



GEORGIE FROST: Welcome to *The So What from BCG*, the podcast that explores the big ideas shaping business, the economy, and society. I'm Georgie Frost. On this, our 100th episode: consumers say one thing yet often do another, and they might feel something entirely different. With more AI and data at our fingertips than ever, do businesses still need to pay attention to what people say anymore? Joining me is Lauren Taylor, Global Leader of BCG's Center for Customer Insight. Lauren, what's your "so what?"

LAUREN TAYLOR: There's a gap between what customers say and do, which has caused quite a debate around whether we should listen to them at all, especially with the abundance of data and AI. But we know that customer intelligence is a powerful source of competitive advantage and value creation, and the gap is increasing between the amount of customer information and an organization's ability to act on it. So there's still a lot of value, but you have to know how to ask and interpret.

GEORGIE FROST: Consumer sentiment is often unreliable and confusing. People say they're worried about the economy, but they keep spending. They care about sustainability, with a plastic cup in hand. They're overwhelmed by AI, and yet use it every day. So, how can businesses cut through the contradictions and truly understand what customers want?

LAUREN TAYLOR: That tension is at the heart of so many consumer decisions and so many business frustrations. I think it represents a big opportunity, but it certainly is a challenge. And it's not that consumers are lying, it's that they're human. It's not really fair to expect someone to clearly identify the product they need, especially if it doesn't perfectly already exist.

I certainly couldn't have told you I needed Amazon or Walmart same-day delivery many years ago, but I'm a working mom struggling to balance how everything works, so I'm willing to pay for convenience. There are also a lot of things where even if we know as consumers what we want, we need innovation to solve it. As I said, I'm a mom. I have two awesome kids, and while I say I want to be sustainable, I often tell the story of how I once packed a box of 100 plastic straws in my suitcase for a family vacation because as a parent, I knew the paper straws at the destination wouldn't hold up.

My sustainable intentions are real, but so is my primary need for straws that are sturdy and don't leak when my kids bite them. That's a great example of this say-do gap, and both are true. So, we have to help companies understand the underlying drivers and the frictions that get in the way so we can help close the say-do gap.

GEORGIE FROST: If there is such a gap, shouldn't we just maybe ignore what people say altogether?

LAUREN TAYLOR: I would say no. What people say reflects their values, their aspirations. What people do reflects their constraints and their tradeoffs. So it's our job to understand both what they say and do, especially if we want to design something that meets their needs and that consumers are willing to pay for. We also can't just ask consumers directly. We need to observe the context, like ethnography, shopping alongside them, and be thoughtful in quantitative research, for example, asking and deriving emotional and functional needs that drive their choices.

GEORGIE FROST: I just want to take a look more deeply at what exactly consumer sentiment is, how it's developed over time, and why perhaps it's become such a controversial hot topic.

LAUREN TAYLOR: Well, consumer sentiment means many things to many people, which is part of the confusion. Some of the well-known indicators are asking consumers how they feel or what they expect about the economy, and we've shown that's not so predictive. Recently, people across many countries showed lower confidence in their market's economic outlook, and yet they're still spending.

One of my undergraduate majors was economics and I wouldn't say I can anticipate economic shifts. So, why would we expect consumer sentiment to be correlated with the macro indicators? I mean, if you take for example our most recent Global Consumer Radar in June, macro sentiment was negative in money markets, but in more than two-thirds of countries, consumers were still expected to spend as much or more—in Europe and the US, more by necessity with rising costs.

On the other hand though, consumers' confidence in their personal income and their financial stability, their savings, that's more differentiated among those who spend more versus less, maybe two to three times more. This is "the world" versus "my



world” paradox that we talk about. When we look at aggregated sentiment, we should be looking at the closer-in indicators that consumers know better.

GEORGIE FROST: So, what can consumers really tell us then or tell businesses? What can we learn, and where does that insight typically fall short?

LAUREN TAYLOR: Consumers can tell us a lot of rich information about their most recent or very specific decisions, things they can recall. What they did, what they were solving for, what they traded off. They can also tell us their perceptions, their delighters and pain points with different options and brands in the market today, and we can get good information if we ask them to thoughtfully prioritize within that context of a specific, recent, and memorable decision, what they needed.

In some of our long-time research, we see these emotional needs relatively consistent over time, while the context and the competitive environment, the options you have for how those needs are met, those change. Insight often falls short though, when we ask the wrong questions or we expect people to self-report complex motivations or predict the future. We have to analyze and interpret it, not ask it directly.

GEORGIE FROST: So, how much then is that gap due to what we ask or how we ask it or indeed, who we ask?

LAUREN TAYLOR: Honestly, it matters both what you ask and how you ask it, and of course who you ask, if it's a representative group for whatever you're looking to. Because if I ask only my friends what they want from something, we don't necessarily reflect everyone, right? Or if you ask only your customers, you might miss the market or the non-customers that you could have.

So, we need to ask the right questions for the specific business problem at hand. It takes many different inputs and robust analysis to get to strategic answers that we need. Again, not just asking a customer, "What are you going to do in the future?" They can't predict it. So how we ask, how we translate it, matters a lot in driving insight to strategy and the impact for companies.

GEORGIE FROST: As a finance journalist, one thing I say very often is, "Retail therapy is a thing," by which I mean that emotion plays an enormous role in how people behave. And you've touched on it earlier when you said we have values but

sometimes reality bites, it gets in the way, and that's inevitable. So, how much does emotion really shape what we buy? And do most businesses, do you think, truly understand that?

LAUREN TAYLOR: You're absolutely right, and emotion plays a much bigger role than companies realize. Certainly, there's the impulse or the kind of craving that might be playing out in your retail therapy example. But I talk to lots of financial services, telecommunications, insurance, and other companies, and they like to tell me that they don't see differentiation in the market or they worry because it's commoditized.

While some categories certainly have more functional than truly emotional needs, more like convenience or cutting-edge versus prestigious and confidence-boosting, but there are usually at least a few different groups—we call them demand spaces—and opportunities for companies to differentiate and tailor their offerings for these distinct bundles of needs.

And we've shown that being the first top-of-mind associated with the emotional and functional need for a demand space is much more predictive of sales than customer recommendation scores, unaided awareness, or other metrics that companies track. So, that emotion is really important to understand.

GEORGIE FROST: You often say we need to deaverage the customers, move away from generalizations and averages. Firstly, why is that important, but also, how do you do that?

LAUREN TAYLOR: There isn't an average customer, right? None of us wants to be the same as everyone, and that's actually true. When we look at it, one customer's need also varies based on the context they're in. So I might choose an intimate or sophisticated dinner out with my husband, a more laid back and entertaining with our kids, certainly in a more rowdy environment.

I'd buy a different vehicle based on what I plan to use it for. Is it for my daily commute, is it for off-roading? Same person, different motivation. And then when you look across consumers, again, there is no average. If you looked at my sister and myself, while she demographically looks a lot like me, she has different needs and different things that motivate her. She's way more healthy than me, therefore she makes different choices.



And of course, there are differences across consumer cohorts too. Category by category, needs and spending isn't evenly distributed, like essentials, fresh food, and personal care, they're more resilient than maybe bigger ticket discretionary categories. Consumers make different choices based on the context they're in. So we need to take all of these inputs as customer-centric strategists and map the different bundles of needs, size the moments of demand, and measure the touchpoints that influence them.

GEORGIE FROST: Can you give us an example maybe from your global work that shows how nuanced motivation really is across regions?

LAUREN TAYLOR: Absolutely. In our global travel research, we found that Germans were more often choosing their most recent leisure trip based on relaxation. While Vietnamese travelers were more likely to have trips driven by shopping or culinary adventures. Same category, entirely different emotional drivers. And of course, it differs by individual and context.

That's why deaveraging is essential. Generalizations can lead to misfires. As another example, in our global research a few years ago on drivers of consumer choice, in many instances, Chinese consumers were distinct from others in their attitudes. They expressed by far the strongest optimism about the future, the greatest faith in the enabling effects of technology.

As another example, if you take the attitudes in Japan and Mexico, they're quite far apart overall, more than almost any of the 20 plus country pairs we looked at. Presumably because of these differences, you see a Starbucks looks different in Japan than in Mexico, and others are tailoring for these different needs as well.

GEORGIE FROST: Let's talk about influence. What actually shapes what people choose? Which parts of the customer journey actually matter the most? And which ones do companies perhaps tend to overrate?

LAUREN TAYLOR: This has been a hot topic recently, especially as everybody looks at their spending. Where are they spending marketing dollars? How can they best influence in an increasingly competitive market environment? We, as consumers, have lots of different touchpoints with brands and products these days, online and offline, emails, apps, stores, social

media recommendations, traditional advertising, that's a lot of information flowing in.

And those journeys that we have to purchase are increasingly not linear. I might hear something new from a friend. I might ask ChatGPT or Claude to help me research it, watch a YouTube video, check it out in the store, buy online for delivery. And many companies are investing a lot of marketing dollars to drive growth, but from what I've seen, they might not truly prioritize where a specific touchpoint drives incremental consideration, purchase, or loyalty. They might be over or under-investing.

As one example, our recent look at the consumer electronics category found that digital video was largely a hidden gem. That is, it was more influential than the spend typically relative to other touchpoints. Companies might be optimizing from their own data but missing the market or competitive view of what moves the needle, or they might be struggling to isolate the impact of what tips the decision across all of these touchpoints in a complex consumer journey.

And things are changing rapidly too, so companies have to be able to shift where they invest, test and learn much more quickly and flexibly. It's one of the most exciting and underutilized areas of customer insight. A customer can give you the best view of all of those touchpoints and then you can measure what matters. And when you thoroughly analyze those influence pathways, you start to see that just a handful of moments have an outsized impact for different consumers and needs, and most companies are missing them.

GEORGIE FROST: Has the explosion of data, the use of AI, new technologies, has it helped us better understand customers, or has it just made things a lot more confusing? Or is it a bit of both?

LAUREN TAYLOR: Honestly, it's probably a little of both. We now have more access to signals than ever, more real-time data, and it's easier than ever to gather it all within an organization. But we've seen the gap between the density of data and the organization's ability to derive and act on insights, still growing. It's easy to drown in dashboards and miss what matters or have a bunch of insights but not actually take them forward to action to tangible strategic changes, product, marketing, pricing, customer experience, brand, all of that.



GEORGIE FROST: How do you help companies navigate that tension then and make sense of all these conflicting signals?

LAUREN TAYLOR: I think the customer, customer insight and all sources of customer intelligence, really. That can be your first-party customer data, primary qualitative and quantitative consumer research, third-party reports, all of those are foundational to strategy and can unlock tons of upside. But the data is only as useful as the questions you ask of it and the application of it, and sometimes those signals are different, so you have to really dig in to understand what it means.

We spend a lot of time, and I recommend to my clients to really think about, what are the key business questions, first and foremost? And then, what are the best sources and methodologies to gather the relevant information? And then, how do you interpret and apply it to drive that change to action? We also spend a lot of time on change management of people and processes. Who are the users of the information? How does it fit into their workflow? What is most helpful to them to make sure that all of these signals drive towards action?

GEORGIE FROST: How is AI changing the way that we understand consumer behaviour? And how do we make sure that it helps, not hides, what really matters?

LAUREN TAYLOR: Great question, and the talk of many conversations. AI can process vast amounts of data quickly, it can spot patterns we might miss, and agents can rapidly interview customers at scale or connect lots of different sources to help solve a problem. In research we did not too long ago, only 38% of executives felt they had a holistic understanding of their customers, so AI can help us close that gap.

It doesn't just accelerate insight though, it moves insights from being trapped in decks or spreadsheets to interactive, discoverable, usable across teams, breaking silos and increasing impact. But organizations need to really prioritize how they synthesize and drive insight from data across the organization. We need to adapt our operating models and upskill talent to fully benefit.

GEORGIE FROST: With so much data available, why do you still think that it's critical for businesses to talk to real people, especially as we've discussed when

what they say and what they do don't necessarily correlate?

LAUREN TAYLOR: Because the data tells you what is happening, but only people can tell you why. We've seen again and again that emotion, nuance, context, they're critical in shaping decisions. AI can detect a pattern, but it can't feel the friction or your aspiration, that's where deep human insights are still irreplaceable.

Secondly, unless insights are grounded in real-world context, like what else you did yesterday and the frame of mind you're in, the human emotions, motivation, and understanding. Without all of that, you could have false or incomplete conclusions. Human insight also gives you a more holistic picture that doesn't yet exist, to take a broader view from the market into opportunities.

Why a consumer bought from competitors or what they did outside of what you're tracking digitally, like going into a store or reading something to compare things. And AI can also only spit back what already exists, not where things are going. If you rely, for example, solely on synthetic customers, you'd miss picking up on emerging trends and how things are evolving. But you should use those human insights to train, extrapolate, and test with synthetic audiences too.

For example, our team worked with a company recently to drive human insights on customer needs and influence pathways, a clear strategic vision to focus. And then combined many sources of inputs in a GenAI customer intelligence platform to ideate new product concepts against an unmet need. It sped up the time to concept and outperformed when tested with real humans.

GEORGIE FROST: What's one big mistake that you see companies making when they think they're listening to their customers or they tell us they're listening to their customers?

LAUREN TAYLOR: I have three, if that's okay. One is listening to their customers, just their customers, or the average customer. Instead of understanding competitors' customers, lapsed customers, different cohorts and trendsetters, to see what might be missing.



The second I would say is designing for what they think customers should want, instead of what actually drives choice. If your sustainable product tastes bad or falls apart or is hard to find, it won't win hearts and thus not nearly as much market share as you want. And finally, thinking customer behaviour data or AI replaces human insights rather than amplifies. It's a perfect example to me of and, not or.

GEORGIE FROST: So what should companies actually be looking for in sentiment signals right now, especially in such a fast-moving landscape?

LAUREN TAYLOR: We talked about looking at understanding the underlying drivers and what motivations are. I'd also say looking for contradictions. Those are great clues. If consumers say they're pessimistic on the economy but still plan to spend, or they want to buy sustainably but they're not actually doing so, don't dismiss it. Dig deeper and understand why.

GEORGIE FROST: So we've discussed the "so what," now it's time for the "now what." The one thing leaders can do, the next step as it were, today, to better understand their customers.

LAUREN TAYLOR: Talk to customers, listen deeply, understand their needs and tradeoffs. Make sure the customer has a seat at the table in strategic and business planning. Those are the companies that truly outperform. It can be in operations, in product design, innovation, marketing. The leaders of the companies that understand the different drivers of consumer choice, the key moments of influence, and where they can truly differentiate to win.

GEORGIE FROST: And finally, delighted that this is our 100th episode, but do milestone moments like that matter to consumers?

LAUREN TAYLOR: I'd say if they come with meaning, yes. If it's just a marketing ploy, probably not significantly. I'd like to think it's important that we're celebrating customers today. If this episode's helped someone design a better product or rethink a customer touchpoint, then we've done our job well.

GEORGIE FROST: Lauren, thank you so much, and to you, for listening. If you want to take a look at any of the reports that Lauren mentioned there, then just follow the link in our show notes.