



SYSTEM-THINKING

To understand consumer decision making, the modes of thinking categorizes different thought-processes to develop language around abstract concepts of human judgement.



Easy as (System) 1, 2, 3?











The process of decision-making is very subjective and influenced by a plethora of different factors. Decision-making includes the consideration of past experiences, current limitations and anticipated needs. The two main outcomes of a decision are action or inaction, and both have varying consequences. To approach comprehending decision-making, researchers sought to develop a method of discussing the decision process. Two operational systems in the brain frequently discussed come from Daniel Kahneman's Thinking Fast and Slow. Both modes of thought are valued in the exploration of human judgment to better understand the consumer.

System 1

System 1 is referred to as an unconscious, instinctive, and fast reaction. Since System 1 triggers an automated thinking process, it can be indirect causing systematic errors in everyday decisions. System 1 forms stereotypes based on previous experiences, thus quickening our choices without deliberate thought. Little to no attention is required for System 1, thus making it possible to quickly decide the multiple decisions necessary to get through the day (Kahneman, 2011). Telling a waiter if you prefer Coke or Pepsi or driving on an empty road are examples of System 1 because these decisions do not require you to actively do something. The continuous flow of interpretations is processed instantly by System 1, allowing us to engage with the world while processing vast amounts of information at any given moment.

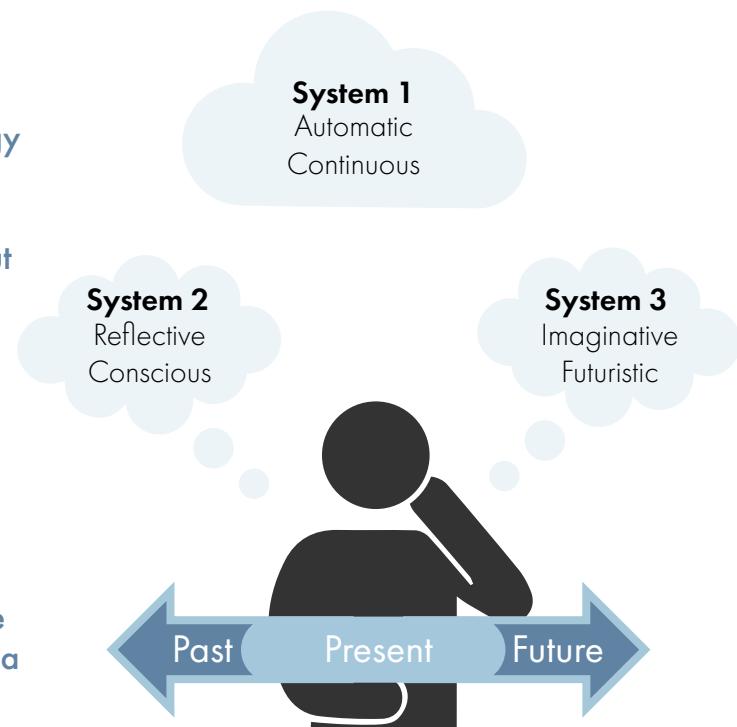
System 2

Unlike System 1, System 2 is described as the slower, more rational and deliberative mode of thinking. It includes effortful mental activities that require our attention to develop explicit statements or actions. The self-aware component of System 2 is critical and logical by constructing thoughts in a series of steps (Kahneman, 2011). If our focus wavers, it is reflected in our performance. System 2 helps us work, build relationships, and develop ideas. Carefully parking in a narrow space, filling out a medical form or answering questions during an interview constitutes System 2 thinking. Fully engaging with information, such as providing feedback, is part of System 2 thinking. Acting purposefully and intentionally through in-depth thoughts is highlighted during System 2 thinking.

System 1	System 2
Fast 	Slow 
Unconscious 	Conscious 
Automatic 	Effortful 
Everyday Decisions 	Complex Decisions 
Error prone 	Reliable 

System 3*

Recent discussions about System 1 and System 2 have suggested the addition of another type of forward thinking involved in decision-making known as System 3. System 3 is a future-facing methodology that incorporates imagination to evaluate possible “what if” scenarios. Anticipating hypothetical projections allow us to deliberate a response without taking immediate action (Baumeister, Maranges, & Sjøstad, 2018). We are constantly using information from our past to improve our future. If you experiment with a new recipe which adds nuts to your chocolate chip cookies and makes them taste delicious, it makes sense to plan on reusing that recipe the next time you bake cookies. System 3 utilizes the other two modes of thinking from System 1 and System 2 to build off the associations to make predictions and prioritize the best likely outcome of a potential decision.



Furthermore, System 3 can also provide awareness into the components of an item that a you find appealing, as well as aspects that may be unimportant. If you are asked to create your perfect chocolate chip cookie, maybe you prefer having it crunchy instead of chewy and sweet. Learning personal ideals gives insight into the specific drivers that motivate or dissuade a decision.

Let's Bring It All Together

Our modes of thinking don't exist in silos. Each mode of thinking contributes to human decision making and can have big implications on how we judge throughout our daily lives. Let's say you are debating buying a new lamp for your apartment. While you are in the store looking at all the different options, you pick a few favorites and place the lamps in your cart to further examine them. Then, maybe you start to consider the price and begin to rationalize the purchase by reviewing the special features, such as a USB port to charge your phone or dimmable capabilities. Finally, you narrow it down to your top choice, imagining different spots you could put the lamp and eliciting emotional responses about how the new addition to the room makes you feel. During this very common scenario, each system thought-process has some type of influence about not only if you decide to add the lamp to your cart but also if you are ultimately going to buy it.

This example demonstrates how the systems overlap since the root of processing is associations. Therefore, retrospective thoughts can be applied to future thinking. Understanding the impact of each system on the overall decision process helps to identify where improvements can be made. These labels are intended to further the dialogue of functions and processes in the brain to understand cognitive biases and human judgement. By using these tools, we can better assess the human experience to promote ideas that cater to the wants and needs of the consumer.

*For a more in-depth look into System 3, please refer to our blog post (<https://bit.ly/2AgnSeP>) highlighting this modality.



908.788.9393

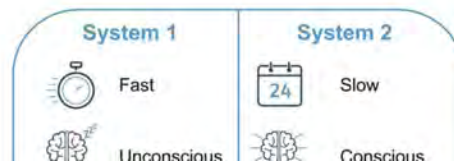
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Back to the Future: System 3

July 29, 2019 ✶ Kathryn Ambroze

Our whole lives are spent anticipating what is yet to come. The time course of decision-making varies depending on the outcomes of both action and inaction. Based on the posed inquiry, you may have limits to how long you can consider your options to reaction. Deciding if you take the next exit on the highway, change the color of a brand logo, or dodge the football heading towards your face all require various amounts of influence from different styles of thinking. Past, present and future systems of thinking are strongly integrated. The way we prepare for the future is a large part of how we conduct ourselves in the present moment, and yet, both are influenced by past experiences. Through anticipation and imagination, the intentions and thoughts towards the future can prove themselves to be useful for leading action.

Systems of thinking are utilized in literature to categorize abstract information such as thought processes. The research of Epstein (1994) states, "...there are two independent systems for processing information, experiential and rational, and that experiential relative to rational processing is increased when emotional consequences are increased." Epstein's approach at dual cognitive processing is expanded upon by Daniel Kahneman's *Thinking Fast and Slow*. The book states that System 1 is unconscious, instinctive, and fast reactions. Thought of as a reflex, System 1 triggers an automated thinking process. Since it is considered nearly an instant decision, System 1 can have systematic errors for everyday decisions. There is little to no attention required for System 1, thus, making it possible to quickly decide the multiple decisions necessary to get through the day (Kahneman, 2011). System 1 thoughts can vary from running from the sounds of danger to preferring a brighter color bottle of shampoo. Small impressions enable us to create shortcuts, therefore, quickening our choices without deliberate thought. System 1's thought process creates a continuous flow of interpretations. We can engage with the world around us while processing the vast amount of information experienced at any given moment because of System 1 thinking.



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CITATIONS

Baumeister, R. F., Maranges, H. M., & Sjästad, H. (2018). Consciousness of the future as a matrix of maybe: Pragmatic prospection and the simulation of alternative possibilities. *Psychology of Consciousness: Theory, Research, and Practice*, 5(3), 223.

Kahneman, D. (2011). *Thinking, fast and slow*. Macmillan.