

Host

Hello, Professor Kumar allow me to congratulate you for being awarded the 2021 Mahajan Award for Lifetime contributions to marketing strategy research by the American Marketing Association. Thank you so much for making the time to join us today on Mrigashira. Thank you so much. In today's conversation, our attempt is to get some insights into the constantly fluctuating consumer behavior in the COVID 2.0 world and the value of building a research culture. So Professor Kumar, allow me to begin by asking you something which has been bothering me, we have been talking about purpose led brands for almost a decade. And now the discussions around purpose led brands seem to be flowing through our ears, the term is often misunderstood. And lots of companies do not really seem to get their, you know, head around it. What is brand purpose mean to you?

Nirmalaya Kumar

Yes, what has happened is that, you know, earlier, we're not talking many decades ago, people chose brands based on simply the quality, you know, the logic of the brand. And then, of course, over the past, as we after post World War Two, especially as consumers became more wealthy, we started looking for both the logic and the magic, what we call, logic was, you know, what was the functional performance of the brand? and magic is, what is the emotional performance of the brand? Which is really, how does it make the customer feel, either to themselves or for other people. So that became, you know, the unique selling proposition of a brand, we said, has to be beyond just simply the quality or the functional performance, it has to also encompass what we call this magic, which is the emotional connect to the customer. Having said that, now, of course, as we have evolved 70 years later, from the Second World War, we have become much more comfortable, we have become much more developed, consumers have become more aspirational. And the younger consumers, of course, are changing in terms of what they see, as the fundamental challenges. After the World War Two, the fundamental challenges was really to rebuild the society to rebuild the top warrant on populations. And so people were very concerned about, you know, moving to a better economic lifestyle. Now, people tend to be more satiated with their economic lifestyle. So they look to higher purposes, and so one of the high purposes they're looking at is that consumers are very worried today about what is the future of our planet, and in this future of the planet, there are many different concerns that fall into this big bucket future of the planet, including, of course, what is now called popularly ESG you know, environmental, social justice and ethical concerns, governance concerns, and when we talk to consumers, what we are finding is that 65% of consumers say they would like to buy purpose driven brands, by what they mean by purpose driven brands is that the brand should stand for something more than simply functional performance in the category it should have, it should actually try to make the world a better place not only for the current generation, but also for future generations. And this of course, is most reflected in two groups of people of consumers, the first group of consumers are says developed versus under emerging markets. So the developed market, consumers are especially concerned about this more than the emerging market consumers, but even within the developed an emerging market, the younger consumers the what we call the millennials, and the Gen Z consumers are Gen Z consumers are especially concerned about this, which makes perfect sense if you think about it, because they are going to live most of their life in the future. So of course, they are more concerned about what is going to happen to the future of this planet, and to the environment, and to what we are handing over to the next generation. And interestingly, we are seeing this not only in the developed countries, which I said, where you

see it in more in spades. But we are also seeing this in Southeast Asia in China, even last year in JD Power, some of the fastest growing brands but those that had a sustainability, claim to them, even on JD Power, so JD Power sorry, on jd.com, which is of course the largest internet sales site in China. So what I'm trying to say is that this is not a concern that is going away, it is going to become more important in the future. Because as the millennials and Gen Xers, Gen Z become more powerful, more economically dominant. They're going they are demanding asking for this. So as I said, 65% and if you ask millennials and Gen Z, they'll tell you that they see environment as a bigger concern than health or employment, which is amazing. You would think that these young people are most concerned about jobs. But in, especially in the developed world, when we do surveys, we find that they put the environment sometimes above employment and health in their concerns for the future.

Host

Okay, that's interesting to know that environment above health, and unemployment, your five point guide for communicators, you know, to help brands in shaping their purpose because marketers, researchers, communicators, how can they help brands in shaping their purpose.

Nirmalaya Kumar

So let me just put some background to this. The background to this, I'll put it very briefly is that even though 65% of consumers say they want to buy purpose driven brands, only about 20 to 25% actually do. And what stops them from doing it when you go deeper into the data is that while people say they would like to buy these brands, they're worried about three big problems with these brands, they feel that sustainability comes with some negative cost or associations. First is that it's going to cost them more, if they buy more purpose driven, sustainable brands, second, they believe will be less convenient to use or buy. Thirdly, they believe will have less efficacy or quality. So the the three, the triple threat, what stops people from buying from consuming sustainable or purpose driven brands is cost, convenience, and price and quality. So if as brands, of course, then if you want consumers to, you know, customer, you know, give that customer to such sustainable brands, we have to think about how to reduce these three negative associations, of course, convenience, and quality for the customer. Because customers believe that you know, that more sustainable brands are going to be more expensive, they're going to be less convenient. And they're going to have less efficacy or less functional performance. And in terms of price premium, our service seem to indicate that consumers 37% of consumers say they're willing to pay more. But how much more is the question? And of course, in services easy to say that I pay more, but even then, even in service, we find that people are willing to pay about 5%, more, at 10%, most of the interest in buying the sustainable brands disappears. So even if we are going to have a price penalty for consuming these sustainable products and brands, you have to ensure that the price penalty stays within 5%. So that's my first point. The second point is that you know, what at Unilever, we found was that we were working over there with sustainability, is that what the company does matters somewhat in making a more sustainable future. But the choices that consumers make around the product also adds a lot. And 70% of the sustainability of a product depends on the choices a consumer makes, let me give you an example. So yes, we can sell them more sustainable laundry detergent. And we can do lots of things in our supply chain at Unilever, to make the laundry detergent more sustainable, and more environmentally friendly still 70% of how much impact that will have on the environment depends on the choices the customer makes, whether they choose the most

sustainable product or not how much water and energy they use while washing their clothes with that product, how whether they recycle the empty packaging afterwards or not. So what I'm trying to say is that as brands we need to educate our customers that yes, sustainability depends on us and the choices we make in our supply chain and in the product development and in the products we sell. But also, please remember that a large part of the sustainability effect of our brands depends on the choices you as a consumer make, do you recycle our packaging? Do you use efficient systems, which are associated with using our products? And do you make the right choices when you see where you are in the marketplace in choosing the products and the categories? So that's the second point. The third thing I'd like to say is that, you know, we have found that you can actually change consumer behavior to more sustainable choices, but you have to think deeply about it. And one of the things is that most people choose sustainable products, either to reduce the guilt of consumption or to signal to other people, what kind of human being there.

So if you for example, one Canadian city found that they could increase recycling in the garbage. If, instead of having the you know, the dark garbage bags, you use transparent garbage bags, because in Canada, and in the US people have to take out their garbage bag and put it on the curbside in front of their house from where the garbage man picks it up. If you have dog bags, you don't know what is inside the bag. But if you have transparent bags, then everybody in the neighborhood can see if you're throwing things that could be recycled in your garbage. And that increased recycling by about 30 to 40%. So this is another way in which we can encourage customers to make better choices with respect to their environment. Also, you know, you must have gone and stayed at a hotel. And when you stay at a hotel, you see, they always asked you to recycle your clothes, or your towels. And, and when they asked you to recycle the towels, they tell you, here's a card, put it leave it on the bathroom, if you want us to recycle your towels, what one hotel found was, when that card, we say recycle the towers, instead of putting it in the bathroom, you tell the guests to put it on the door of the room, in outside, recycling of the towers increases dramatically. Because now when people are walking by the rooms, they see how many doors are put there, you know that card outside versus, you know, when it's in the, what you call a bathroom, it's a private choice, when you put it outside of the door, it becomes a more public choice. So more public choices leads to better and decisions from an environmental perspective by consumers and the last thing I'll say is that, we find that stressing the environmental aspect of a brand helps, but it only gets you the believers, it's better to stress the functional and positive attributes like design and performance like Tesla does, and have the environmental thing in the background. Because that's more likely to lead to your brand being chosen. So yes, you have the environmental thing with that should not be a sledgehammer with which you hit the customer, because the customer is in any case, worried about performance and cost. So what you need to do is reassure the customer first about your performance and cost, and then have the environment as the third leg of the spinner.

Host

So as a subtle leg, which is very important leg, but it's subtly communicated to the customer, because at the end of the day, he or she is buying the product for what the product stands for at the right price point, which is very important, right?

Nirmalya Kumar

if you stress the sustainability angle too much, then they start thinking there must be a cost penalty, or a quality penalty. That's why they're stressing the environment so much.

Host

Right.

So that's because that's how we human beings are wired at the end of the day. And I think it's gonna take a long time to, you know, really change the way we think brands need to adapt to the way human minds think. You've talked about consumer behavior, you've talked about how consumers are looking at things, and they are getting influenced. But you know, in the last one and a half years, we've seen that, there's been a constant shift. The second half of 2021, how do you think the pandemic will continue to influence behavior of consumers? And what does it mean? What kind of changes do we see for brands coming up?

Nirmalaya Kumar

So you know, you have to first decide whether this is a one time change, or a more permanent change. So I think there are some things for Richard, so one time change, and things will go back to normal. There are other things for which there's a permanent change. And I think, you know, for example, I think business class travel, is something that's not going to come back anytime soon, as people have now been forced to realize that zoom works, okay, it doesn't work as well. But for 90% of the cases, I can do with zoom instead of having to travel and spare my body, spare the cost for the company, that spare the environment. So I think that some things like business class travel will take a long time to ever return to the levels it was. On the other hand, you know, other things were snapped back very fast into play. So going out to eat, travel, in general leisure travel, that will all come back rather fast once in fact, it might even come back with a vengeance once things open up, because people have been deprived for so long. So we have to consider those things that you know, which is, you know, there's a permanent change, like business travel versus those things, which is a temporary change because of the pandemic. But once the pandemic goes away, people will return to normal.

There are three kinds of categories. There are categories where, like business travel, the demand has gone away, and I don't think it's going to come back anytime soon. Then there are categories where the demand has gone away, but it will return with a vengeance, what we call revenge consumption, eating out leisure travel is going to fall in that category. And then the other categories where the demand will fall after the pandemic ends. But it will not fall back to where it was before the pandemic, which is things like cleaning products, sanitizers, you know, face mask, because people have now realized that there are some benefits to that. And a certain percentage of people will continue to stay with them, even though the need after the pandemic may go away.

Host

Got it. Professor Kumar, one last question, you've been very closely associated with the research, what advice would you give communicators on building a research culture? And why is it so important?

Nirmalaya Kumar

As I always tell people, everybody can have their own opinion, but you can't have your own data. So, I think research is very important, because we would like to have debates that are informed by data and to have because you know, whenever you are trying to discuss anything with related to customers, their behavior, all the future, people will always differ in their opinions, and reasonable people in a room will differ. And the more data that we have, the more likely we are able to resolve these differences and disagreements, by shedding light, rather than heat on the argument. And the more likely we are to make decisions that are more, robust in terms of their quality. So, I'm a very big believer in data. Of course, at some stage, you have to interpret the data for sure, you have to use your judgment, for sure. Because the future is never like, just like the present or the past. Having said that, I believe that a research culture is very important for anybody who wants to build brands. And so you will see that the top brands, they invest a lot on research, you see, good managers invest a lot on data. And now, of course, data has become plentiful, is more easily available, is cheaper than it ever was, because of you know, the internet and the amount of what you call data that exists. And the artificial intelligence is very good acts, you know, saving through a lot of data and finding a few nuggets or insights. Having said that, I'm a big believer that again, you have to marry the data analytics of artificial intelligence, with the judgment of managers to get the best out of the data to get the best out of the manager. Both,

Host
Right

Nirmalaya Kumar

So we need both. We need a mix of my machine and man, there's never there's not going to be any more things about when is man better is always going to be when is man equipped with machine better?

Host

No, absolutely. I think you, you said that way correctly, that, you know, experience does count and data. If you're not able to interpret the data, it has no meaning. Certainly it's time that we move towards having more informed debates. We're using data and building better brands. Thank you so much for your time. Thanks a lot for joining us on Mrigashira.

Nirmalaya Kumar

It's my pleasure. Thank you very much.