

GUIDE TO
COGNITIVE NUDGES



THE GAME WE ARE IN

Understanding how people think, feel and behave is paramount to coming up with ideas that influence people's decisions to buy into our brand, products and services.

An understanding of behavioural economics and social psychology will lead to better work by informing creative execution. It does not get in the way of a big idea but give us little nudges in the right direction which can make a good idea, GREAT.

Behavioural economics and social psychology can be used at a macro and micro level, anything from helping governments define policy to the copy on a label. So, anyone who helps create consumer facing interactions be they retail spaces, apps, web pages, OOH, TVCs or POS can use Behavioural Economics to make this happen.

BEFORE WE START, ANSWER THESE FEW QUESTIONS:

Have you ever invited someone to a social gathering because they invited you to a similar event?

Have you ever bought an extra item when shopping online, just to qualify for the FREE delivery service?

Have you ever been on your mobile whilst walking and then suddenly found yourself at your destination?

Have you ever felt obliged to go somewhere because you said you would?

Do you still subscribe to TV, online and magazine services or gym memberships that you no longer use?

Have you ever bought something because there were only two left?

Do you find it difficult to plan and save money for the future?

We are all suckers! We all make irrational decisions that would make Spock's ears curl. All the answers to the above questions can be explainable through behavioural economics.



WE TAKE SHORTCUTS TO MAKE LIFE EASIER

On average, we make 35,000 decisions a day! If we had to think about every decision in detail we would not even make it out of the house in the morning. To cope with the complexities of life, our brain has developed two ways of processing information.

SYSTEM 1(AUTOPILOT)

Makes 90 percent of our decisions, it is very fast acting and effortless, enabling us to make the intuitive and automatic decisions. It has evolved from our need to survive in hostile environments where we needed to think and act quickly to avoid danger. The more complex life becomes, the more we rely on system 1.

SYSTEM 2 (PILOT)

Is about reflective thinking and it takes time and effort to process information through it. We tend to save the really important decisions that take careful consideration, for this system e.g; buying a house, where should our children go to school and political or ethical standpoints.

Brands are recognised and processed by system 1. We intuitively know what they are and what they stand for and this enables us to make a decision and buy them with a minimum of effort.

THE PICK OF THE BUNCH

SCIENTISTS HAVE IDENTIFIED
OVER 150 COGNITIVE BIASES
AND BECAUSE WE KNOW YOU
ARE A BUSY LOT, WE'VE SELECTED
THE MOST RELEVANT BIASES TO
HELP INFORM OUR WORK.

ANCHORING

THE STALK IN THE GROUND

Anchoring occurs where we use an initial piece of information to make subsequent judgments. Once an anchor is set, other judgments are made by adjusting away from that anchor. The initial anchor doesn't have to have a direct relationship with subsequent judgments. For example, the initial price offered for a used car, sets the standard for the rest of the negotiations, so that prices lower than the initial price seem more reasonable, even if they are still higher than what the car is really worth.

An indirect example highlighted how easy it is to be anchored. Two groups were asked to value an object, but before they did, one group was asked to write their social security number down, the other group their date of birth. The group that wrote their social security number (large number) down valued the object considerably higher than the group that wrote their date of birth down (short number).





AUTHORITY

THE POWER OF THE RIGHT MESSENGER

The authority of a person is associated with their position. Years of evolution has taught us to trust the judgement of people in authority, be they Doctors, Lawyers or Judges - even if their judgements are not right or moral.

When we buy consumer electronics or home appliances a very large number of us seek the opinion of an expert. This could be the review of a trusted journalist or a knowledgeable friend. It could even be a celebrity endorser who we admire.

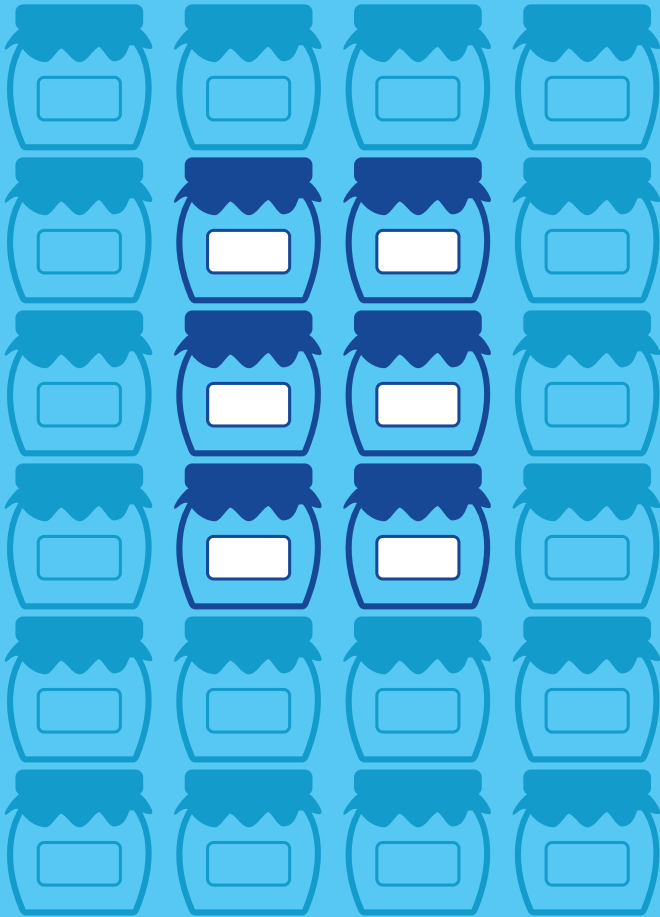
AVAILABILITY BIAS

THE IMPACT OF MEMORABLE EVENTS

Our decisions are swayed by objects and events at the front of our minds due to regular or recent exposure to them. This will be at the expense of the rational arguments that exist to the contrary.

For example, investors may judge the quality of an investment on recent news reports about a company rather than the facts. This emphasises the importance of managing news with good corporate PR.





CHOICE OVERLOAD

THE PARADOX OF CHOICE

Our decisions are swayed by objects and events at the front of our mind. Although consumers readily seek choice, the choice-overload hypothesis suggests that having too many options to choose from eventually leads to negative consequences.

At a show, they tested displaying 24 jams against a display of 6 jams. The display of 24 jams attracted more attention but ultimately had low sales. The display of 6 jams attracted less attention but provided greater sales. 30% of people faced with a limited choice (6 jams) made a purchase compared with 3% of people faced with an extensive choice (24 jams).

12345678

12 - 34 - 56 - 78

CHUNKING

AHHHH! INFORMATION OVERLOAD

Breaking down information into small digestible pieces helps with memory and recollection. Furthermore, it also keeps people motivated to finish a task i.e; if you give people too much information, they will give up as it is too time consuming.

A very cheeky example, is with the discount airline ticket booking process. We have all been stimulated into action by a great topline price from Ryanair or Easyjet but as we go through the highly segmented process of buying tickets, we often find that there is very little similarity between with the initial price and what we end up paying. By that point, we are far less likely to start the buying process again, having been coerced through the task in gradual chunks.

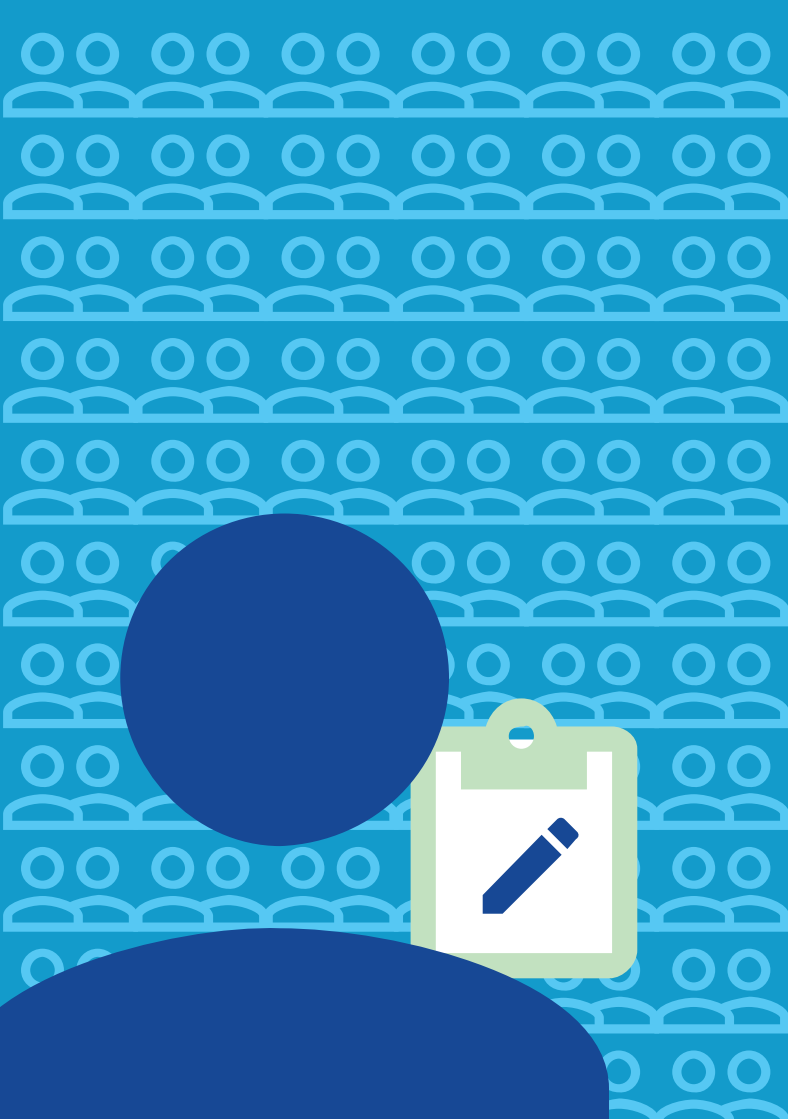
COMMITMENT

MY PUBLIC PLEDGE

When we make a public commitment to a cause or to do something, we are more likely to stand by that decision and reinforce it in future. We all want to maintain a consistent and positive self image and so we keep to our commitments to avoid reputational damage, even if we are not as committed as when we started.

Many give-away promotions require you to do something like fill out a survey, post a video or a funny picture in order to enter the draw for the grand prize. Again, with your participation, you're investing yourself in the product or brand (in a small way) and this activates the commitment bias. There may be lower engagement due to the effort required to enter but they will be more committed.

Reciprocal commitment; if a brand asked someone for a two day commitment to an event and the individual rejects the proposal. If that brand then comes back with a smaller offer say two hours, the user is more likely to commit and keep that commitment. For the brand, this is a win-win situation. This has social media written all over it.





CONFIRMATION BIAS

I THOUGHT SO

Confirmation bias is a tendency to search for or interpret information in a way that confirms our preconceptions. As decision makers, we have been shown to actively seek out and assign more weight to evidence that confirms our views and ignore or underweight evidence that contradicts it.

When we go online, we all like to seek out product reviews to help us purchase. Significantly, if we truly want a product we display a tendency to overvalue the positive reviews and ignore the negative ones.



DECOY EFFECT

IT'S A NO BRAINER

People's preference of one option over another can be swayed by offering a third less attractive option. This only works if the less attractive offer is easily comparable with the others.

'The Economist' published this magazine subscription offer.

1. Online subscription - \$59
2. Print subscription - \$125
3. Print and online subscription - \$125

The result was that 84% chose option 3. However, when the middle dummy option 2 was taken away, it led to a disproportionate swing in choice where 68% of people chose option 1.



DEFAULTS

WE GO WITH THE FLOW

Sometimes when confronted with choices, we are not sure which to take and we're grateful for mechanisms that make it easier. By understanding the power of defaults in our marketing interfaces, we can deliver massively different results.

Generally, everyone agrees that organ donation is a good thing. However the UK donor consent rate is 17.1% whereas in France it is 99.9%. Is that because the French are inherently and dramatically a more giving and moral population? Possibly, but it's more likely because donor consent is an opt out choice in France and an opt in choice the UK, making it easier to make the right decision.

DIVERSIFICATION BIAS

VARIETY IS NOT THE SPICE OF LIFE

We seek more variety when we choose multiple items for future consumption than when buying individual items one at a time.

Have you ever bought a Kellogg's variety pack thinking that all the different types of cereal will be really ace? Only to remember later that you are not a big fan of Rice Krispies and Cornflakes and wish you just got a big box of Frosties instead? That'll be diversification bias stitching you up.



ENDOWMENT EFFECT

'A BIRD IN THE HAND IS WORTH TWO IN THE BUSH.'



We overvalue things we own, usually more than we would be willing to pay. People often demand much more to give up an object, than they would be willing to pay to acquire it.

Successful sales on eBay can be compromised by the Endowment affect. People often put too high a value on their items on eBay and don't get a sale, usually by putting an unrealistic reserve on a second hand item which people are not prepared to meet. Better to make it cheap and let the bid system drive the price up rather than price yourself out of the game by overvaluing.

FRAMING EFFECT

IT'S THE WAY YOU TELL THEM

Our interpretation of things depends on the way information is presented/communicated to us which then influences our behaviour. A choice can be seen as negative or positive depending on how it is framed which could lead to individuals being either more risk averse or risk seeking. For example when talking about a surgical operation, it could be framed as having a 10% chance of failure vs a 90% chance of success which could affect the patient's willingness to proceed.

Successful framing of your brand or product leads to long term automatic recognition and it can also spark long term re-appraisal of what you are about as a brand. For instance, the AA successfully re-framed itself as the fourth emergency service which sparked massive growth in its membership levels.



HALO EFFECT

“THEIR PIES ARE GREAT, SO I’M SURE THEIR CAKES ARE TOO.”

We tend to generalise and place expectations on something or someone based on our perceptions of what we know about them.

If a chef is famous for making one particular dish, then the ‘halo effect’ allows people to assume that he can cook anything with equal proficiency. If you make great mobile phones, people will assume your tablets are also pretty good.



HERD BEHAVIOUR



"I'LL HAVE WHAT HE'S HAVING."

Often called social proofing; this is where we use the behaviour, opinion and the decisions of others, to guide our own choices. It is often reassuring to know what other people think and helps the decision making process.

Social media is a channel that often influences our decisions in this way i.e; if you know that other people like a product or brand, it makes you feel more comfortable when purchasing it. Friends will often post pictures of a purchase they are proud of or a place they went on holiday and consciously or subconsciously, those things become more acceptable to us as we see others advocating them.

HOT AND COLD EMPATHY GAP

“IN THE FUTURE I WILL...”

It is difficult for us to predict how we will behave in the future. A hot-cold empathy gap occurs when we underestimate the influence of emotions on our behaviour or preferences in a future situation.

For example, when predicting how we would react when dealing with a potential financial risk, we tell ourselves something like, “I can handle a level of risk where I might get gains of up to 15% and losses of up to 10%.” but then when we lose 5% of our portfolio, we panic and want to sell everything. The heat of the moment changed how we reacted, compared to when we were in a cold state predicting what we would do.



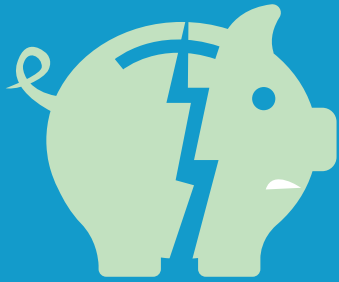


LICENSING EFFECT

CUT YOURSELF SOME SLACK

This is where we let ourselves do something bad after doing something good. Also known as self-licensing.

Ever had a hard week at work and really enjoyed a few beers at the weekend because you deserve it? Similarly have you ever been to the gym just so you can stuff yourself with pizza? Well you have treated yourself to a gift as you have been working hard. That'll be the licensing effect.



LOSS AVERSION

WE DISLIKE LOSSES FAR GREATER
THAN WE ENJOY GAINS

Some studies suggest that losses are twice as powerful, psychologically, as gains in influencing decisions. This gives some great opportunities as regards how we frame value in marketing communications. For instance, rather than framing an offer with a reward, frame it with a penalty:

“You will lose £100 per year if you don’t insulate your loft” is more impactful and effective than “you will save £100 each year if you insulate your loft”.

MENTAL ACCOUNTING

A PLACE FOR EVERYTHING AND
EVERYTHING IN ITS PLACE

To help us manage money, we like to place money in distinct piles, we do not like using these piles for anything else other than their intended use. e.g saving, pensions, mortgage, holiday.

It's economically illogical to have money in a jar earning no interest while carrying credit-card debt accruing interest charges.

A good example of mental accounting can be seen in casinos. When some people start to win they put their winning in one pocket and their initial stake money in another. This way they stop themselves from spending their winnings.



POSSIBILITY EFFECTS

A SMALL CHANCE OF A BIG WIN



Changes in the probability of gains and losses do not affect our behaviour in logical terms. The possibility effect tells us that a move from a 0% to 5% chance of winning a competition is more likely to get us to enter, than a move from 5-10%. This in part explains the success of the lottery. The possibility of winning a very large amount of money is enough to get us buying tickets, even though the likelihood of us winning is incredibly low. Furthermore, the most frequent way lottery sales will increase is because of a rollover - it is not a better chance of winning that influences us but the possibility of winning even more money.



PRICE SIGNAL VALUE

IT'S EXPENSIVE

SO IT MUST BE GOOD

The price of an object helps us define the value. Within reason, we assume more expensive items are better than the cheaper ones. We define high prices with quality and scarcity.

Many brands pursue this tactic. Stella Artois consistently tries to drive re-appraisal of being a hardcore football lager with the strapline "Reassuringly expensive". No - really - its a premium lager drunk by very rich arty people with good taste and not the first choice lager of Begbie-esque psychopaths!



PRESENT BIAS

INCENTIVISE THE PRESENT

The present bias refers to our tendency to value an immediate smaller reward compared to a larger one in the future. We can learn from this in promotional marketing and competitions. If you want people to partake in your promotion, the value of an instant reward is greater than a bigger prize, some time in the future. For example; in a trade promotion, a free pint now in the pub is more likely to increase participation rather than the possibility of winning a holiday in six months time.



PRIMING

THE INFLUENCE OF SUBCONSCIOUS CUES

Our actions are often influenced by subconscious cues and by exposing people to particular information. It is possible to influence people's subsequent behaviour and actions prior to an event.

In a Derren Brown experiment, he approached two creatives from the advertising agency Saatchi & Saatchi for the "test." On their taxi journey to his office, Brown carefully placed clues to appear surreptitiously on posters and balloons, in shop windows, and on t-shirts worn by passing pedestrians.

The creatives were then tasked with coming up with a campaign for a fictional taxidermy store in 20mins. Derren left them a sealed envelope in their work room. Twenty minutes later, they presented their ideas and then opened the envelope. Lo and behold, Derren Brown's plans for the taxidermy store were remarkably similar to the ad campaign, with an astounding 95% overlap.



RECIPROCITY

MIRRORING GOOD WILL FROM OTHERS

Reciprocity is in-kind exchanges between people i.e; responding to another's action with another equivalent action. It can be positive or negative, like returning a favour or fighting fire with fire.

Charities often take advantage of reciprocity when including small gifts in solicitation letters, while supermarkets try to get people to buy, by offering free samples. Promotional offers often entice people with a cut value price only for people to buy more accessories as a result of the savings made.


$$B+C+D=A$$

REPRESENTATIVENESS

INFERRING OUTCOME

B, C AND D FROM FACT A

Another bigger, more general concept in Behavioural Economics is 'Representativeness.' This asserts that we use stereotyping as a cognitive shortcut in decision making. As a result of our expectations from what we already know about a person, brand or situation, we draw certain conclusions. Consider the following;

Sarah loves to listen to New Age music and faithfully reads her horoscope each day. In her spare time, she enjoys aromatherapy and attending a local spirituality group.

Is Sarah a school teacher or a holistic healer?

Most people say she is a holistic healer but statistically, it far more probable that she is a teacher.

SCARCITY EFFECT

SHIT THERE'S ONLY TWO LEFT

We want what we think is in short or limited supply.

The item can be physical objects both natural and man made, resources, time, and information.

People were asked to rate chocolate chip cookies in jars. They put ten cookies in one jar and two of the same cookies in another jar. The cookies from the jar with two cookies, received higher ratings even though the cookies were exactly the same!



STATUS QUO BIAS

THE LOAFER OF COGNITIVE BIASES

We are naturally resistant to change, as it is easier to go with what you know, than take a risk on what you don't. We are inherently lazy, and we go with the flow of pre-set options.

Often when facing an arduous session doing online grocery shopping, rather than choose all over again, we will bring up our list of previous orders and select what we need from this rather than go the trouble of evaluating entirely new choices.



REFERENCES

Decoded - The Science Behind Why We Buy - Phil Bardon

Predictably irrational - Dan Ariely

Think fast think slow - Malcolm Gladwell

Neuro Web Design - Susan Weinschenck

The affect heuristic in judgments of risks and benefits - Finucane, M. L., Slovic, P., & Johnson, S. M. (2000)

Journal of Behavioral Decision Making - George Wright and J. Frank Yates

The Framing of Decisions and the Psychology of Choice - Tversky, A., & Kahneman, D. (1981)

Judgment under uncertainty: Heuristics and biases - Tversky, A., & Kahneman, D. (1974)

Influences and irrationalities of the Human mind - Ogilvy Change

Prospect Theory: An Analysis of Decision under Risk - Kahneman, D.; Tversky, A. (1979)

Playing on Our Behavioural Heartstrings - Crawford Hollingworth, 2012
The Behavioral Economics Guide 2014, 1st Edition

MINDSPACE Influencing behaviour through public policy - Institute for Government & the Cabinet Office

An Academic Introduction to Behavioural Economics, Government and Digital Media - Pan logic

<http://www.wheelofpersuasion.com> Bart Schutz - Online Dialogue (Chief Persuasion Officer / mng partner)

Im impact - <http://imimpact.com/sales-psychology-commitment-bias/>

Dan Ariely blog - Danariely.com

MindSpace, Institute for Government & the Cabinet Office - Influencing behaviour through public policy

Advances in Economics and Econometrics: Theory and Applications', Ninth World Congress, New York, 2005

Scarcity effect experiment WORCHEL, LEE, AND ADEWOLE (1975)
Social Psychology (7th edition) - Aronson, E., Wilson, T. D., & Akert, R. M. (2010). Social

When Choice is Demotivating: Can One Desire Too Much of a Good Thing? - Sheena S. Iyengar Columbia University & Mark R. Lepper Stanford University

In group favouritism - Zhong, Chen-Bo; Phillips, Katherine W.; Leonardelli, Geoffrey J.; Galinsky, Adam D. (2008).

"Negational categorization and intergroup behavior". Personality and Social Psychology Bulletin 34 (6): 793–806.doi:10.1177/0146167208315457. PMID 18391025

http://www.sciencedaily.com/articles/c/confirmation_bias.htm - confirmation cognitive bias

<http://danariely.com/2008/05/05/3-main-lessons-of-psychology/> confirmation cognitive bias

Icons

Mario Bieh, Thomas Bruck, Gregor Cresnar, Dan Jenkins, Creative Stall, Nicolas Vicent, Igor Yanovsky, Nick Abrams, Richard Slater, Wilson Joseph, Yi Chen, Hunotika, Nherwin Ardoña, Juan Pablo Bravo, Irene hoffman, Matthew Clarke, Alex Sheyn, Jacob Halton, Henry Flores Blas

Author

Mark Woodward

mark@mwoodward.co.uk

With thanks to

Shereen Auzairy

Ben Taylor