CONSUMER INSIGHT



NUDGING FOR GOOD

BVA

AIM EUROPEAN BRANDS ASSOCIATION

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2. THE 5 IMPLICIT FORCES THAT SHAPE OUR BEHAVIOUR

"We are pawns in a game whose forces we largely fail to comprehend."

Dan Ariely

INTRODUCTION

The Behavioural Economics revolution led to many insights. Since we are not rational beings, many sources of influence can impact our decisions. We think we are aware of what drives our behaviour, but these influences are often unconscious. Understanding and leveraging these cognitive biases is the key to successful nudging. But before learning about the drivers, we need to know how they work. It is only by understanding the origins of our irrationality that we will able to fully adapt to it.

BEHAVIOURS ARE DETERMINED BY IMPLICIT FORCES

These multiple sources of influence find their origins in 5 fundamental forces:

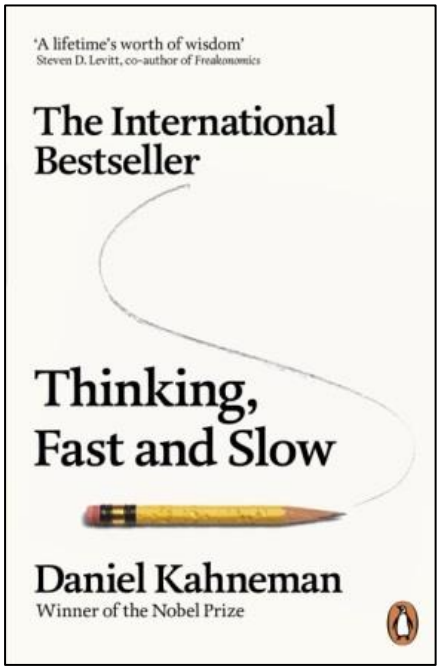
1. We make our decisions mainly from intuition.
2. Our decisions are affected by mental shortcuts and biases.
3. We are emotional creatures.
4. We are social creatures.
5. Our decisions are affected by the choice environment

1. MOST OF OUR DECISIONS ORIGINATE IN SYSTEM 1

> *When we think of ourselves, we identify with system 2, the conscious, reasoning self that has beliefs, makes choices, and decides what to think about and what to do. Although system 2 believes itself to be where the action is, the automatic System 1 is the hero.*



Prof. Daniel Kahneman
(Princeton University)



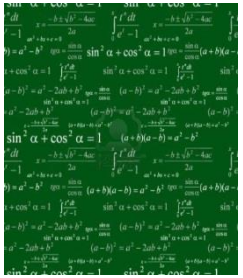
OUR BEHAVIOURS ARE MAINLY DETERMINED BY OUR SYSTEM 1



2+2

System 1

Permanent, automatic, fast, non conscious, effortless, jump to conclusion



25 x 37

System 2

Occasional, heavy, conscious, slow, effortful, computation, deliberation

TIP

Make the desired behaviour effortless.

In Thinking, Fast and Slow, Kahneman proposes that evolution has given us two systems for decision making: System 1 is permanently connected to our senses and operates automatically, intuitively evaluating the environment, using rules of approximation and associations that allow for rapid decision-making with little or no conscious effort; System 2, which comes into play for more complex decision making, is more orderly and requires effort to calculate and formalize judgments in a dialogue with System 1 (which is more likely to jump to conclusions). Following a process of deliberation, System 2 is able to verbalize the result.

SYSTEM 1, SYSTEM 2 & MARKETING

Kahneman shows how two factors condition the referral route from System 1 to System 2 and the influence of each in our decisions, the context (physical and intentional environment) and particularly the time taken to process the information. But what's in it for marketing?

We easily identify ourselves with System 2 and rational (and slow) decision making. However it is primarily System 1, that of intuition and (rapid) emotion that governs our choices, often despite ourselves.

However, many research methods focus solely on consumers' System 2 decision making, using questionnaires that ignore the effects of context, duration and attention. This is the reason why providing consumers with scenarios that most resemble real life, observing their behaviour in context, using new technology such as micro-cameras and smartphones, offer new opportunities for research design to capture behaviours. If marketing is to facilitate choice, it needs to understand the weighting that comes into play between System 1 and System 2 in the consumer's choice-making process.

TASTING WINE WITH SYSTEM 1



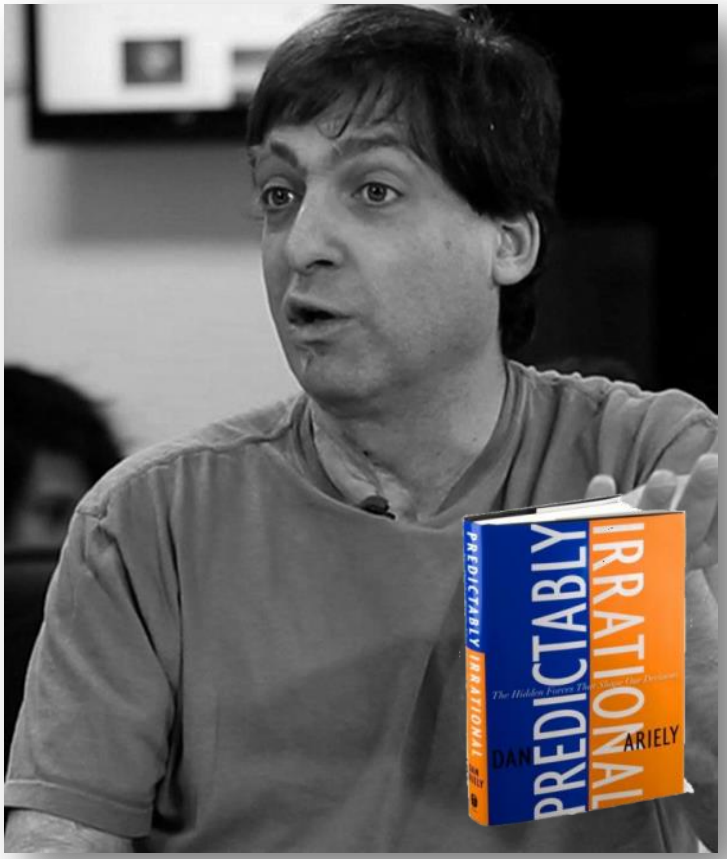
Can packaging influence taste? That is the question Brian Wansink, a famous behavioural scientist, answered in a 2007 study. He offered 2 groups of people some wine to test. The wine was the same, except for a subtle difference: one group was given a bottle labelled as a Californian wine, while the other was labelled as coming from North Dakota.

The group with the California label found the wine tasted better than those with the North Dakota label. If we don't have a strong knowledge of wine, evaluating its quality can be tricky. Instead, we automatically use the packaging as a cue. "If the wine comes from California, then it must be good". This example shows that, among its many powers, system 1 can influence our perception of taste.

Source: Wansink, B., Payne, C. R., & North, J. (2007). Fine as North Dakota wine: Sensory expectations and the intake of companion foods. Physiology & Behavior, 90(5), 712-716.

2. OUR DECISIONS ARE AFFECTED BY MENTAL SHORTCUTS AND SYSTEMATIC BIASES

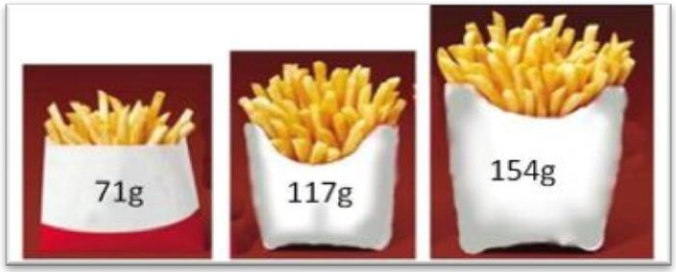
> *We are really far less rational than standard economic theory assumes. Moreover, these irrational behaviours of ours are neither random nor senseless. They are systematic, and since we repeat them again and again, predictable.*
>
> *Dan Ariely*



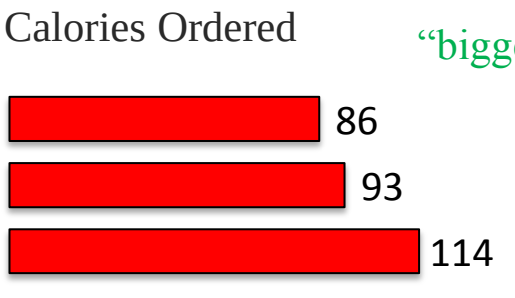
Prof. Dan Ariely
(Duke University)

WE USE HEURISTICS TO TAKE DAILY DECISIONS

Using the word « normal » as a reference point is one of our heuristics. In this Nudge, when we call the smallest portion "normal", it makes the remaining portion "bigger".



Healthier	Normal	Big	King
Standard	Small	Normal	Big
Unhealthy	Mini	Small	Normal



Source: Chandon et al. 2013)

TIP

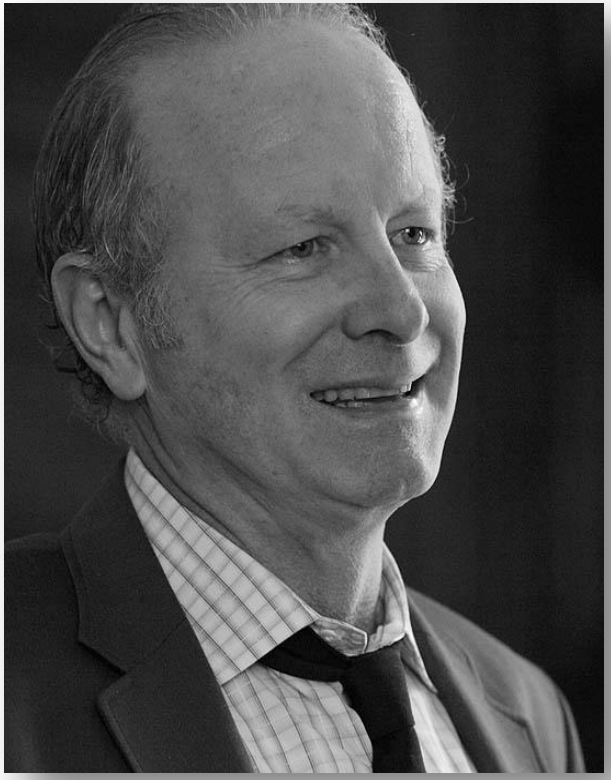
Make the desired behaviour easy to achieve with heuristics.

This Nudge could be used to guide consumption in the other direction too, so remember that the objective here is to Nudge for good! Humans don't like making efforts, so we tend to avoid it whenever we can. To simplify all of the decisions we have to take in our life, we use heuristics. Heuristics are mental shortcuts we use to take decisions more quickly and more easily. They make our life easier, but they also make us more susceptible to biases. Fortunately, the biases to which we fall prey make us predictable, and thus susceptible to Nudges.

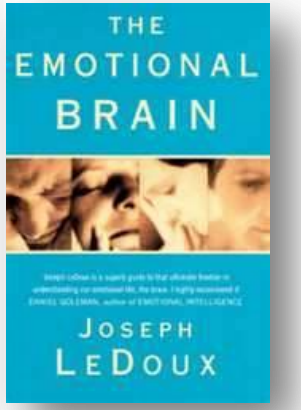
3. WE ARE EMOTIONAL CREATURES

Once emotions are produced, they become powerful motivators for future behaviour. They determine the course of our actions in the moment and in the longer term.

Joseph Ledoux



Prof. Joseph Ledoux
(Center for Neural Science at New York University)



MAKE IT EMOTIONAL

Mother Teresa once said : "If I look at the mass, I will never act. If I look at the one, I will." This was studied through the use of different donation messages. People donate more when the victim is identifiable (through a story and picture) than when it is statistical. That is because an identity calls our emotions, while statistics triggers reason.

Statistical victim

Calls for reason
Donations decrease

"Food shortages in Malawi are affecting more than three million children. In Zambia, severe rainfall deficits have resulted in a 42 percent drop in maize production from 2000. As a result, an estimated three million Zambians face hunger."

Identifiable victim

Calls for emotions
Donations increase

"Any money that you donate will go to Rokia, a 7-year-old girl from Mali, Africa. Rokia is desperately poor, and faces a threat of severe hunger or even starvation. Her life will be changed for the better as a result of your financial gift."



It is better to avoid interferences and only talk to emotions: when we show both the statistics and the picture, the donations decrease.This examples shows that our emotions are a strong motivator, more powerful than our reason. We take decisions that make us feel good, and we stay away from what would make us feel bad. This is where most of our self-control problems come from… Using our emotions to our advantage can help us make better decisions.

TIP

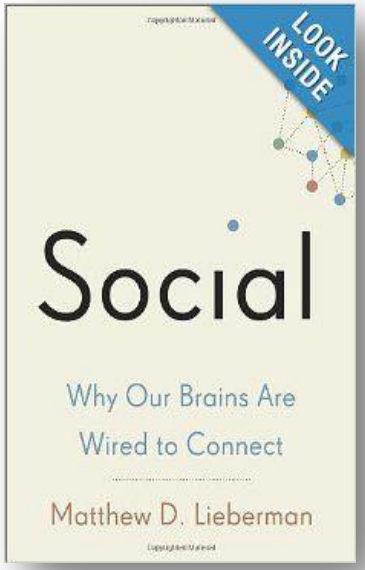
Associate the desired behaviour with a positive emotion

Source: Small, D. A., Loewenstein, G., & Slovic, P. (2007). Sympathy and callousness: The impact of deliberative thought on donations to identifiable and statistical victims. Organizational Behavior and Human Decision Processes, 102(2), 143-153.

4. WE ARE SOCIAL ANIMALS

> *Our need for connection with others is even more fundamental, more basic, than our need for food or shelter.*
>
> *Matthew Lieberman*





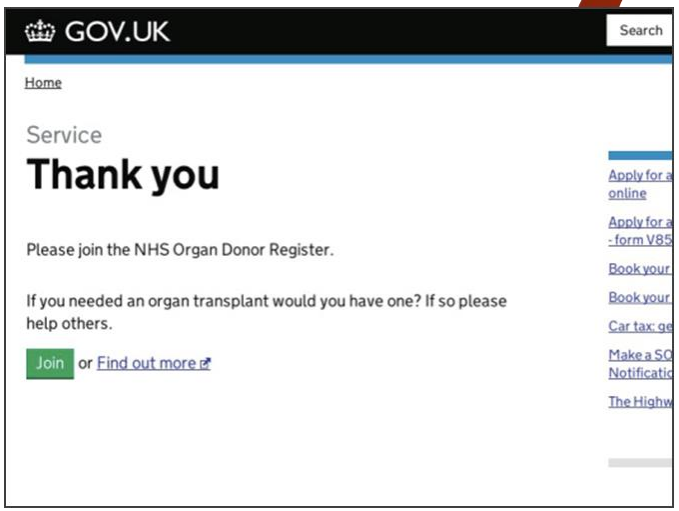
Prof. Matthew Lieberman
(Harvard University Social Cognitive Neuroscience Lab Director)

ADD A SOCIAL DIMENSION TO THE DESIRED BEHAVIOUR

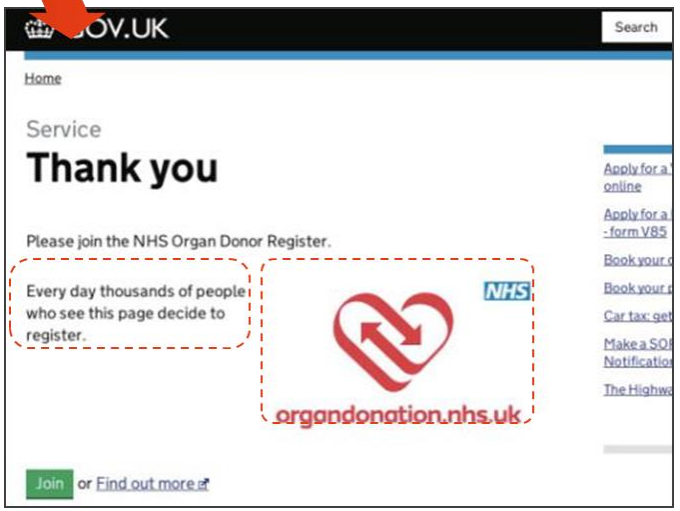
The Nudge below relies on the lever of social norms.

A lot of people decided to register after they saw this page: 96 000 registrations over one year!

BEFORE



AFTER



From : UK Cabinet Office

We are social creatures by nature. We care about what others do and think of us. We also look to others for guidance when taking decisions, especially when we are unsure of what to do. Looking for guidance can be as simple as imitating other people. This is why emphasizing the social aspects of a decision can make it seem more favourable.

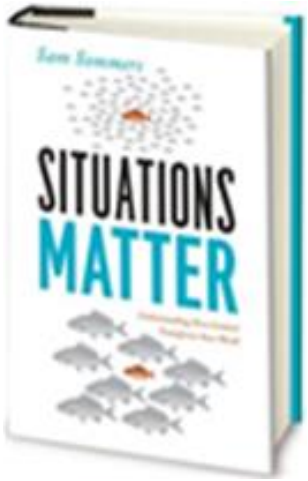
TIP

Show how many other people are doing the right thing.

5. OUR DECISIONS ARE INFLUENCED BY THE CONTEXT

Everyday and in all walks of life, we overlook the enormous power of situations – of context- in our lives.

Sam Sommers





Prof. Sam Sommers
(TUFT university)

FRAME THE CHOICES IN A FAVOURABLE WAY



In New York, the Department of Health decided to do some research. How much, it wondered, would a school need to cut its prices for apples, oranges and bananas to increase sales by 5 percent over a year? Brian Wansink…soon discovered he had been hired to answer the wrong question.

Price wasn't the problem. It was the presentation. In the school cafeterias Wansink surveyed, whole fruits were displayed in steel bins in dimly lit areas of the lunch line. Wansink went to discount store T.J. Maxx and bought a cheap wire fruit rack. He found an extra desk lamp, which he used to shine on the fruit. "Sales of fruit in one school went up 54 percent. Not in a semester: by the end of the second week," Wansink said. "It would have gone up faster, but they kept running out of fruit."

This Nudge illustrates how the context affects our behaviour. We look for situational cues to help us take our decisions, and the way the options are presented (which one is the default, which one seems easier, …) influences our final choice. That is why a lot of Nudges simply change the context in which a decision is taken, instead of trying to act on the decision itself.

TIP

Turn the desired behaviour into the default option.

Source: J.Black (2010). Small changes steer kids toward smarter school lunch choices., The Washington Post (online).

FIVE FORCES, A HUNDRED BIASES

A hundred biases, some of which are listed below, influence our behaviour. Knowing about them is important when nudging, but the amount of knowledge can be overwhelming. To make your life easier, we offer you a tool to operationalize that knowledge: THE DRIVERS OF INFLUENCE.

Ambiguity effect
Anchoring
Attentional Bias
Availability heuristic
Availability cascade
Backfire effect
Bandwagon effect
Base rate neglect *or* Base rate fallacy
Belief bias
Bias blind spot
Choice-supportive bias
Clustering illusion
Confirmation bias
Congruence bias
Conjunction fallacy
Conservatism or Regressive
Conservatism (Bayesian)
Contrast effect
Curse of knowledge
Decoy effect
Denomination effect
Distinction bias
Duration neglect
Empathy
Endowment effect
Essentialism
Exaggerated expectation
Experimenter's or Expectation bias
Functional fixedness
Focusing effect
Framing effect
Frequency illusion
Gambler's fallacy
Hard-easy effect
Hindsight bias
Hostile media effect
Hyperbolic discounting
Illusion of control
Illusion of validity
Illusory correlation
Impact bias
Information bias
Insensitivity to sample size
Irrational escalation
Just-world hypothesis
Knowledge bias
Less-is-better effect
Loss aversion
Mere exposure effect
Money illusion
Moral credential effect
Negativity bias
Neglect of probability
Normalcy bias
Observer-expectancy effect
Omission bias
Optimism bias[]
Ostrich effect
Outcome bias
Overconfidence effect
Pareidolia
Pessimism bias
Planning fallacy
Post-purchase rationalization
Pro-innovation bias
Pseudocertainty effect
Reactance
Reactive devaluation
Recency bias
Recency illusion
Restraint bias
Rhyme as reason effect
Selective perception
Semmelweis reflex
Social comparison bias
Social desirability bias
Status quo bias
Stereotyping
Subadditivity effect
Subjective validation
Time-saving bias
Unit bias
Well travelled road effect
Zero-risk bias