

Marketing researchers study effect of red on consumer behavior

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Rajesh Bagchi studies the impact of information framing on consumer decision-making.

Rajesh Bagchi was once an engineer in California and Colorado, providing software support on water and sewer master plans to utilities and consultants and co-authoring papers about polycyclic aromatic hydrocarbon-contaminated sediments for publication in environmental engineering and hazardous materials journals.

Today, as an associate professor of marketing in Pamplin, he teaches and does research on [consumer behavior](#). His [journal articles](#) these days examine such influences as color ("The Effect of Red Background Color on Willingness-to-pay: The Moderating Role of Selling Mechanism"),

presentation order ("\$29 for 70 or 70 for \$29: How Presentation Order Affects Package Perceptions"), and why [consumers](#) often pay cash when buying small guilty pleasures ("Chocolate Cake Please! Why Do Consumers Indulge More When It Feels More Expensive?").

His training and work as an engineer in industry was very "product-centric," said Bagchi, who earned a bachelor's degree in [civil engineering](#) and a master's in environmental engineering. "The idea was to develop a solid product and then try to sell it to as many consumers as you possibly could. I realized somewhere along the way that the important question was not how to sell my product to more consumers but how to come up with a product that consumers actually want."

From engineering to marketing

It was while working in [Silicon Valley](#) as a programmer at another startup a decade or so ago that he recognized that "even the best products don't sell if consumers don't see the need." His employer then was a start-up whose products included software for sending email securely.

"When you send an email to someone living, say, next door, that email can traverse the world before reaching your neighbor. It leaves imprints at several locations that could potentially be used to reconstruct the email, even if you deleted the email," said Bagchi.

"Our company came up with a novel solution. We devised a way to send an email that was completely secure—it left no copies anywhere, and, if the message was deleted, it would be impossible to reconstruct it. We thought it was a very cool product and that it would sell like hot cakes."

Alas, such was not the case. The product was ahead of its time, Bagchi said; consumers then were not as worried about privacy and hacking as they are now, he said, and did not appreciate the product's value.

The lesson he gained was the importance of understanding consumers—how they think and why they act in certain ways. As Bagchi learned more about "this fascinating field of marketing and consumer research," he decided to pursue an academic career and earned a Ph.D. in marketing at the University of Colorado in Boulder.

Information framing guides behavior

As a researcher, Bagchi is intrigued by the impact of information framing on consumer judgment and behavior and how consumers form pricing judgments, in particular. "Language is at the very core of how humans interpret the world, and marketers use language to constantly try and influence consumers, sometimes, with unintended consequences," he said.

"I am fascinated by how different ways of presenting the same information can influence consumers differently. For instance, when selling songs, iTunes can present the same information in different ways: \$29 for 70 songs or 70 songs for \$29. My research, however, shows that consumers feel that 70 songs for \$29 is a better deal than \$29 for 70 songs.

"We show that this happens, because under certain circumstances consumers pay more attention to the first piece of information. Hence presenting benefits information first—the 70 items—leads to more positive evaluations than presenting cost information first—\$29."

Why consumers choose incorrectly

Bagchi can't resist scrutinizing his fellow shoppers' choices in the store—an occupational hazard, he agrees—but often it's his own "sub-optimal choices" that give him pause—and research ideas.

For example, in his study on rewards loyalty programs, Bagchi found consumers tend to respond very differently to reward structures with the same cost. Most consumers who are told that they will earn a reward when they reach 1000 points, at 10 points per dollar spent, will feel that they need to accumulate a lot of points to get the reward. But when told that they need 100 points, at 1 point per dollar spent, to get the reward, consumers will feel that they need to earn very few points—even though consumers need to spend \$100 in each case to earn the reward.

"Consumers think it is much harder to earn 1,000 points than 100, because they focus on the distance to the reward," says Bagchi. "They should really focus on what they pay to earn the reward."

His study was inspired by his own misinterpretations of rewards points several years ago when comparing airline frequent flyer programs. "One needed about 25,000 points on Frontier to get a free ticket but many more points on United, and I automatically thought that the Frontier deal was much better.

"One day I sat down and thought, well these points really don't mean much. I should be looking at the actual costs. I asked around and found that others had no clue either. That gave me the idea to pursue this project."

Payment method influences purchase decisions

In another project, Bagchi studied how consumers make purchase decisions based on payment mechanism. He found that consumers buy a more indulgent product, such as chocolate cake, when purchasing with cash but prefer a less indulgent product, such as salad, when buying with a credit card.

"We show that because paying with cash is more painful than paying

with a credit card, consumers seek to assuage this pain of payment by consuming an indulgent product. This is very consistent with my own experiences as a consumer where I would gravitate toward the more indulgent option when paying with cash."

Bagchi believes that having both marketing and engineering knowledge serves him very well. "Marketing is really the flip side of engineering. Both are needed—one, to develop a product, and the other, to inform what needs to be developed and how it should be branded and sold. Engineers should be taught about marketing and marketers should strive to understand the product's core to help develop more innovative solutions."

Provided by Virginia Tech

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