

## CUSTOMER NEEDS: THINKING, FAST AND SLOW

*Looking towards mental processes to satisfy customer needs better*

Customers' lives, like all of us, are centred on making constant decisions. From buying coffee vs. tea; healthy vs. fast food; to how much to spend on groceries this month or how much is 'enough' to save for retirement. Surely, all customers would like to make better decisions? To simplify decision-making, we have to travel back in time to the mid-1700s, where a man by the name of Daniel Bernoulli had developed a formula for making better decisions. Known as Bernoulli's equation, this is the simplified version:

$$\text{Bernoulli's equation}$$
$$E(u | p, X) = \sum_{x \in X} p(x)u(x)$$

It might seem Greek to you because, well, it's Greek! Simply put, it can be translated as:

**Expected utility = odds of gain x value of gain**

In other words, the value that a customer can expect from products or services is equal to the *probability* that they will acquire the product/service, multiplied by the value of what they will gain. We are all familiar with probability. For example, if you are charged R4 to toss a coin, and you can win R10, will you play? But of course! Because the probability of winning is  $\frac{1}{2}$  (50%)  $\times$  10 = R5. Since R5 is more than the R4 you are charged to play, you cannot resist tossing the coin!

But Bernoulli's theory rests on a couple of assumptions that are crucial to its effectiveness. It assumes, for instance, that **we would consistently choose the same product, irrespective when and where that product/service is displayed**. However, we all know that the purchase of ice-cream, is greatly dependent on factors such as weather temperature.

What Bernoulli could not have known at the time is that the mind is vastly more complex than he could ever have imagined. For instance, it is possible for the human **mind to hold two opposing beliefs simultaneously**, a phenomenon known as *cognitive dissonance*. The mind can arrive at a vastly different answer simply based on the 'type' of mental process available at the time the decision is made.

**"What Bernoulli could not have known at the time is that the mind is vastly more complex than he could ever have imagined."**

Have a look at the example below and pay attention to the answer that first comes to mind.

*A bat and a ball costs \$ 1.10.  
The bat costs \$1 more than the ball.  
How much does the ball cost?*

The typical answer among respondents is 10 cents. However, if I gave you a couple of extra minutes, you might have realised that the correct answer is actually 5 cents. The reason you have committed this error is because different phenomena (such as problem-solving, decision processes, perception, and so on) can occur as a result of two separate mental processes. When you thought the answer was 10 cents, you made use of what is known as System 1, which is driven by fast, **automatic and unconscious reasoning**. It is System 1 that causes us to ignore some crucial information and jump to conclusions.

On the other hand, if I were to ask you to multiply 17 x 24, then you would have had to, if you are like me, take a couple of seconds to bring the question into consciousness and **intentionally calculate the answer by paying (conscious) attention** to the problem at all times. Anytime a person asks "What is going on here?", or if the person cannot immediately make sense of what the answer is or what is happening, System 2 is being used. The difference between System 1 and System 2 is just 2 or 3 seconds or even a few milliseconds, but it makes all the difference.

### **Application for marketing**

I believe that marketers can improve customer satisfaction by understanding how and when these two mental processes function best. For starters, for whatever the marketer intends to sell, they should first ask the question: "Is this a System 1 or System 2 segmented design?" For example, with the proliferation of the internet and other competing websites close at hand, **the home page of a company website** should provide quick and effortless (*i.e.* System 1) answers to the most important questions *first*: "What does this company do?"; "Through what means can I contact them?"; "What products do they offer?" and so on. When customers have found those key answers, only then are customers more likely to *pay attention* to the more detailed information on the website, such as corporate culture, product descriptions, and blogs.

Conversely, customers in retail stores are bombarded with thousands of products and product messages where the one product on the shelf rarely looks any different to the next. But by getting people to function on System 2 – rather doing things that might get people's **attention, such as flashing lights, novel stimuli** (like a new container design), **brighter colours or through contrast** – fast vs. slow, dark vs. light, big vs. small – marketers can quickly get people to use System 2 to pay conscious attention to the intended stimuli. This means that customers will *intentionally* pay attention to visual stimuli that they see.

Or take this document, for example. It is designed around System 1 because of the use of **bold** contrast, the subheading, short paragraphs and the quote (at the top) to summarise a key part of the text. Even if this article appears on a notice board, where the need is to get a quick glimpse of what the article is about, it can still be achieved.

My recommendation is that a decision should always be made to pair the type of 'System' to the context within which a product, service or marketing campaign will be marketed, thereby greatly leveraging its effectiveness.

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