

CHAPTER 1

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Focus groups and surveys techniques are what market researchers frequently uses in figuring out important key points of companies' products and what elements they should retain and which they should abandon. The technique is also often used to segment customers into different market segments based on their preferences. Despite being a widely-known and used technique, positive responses from respondents do not always mean positive results in real life launch.

Often, respondents did not respond truthfully. It could be caused by the social pressure or nervousness emitted by the media or the peers in the room, or maybe they misunderstood the questions or task proposed, possibly due to inexperienced interviewers or respondents themselves. However, most of the time, respondents themselves do not really understand why they do something in a certain way, or choose and buy certain products, and thus they cannot really explain their reason of their preferences, as shown in the Modified Coke and Pepsi test. In the original test, Pepsi came out as the winner in terms of taste, but when it was modified with the brands being shown, through brand imaging technologies, seeing Coca-Cola emitted various neuron activities, such as in the VMPFC (ventromedial prefrontal cortex), which has always been commonly known to be related to brand preference and self-rewarding system. This result indicates that there is more to coke than simply a sweeter taste. This experiment was published in *Neuron* in 2004.

A very real-life situation that we often observe lies within the gadget territory. Whereas numerous others brands are offering smartphones with similar specifications and benefits, many still show

strong preferences towards big brands such as Samsung and Apple. The prestige significance of these brands shows that there is something more than to improving quality of the product; how the brand presents itself through numerous marketing approaches, advertisement and packaging design & changes have major implications to it. Yet, in the repertoire market, common products that are of daily life use, such as shampoo and biscuits, people seem to be lacking in loyalty in the brand that they purchase. This phenomenon seems to be the case as big brands gain even higher popularity and trust, making it hard from new competitors to penetrate the market and cultivate trust in the already convinced society. A lot of empirical studies have been done, but they are yet to help managers and consumers to understand how those studies will help them understand better the underlying explanation of why brands made them did what they did. Future research has yet received a detailed direction of where they want to go and how will this direction contribute researchers, managers and marketers.

Thus, is the reason that the author chose the title, “Neuroscience and Branding: A Systematic Review of Brand Influence in Decision-making Process Towards Loyalty”. This thesis will bring the knowledge and findings in a better arrangement on a silver platter and hopefully help create agendas that researchers can rely on. The type of qualitative research employed has a descriptive characteristic.

1.2 PROBLEM FORMULATION

Throughout years of marketing research, there have been uncounted amount of surveys, questionnaires and focus group discussions conducted to figure out the effect of marketing gimmicks, packaging and other aspects of marketing strategies. Yet, they failed to address the core problem when the said gimmick or strategy failed to gain the results that were expected. While the experiments were conducted in a controlled condition, the marketers failed to fully understand the truth behind human’s motivation of making certain

decisions or, in some cases, why they cannot convey their honest, subconscious feelings through words or writings.

Neuroimaging has been recently employed by big companies and have begun to show results in terms of better interpretation of consumers' reactions and answers. It wasn't clearly understood why people are unable to answer the questions as truthfully as they can. Not even themselves are able to explain why they are giving responds that do not conform to their actual actions. Yet, the small revelations from neuroimaging have shown a very possible window of explanation to these incidents. Research done by big companies and individual researchers have also subsequently showed great results in showing the correlation of brands in decision-making process. Multiple studies have been done in repeat purchase situations and there is a positive correlation between brand salience and willingness to pay for the products. Yet, they are still lacking in explaining the extend of these factors towards the brain's process of decision-making.

This study, thus, seeks to answer the following questions:

1. How much have we known regarding brand influence in repeat purchase situation thus far?
2. How should future research be conducted to better understand the said subject?

1.3

RESEARCH FOCUS

The type of research done is qualitative and focuses on literatures so far in neuromarketing in general and brand's influence in consumer's decision-making process. The author aims to bring a systematic review of literatures on the subject of interest to bring forward a more cohesive and coherent structure of the knowledge that we have down to this day on the specific situations. The specific setting will be in repeat purchase situation. Specifically, brand loyalty, salience, attributes and brand-related experience will be discussed.

While thousands of prior qualitative and empirical studies have used different approaches to do this, this study focuses on the newest, more bias-free studies that reflect on more accurate results of the influences of various brand elements.

Following the literature review would be a comprehensive structure of what we have understood so far regarding brand's influence towards a consumer's decision-making process in a repeat purchase situation or repertoire market, which should be differentiated from when consumers first engage in the particular kind of purchase. The repeat purchase situations chosen in this study conform to the Dirichlet model of buying behavior. This buying behavior fits accordingly with the repertoire market classification of Sharp who spotted the repeating pattern in specific type of markets under the repeated purchase category (Sharp & Wright, 1999). The difference in behavior here in itself is an interesting topic to be explored, however, it will be part of future agenda of materials to be further researched.

No brain imaging tools, such as fMRI, EEG and other commonly used tools, will be used due to limited budgets, size of the technology and the availability of it in the current city of research. Thus, this is why systematic review is used in this sense with data gained from previous studies which were conducted with proper use of neuroimaging instruments as well as various other systematic reviews

1.4 RESEARCH OBJECTIVE

The objectives of this study that the author aims to achieve are:

1. To create a systematic review of neuromarketing's advances in consumer's decision-making process studies, and
2. To arrange a future agenda that can be created to study more in relation to decision-making process from neuromarketing's perspective.

1.5 BENEFIT OF THE RESEARCH

1.5.1 THEORETICAL BENEFIT

The term neuromarketing was first publicized in June, 2002, by BrightHouse, a marketing firm (Hammou, Galib, & Melloul, 2013). Even though it has been 16 years since then, there are still little use in relation to further understanding in how different sections of brain influences a consumer's decision-making process.

There are still many studies needed to be conducted to create a more generalized theory to map the brain. This particular study looks forward to conclude the study of branding thus far and how it is perceived by consumers in repeat purchase situation. Different types of products have been known to activate different sectors of the brain, proving that the brain map has a specific route when making a decision on different types of products.

This study looks forward to solidify the current knowledge on what we know in decision-making process from neuromarketing's perspective. Taken from various journals, articles and findings that are still legitimate, a conclusion will be made. Afterwards, further research agenda will be proposed based on the conclusion to direct where researchers should better focus their attention to in relation to marketing research. Better understanding of decision-making can be understood and a better setting can be created when conducting experiments that requires participants placed in a controlled experiment condition.

Further, more refined theories and structures of identifying different sections in a decision-making process can be made, especially when faced with different situations even in a seemingly similar activity, such as repeat purchase situations in a supermarket vs. a fast-food restaurant. It will also help in forming a more coherent subjects for students undertaking management, branding, consumer behavior and branding studies. Integrating the knowledge of neuromarketing will

help strengthen the theories and give better explanations of various case studies.

1.5.2 PRACTICAL BENEFIT

In the field of marketing research, more researchers can now understand the truth behind consumers' answers and gain more effective results. By understanding the true meaning behind consumers' actions and responds, we can reduce the amount of wasted money, time and resources in conducting various marketing research techniques and developing products based on false pretensions. Neuroimaging will also help marketers understand better what their approaches can do to their customers' preferences.

Business owners do not necessarily need to own the instruments to conduct neuroimaging studies on their brands. Yet, this study may open their mind towards a better look of how strong branding is and how to utilize it to the max. Business owners may see help of marketing firms that make use of this tool, although they may still be rare due to the cost of conducting a study.

Retailers may now understand why certain brand does better and make better decisions in which partnership they should maintain in the long-term. For retailers in the fashion category, understanding how their brand is perceived will help them maintain the most favorable fashion line and come up with new, creative design that people will spend their money on.

Managers should learn to implement not only conventional focus group method, but also use brain-imaging technologies and combine them to ensure a more effective result. There's also a need to use marketing research techniques that do not demand the respondents' opinion, but rather create conditions where a customer can agree to a certain opinion without having to think about it. This goes in line with the fact that customers make radical and irrational

decisions without heavy contemplation most of the time. The surveys, focus group, questionnaires and all sorts of similar marketing research techniques they use should conform to this, especially when brain-imaging techniques is deemed too expensive to implement. For managers, strategies can be designed based on the new knowledge of how branding affect consumer's behavior in purchasing products of repeat situations. This will save the most important resource in planning: time.

Marketers can be warier when conducting conventional research methods. Implementing neuroimaging tools in every study is still deemed impossible considering the cost and availability. Whenever possible, however, it's important to consider using neuroimaging techniques to get a clearer understanding of how brands are doing out there. Questionnaires aren't enough to get the truth out of respondents who don't even know when they are letting temporary bias get to them. We require answers straight from the brain, where these decisions are being made. However, it's important to note that this study does not dismiss the importance or significance of traditional marketing research techniques. Instead, this may help marketers better understand the power of branding and design a more suitable research method.

In overall, a company can better design their strategies in keeping their consumers loyal to them. In creating repeat purchase, the strategy can better focus on certain part of the purchasing process to improve experience on the consumer's memory. It will also help them keep track of which brand equity they should most focus on to improve and we will start to see a decrease in advertising spending which has reached more than 500 billion US dollars as of 2016 (eMarketer, 2017).

Consumers will learn how their decision-making process happen in their brain. Understanding which part is rational and not will help them make a better decision free of biases they never knew were there. Instead of creating a fear of a 'brainwashed' generation, with

open access to studies that pertain marketing strategies by brands and how they may be making irrational decisions on it, controlled spending maybe able to be implemented more effectively. Psychologists and psychiatrists may find better ways to deal with their clients who seek out help and seem unable to explain their behavior. With more effective branding, consumers can be free of visual pollution with, perhaps, less ineffective advertising.

Fellow academics can learn to integrate neuromarketing into their studies, allowing students to understand that consumer behavior, marketing and the brain are three things that cannot be separated. This will encourage future generation to delve further and gain better understanding of why people make those decisions and consequently build a better strategy.

With more interest in branding and how neuroimaging is shedding some light into the subject, the cost of neuroimaging tools may decrease sooner than we expected. The enthusiasm of the people will push more development into the technology, allowing more people to have access to it. This will lead to create even more opportunities for researchers to further their understanding.

1.6 SYSTEMS OF WRITING

The first chapter of this paper, INTRODUCTION, discusses the background issues, limitations, objectives and significance of the paper. The background issues talk about the various settings where various conventional research techniques that are done with as little bias as possible have shown disappointing results. Yet, neuroimaging studies have shed some light to explain this phenomenon. The famous Coca-Cola and Pepsi test by Professor Montague was the cornerstone that showed branding had a tremendous, consistent effect on consumers.

Afterwards, the limitation of the study is explained. Together with that is the problem formulation that the author seeks to answer and

research objectives that the author seeks to pursue. The two of them is: 1) to conclude and summarize what we have understood regarding branding with the studies conducted thus far, and 2) to create a list of future agenda future researchers can rely on. With the accomplishment of these two sections, the theoretical and practical benefits entail how the results will do well for managers, marketers, consumers, and researchers.

The second chapter, LITERATURE REVIEW, discusses the theoretical framework based on prior research and theoretical background and the hypothesis that the author suggests. Theories on decision-making process as well as neuroimaging results will be mentioned and discussed. Afterwards, prior research that has been done in relation to decision-making process, brand influence, and brand preference in a repeat purchase situation will also be mentioned. These studies are the best source of neuromarketing influence in explaining consumers' behavior when purchasing products in repeat purchase situations, specifically. There are also brain parts which have important roles in processing brand information, connecting different factors while considering decision and how decisions are made.

Several books by famous figures in neuromarketing and neuroeconomics will also be included as these people show how neuroscience is helping marketers take big leaps in explaining decisions and predicting future consumer behavior. A brief discussion on possible ethical problems will also be included.

The third chapter discusses the RESEARCH METHODOLOGY the author uses to conduct the study. Qualitative study is chosen for this setting which is considerably rare. The use of neuroimaging tools is deemed impossible, but detailed summary of the most recent findings and base theories as well as explanations of decision-making process based on them in relation to the theory is the storyline of this paper. The requirements and limitations of the use of

books, articles and journals are also explained to ensure a consistency of source and theory from the author.

The fourth chapter which entails the DATA ANALYSIS AND DISCUSSION will be the configuration of the literature that we have known so far. It starts with a brief overview of the neuromarketing field, why our country needs this and how the result can bring benefit to not just local, but also global economy and research. This general overview allows us to see the legibility of the title and the situation proposed and theories of the topics suggested. It is followed by discussion of the literature we have reviewed and configuration of it. The structure will start with a look into repertoire market and loyalty level of consumers toward brands, followed with influence of brands and significant changes in decisions caused by it.

The last chapter of this thesis contains the CONCLUSION of this thesis. The summary of the systematic review of this thesis begins the chapter, continued with implications of it to people of different expertise. Future recommendation contains future agenda for research in this particular field to refine the knowledge we already have and to turn them into something that can be better served in a platter for managers and customers alike.