



Tiber director Diederik Stapel:

Understanding the psychology of economic behavior

Why are more computers bought on a sunny day? How do we prevent young women wanting to become as slim as those portrayed in advertisements? What are the psychological motives underlying the buying behavior of consumers? And why don't people grasp an opportunity if they've previously missed out on a bigger one? These are the sorts of questions addressed by research carried out at the Tilburg Institute for Behavioral Economics Research (Tiber).

Tiber was established in 2000 to merge the fields of economics, marketing, and psychology. The researchers investigate the psychological processes that underlie individual choices and economic decisions. "Preferably via relevant, carefully conducted, and moreover, provocative, exciting research", says the research director, Professor Diederik Stapel. "Those are the criteria on which we evaluate all of our projects. An interdisciplinary approach offers, furthermore, much added value." Tiber has three strands: Marketing (e.g., market research, consumer behavior, advertising); Economics (e.g., solidarity, social preferences, social dilemmas); and Social Psychology (e.g., decision-making). Each element has its own co-director who is also a professor. Diederik Stapel himself studied psychology and communication science. In each case, he was awarded 'cum laude', which is the most prestigious graduate accolade. Stapel is now a professor in consumer science at Tilburg University and works as an editor for various top journals in his area of expertise. He's full of enthusiasm. "We're a virtual institution but our specialisms really interact and we work on research projects together. We're open to each other's ideas. Besides our full-time staff, PhD students and post-doctoral researchers (who are paid by Tiber), other top researchers seek fellowships within the Tiber network because they are interested in the work we do and in the informal and cooperative atmosphere of our group. Together with Marret Noordewier,

a PhD student, Stapel investigates the concept of cognitive consistency as a motive for human behavior. "Why do people do what they do? Not simply to make themselves feel good, but also because of a need for structure and predictability. This need for consistency appears to be a very important motive. People don't like to be surprised. In fact, our experiments have shown that nice things are not always initially appreciated if they were not expected. For instance, consumers prefer to buy herbal tea in the knowledge that it's made using a 'traditional recipe' and are less taken by claims that the product is 'totally new'. Consumers are certainly open for improved and innovative products but not if they hadn't expected them. This is an important conclusion for marketers.

THE TILBURG TRADITION

Tiber is rooted in the Tilburg tradition. "Our university originates from an economics school as is evidenced by the fact that the economics department resides in the highest building on the campus", says Stapel somewhat tongue-in-cheek. Other disciplines like law, social and behavioral sciences are also very important for economic problems and issues. Tilburg was one of the first universities in the world where you could study economical psychology. The group of Economic Psychology at Tilburg remains unique in The Netherlands. Stapel: "In the past, economists were not always enthusiastic about the possibility of psychology entering their domain.

They were satisfied with their own models of the market to explain homo economicus. Economists like to portray people straightforwardly as beings for whom rationality is central and where maximizing utility is a key concern. We pick up every penny that's thrown on the floor. Everything revolves around money or better, utility. Maximizing utility is our core motive according to classic economists. But philosophers and psychologists continue to argue that the economic view on human behavior is somewhat incomplete. People want to maximize utility in the most efficient way, yes, but that is not only or always what drives their behavior. People, for example, have emotions. We are often irrational and do not always process all the available information concerning supply and demand. But as psychologists continue to penetrate the domain of economics and improve their understanding of the jargon that goes with it, then slowly psychology's insights may be absorbed." Nowadays, for example, both psychologists and economists, point to the importance of understanding issues like solidarity, social preferences and social dilemmas, the urge to do something good and meaningful for society, and the benefits and advantages of doubt (sometimes people prefer uncertainty and ignorance over certainty and perfect knowledge). These are just a few illustrations of factors that could be added to the well-understood self-interest expressed by economical motives. One important milestone

in the bridging of economics and psychology, was the Nobel Prize of economics awarded in 2002 to the cognitive psychologist Daniel Kahneman from the Princeton University concerning his research on and modeling of the role of context effects and psychological processes, such as emotions, in economic decision-making. “The role of contexts and emotions in decision-making is now an important research area and that is reflected in economic models”, says Stapel. “This reappraisal of economics also permeated into the field of psychology. Economists have taught psychologists that they need to be both more ‘ambitious,’ analytical, precise, and formal on their theorizing for their research to have a real impact on society.”

COMPELLING MODELS

A big difference between psychology and economics concerns the degree to which formal models are used to describe and predict a large array of phenomena. According to Stapel, economists like to develop one large, theoretical and incisive model with a clear, somewhat normative portrayal of human behavior. Psychologists, on the other hand, work with many small mini-theories, each of which only apply to a very specific subdivision of reality. “Psychologists focus more on exceptions than on rules. And according to many economists, psychologists testing arrangements and computer tasks in which people have to react to artificial stimuli or imagine certain scenarios are of little practical, real-life relevance.

‘Economists are sometimes over-optimistic. Psychologists, on the other hand, are often too careful.’

Participants in psychology experiments are typically required to press buttons in the laboratory under controlled conditions in order to see, for instance, how they choose between red and blue balls. In contrast, marketing researchers, for example, want to know when people choose between a jar of peanut butter with either a red or a blue lid. And economists seek general rules and are consequently sometimes over-optimistic about the universality of human behavior. Psychologists, on the other hand, are often too careful in their approach; they always see exceptions everywhere and seldom come to a decisive and succinct conclusions. It is too often: under some circumstances, for some of the people, some time... Tiber offers a fantastic opportunity to arrive at more precise, decisive, and relevant conclusions since economics offers us a robust model and a strong theoretical perspective of human behavior and psychology offers us rich and precise methodologies to study the workings of the human mind.

SOCIAL DEBATE

Stapel finds it unfortunate that psychologists - as opposed to economists and sociologists, for example - have

so little influence on policy issues and the social debate. “At a ministry level, for instance, hardly any psychologists are employed – we simply work in the background in our laboratories. But policy makers certainly need sound advice from us. Consider the pension debate. You could address this by applying economic/mathematical models, but the policy makers don’t think they need such advice. They also want insight into human motives: How long do people want to remain working?; Under what conditions do they want to enter retirement?; What perceptions of risk are involved? and How can you predict future behavior?”

In the next few years, Tiber wants to conduct more field research. Such a project has recently been launched on the topic of “green marketing”. In this project, researchers compare consumer behavior in branches of a supermarket chain which has either been refurbished or not with new, barely noticeable (but certainly influential) ‘green cues’.

DIFFERENT CULTURES

Stapel emphasizes that, in practice, working with researchers from different disciplines is not as straightforward as you may think. “The remaining specialists, with their own idiosyncrasies and their own cultures, are easy to detect. Economists like to have definitive rules. If I, as a psychologist, think deeply about the question of how mood influences consumer behavior, I first want to know what’s going on in your head, what memory process-



Jan Potters (Economics), Diederik Stapel (Director of Tiber), Rik Pieters (Marketing) and Marcel Zeelenberg (Social Psychology).

es are being activated, and how such moods materialize. What exactly is a mood actually, and what does it do precisely when it comes to the way we look at reality? Economists are much more practical. For instance, they examine the effect of sunny/rainy weather on product purchases which leads to a good, testable, and usable, model.” These different approaches make the collaboration really interesting. “You become compelled to look at your own academic discipline in a different way”, says Stapel. “In Tiber, we do research, for example, that investigates the relationship between religion and creativity that has produced some very surprising conclusions.”

INDEPENDENCE, REPUTATION, AND EXCELLENCE

Tiber is an institution financed chiefly by University and other government funds. Tiber receives few funding from elsewhere. Fundamental research is our primary concern. To date, commercial companies or institutions do not contribute financially. “Independence, reputation, and excellence are very important for Tiber. We hope to add a reputation of excellence to the university”, says Stapel. “We’re not in it to get as many commercial assignments as possible. We like to do research for companies such as Super de Boer, Philips, or Shell as long as we can allocate a

considerable part of the budget to basic research. This provides us with scientific ‘added value’ and delivers fundamental knowledge about the psychology of economic behavior.” The results are preferably published in top journals like *Psychological Science*, *Psychological Review*, *Journal of Marketing Research*, *American Economic Review* and the *Quarterly Journal of Economics*. Stapel: “Everyone who’s interested in laying bare the universal laws of human decision making and social, economic behavior is welcome. We’re not going to solve a specific or temporary problem for company X or company Y if that doesn’t augment our fundamental understanding.



"Everyone who's interested in laying bare the universal laws of human decision making and social, economic behavior is welcome at Tiber", says research director Diederik Stapel.

Tiber was not set up to answer practical questions from the likes of Unilevers of this world, but rather, what we do is sound research in cooperation with external partners."

A SAMPLE OF MOTIVES

Tiber has good contacts with various government institutions including ministries, local and regional authorities and semi-commercial parties (e.g., pension fund organizations, advertising agencies, and marketing research companies).

The idea that Tiber research should not only be rigid, precise, and provocative, but also 'relevant' and 'practical' is evidenced by the many newspaper and radio interviews, and TV appearances that are given by Tiber researchers. In next few years, Tiber wants to address the question of the extent to which economic models should be supplemented with additional factors in order to better predict human behavior. Up until now roughly, each researcher from the

institute has their own *pet theory*. Consider, for instance, the role of emotions in decision-making, the role of social preferences, the importance of eye movements in evaluating advertisements, or the effect of financial versus social sanctions. "But what are the ten most important determinants?", says Stapel. "How can we develop theories that go beyond researchers' individual preferences or perspectives? "What is it all about, really? This is what we want to find out."