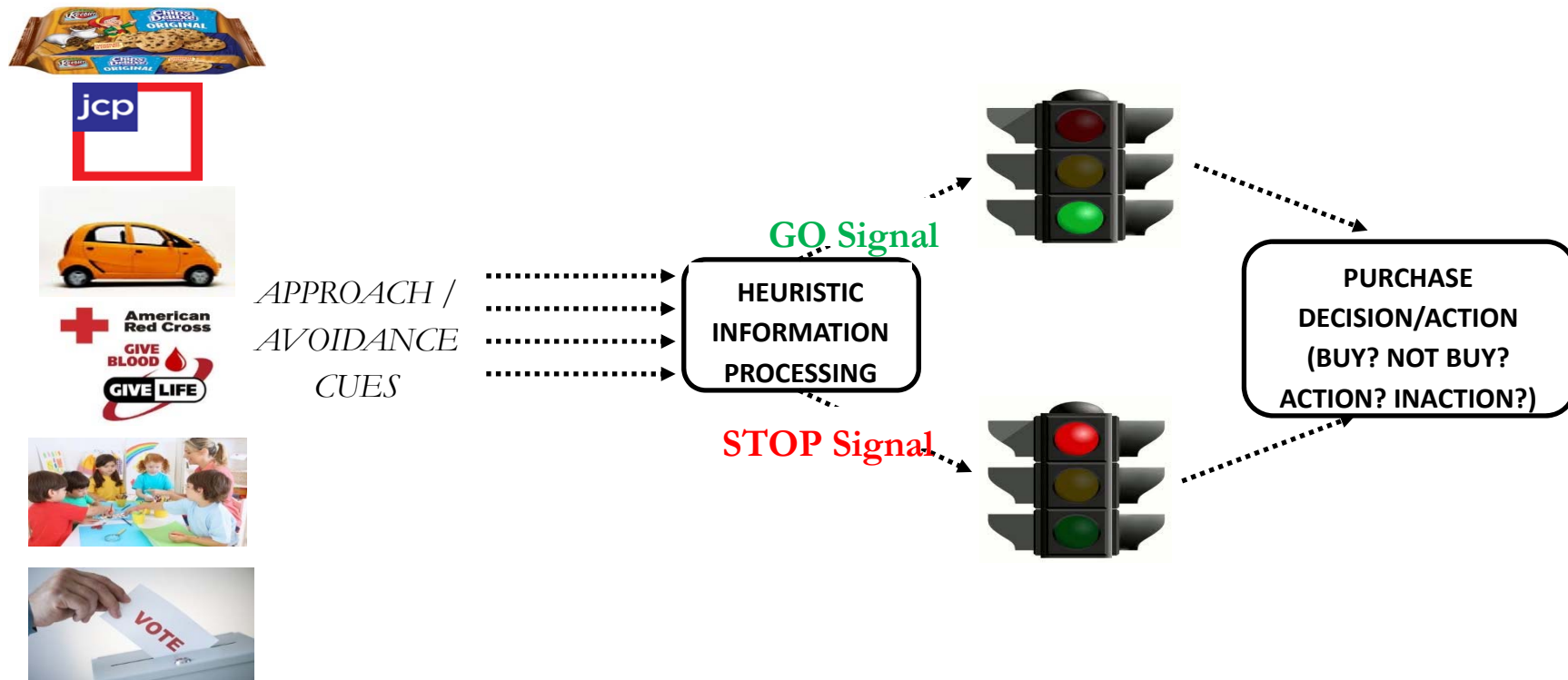
# The Problem: A Hit-or-Miss Pattern

- **Consumer Insight Examples**
  - Customer Experience
    - ...but JC Penney?!
  - BOP (Bottom of Pyramid) Pricing Strategies
    - ...but Tata Nano?!
  - Packaging
    - ...but 100-Calories Packs Craisins?!
- **Public Policy (& other behavioral) Examples**
  - Monetary Incentives
    - ...but Blood Donations (Sweden)?!
  - Monetary Fines
    - ...but Day Care Pickups (Israel)?!
  - Non-Monetary Incentives
    - ...but Voting (Switzerland)?!

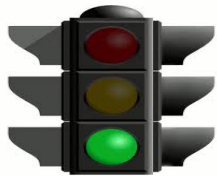
# The Source of the Problem



# A Potential Solution: **GO** & **STOP** Signals (in purchase decisions & public policy)



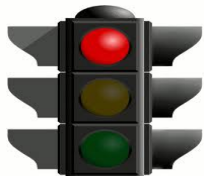
# A Potential Solution: **GO** & **STOP** Signals in Purchase Decisions & Public Policy



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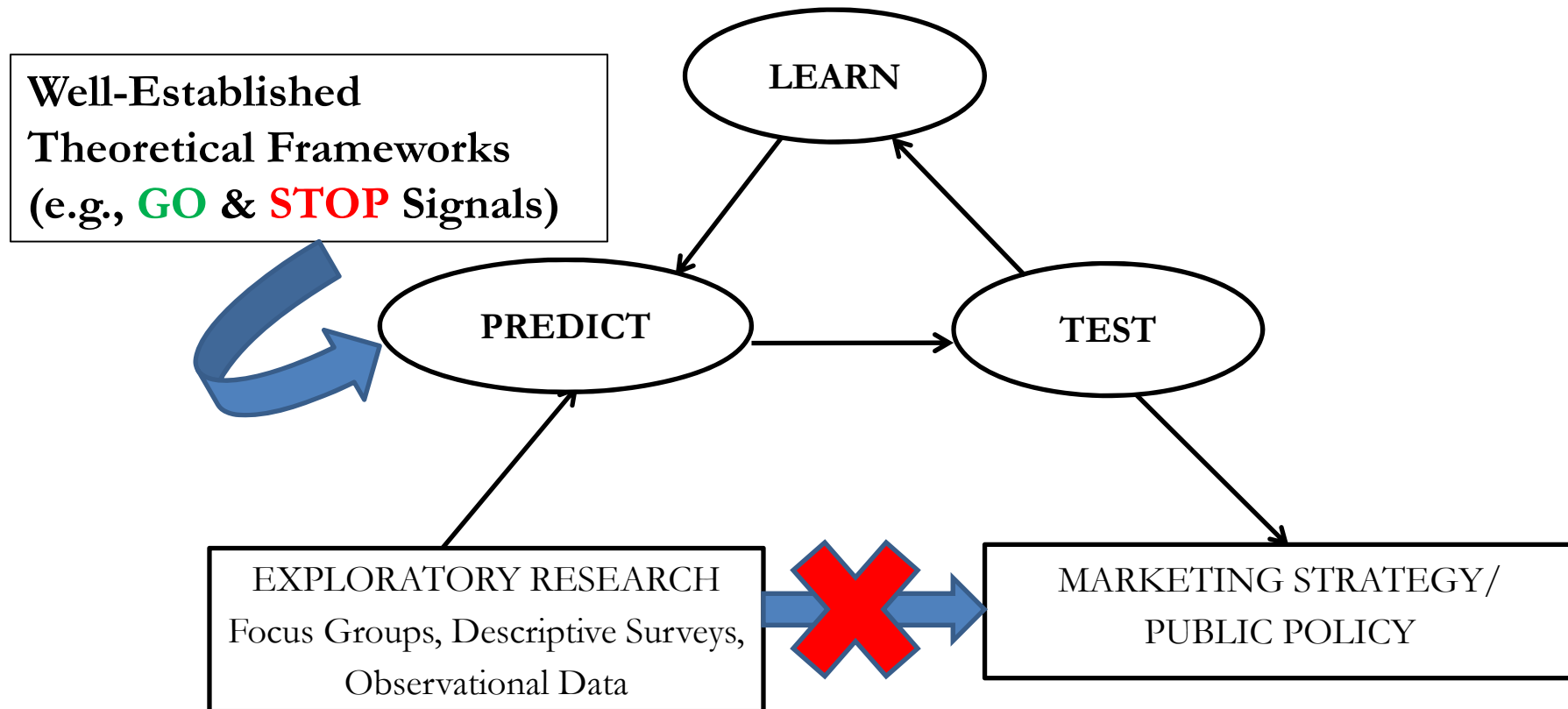
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## A Potential Solution: A (New) Research Mindset

### Predict – Test – Learn (P-T-L)



**THANK YOU!**  
**&**  
**QUESTIONS? SUGGESTIONS?**