

Introduction to Applied Behavioral Science

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Your Presenters Today



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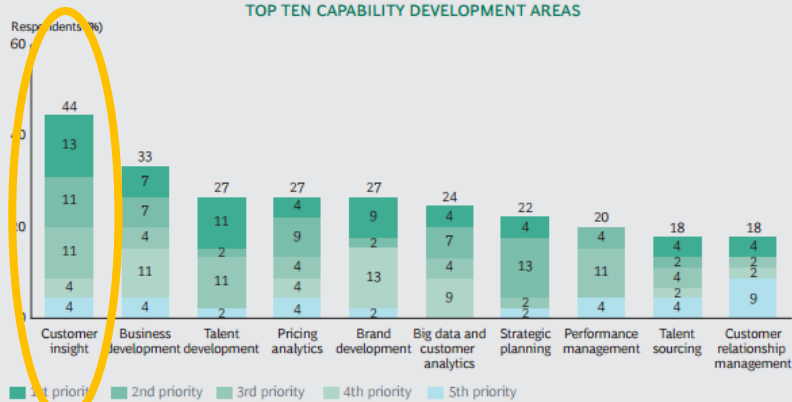
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Why Behavioral Science?

C-Suite ranks customer insights as their *top priority*

EXHIBIT 1 | Customer Insight Ranks at the Top of Senior Executives' Spending Priorities

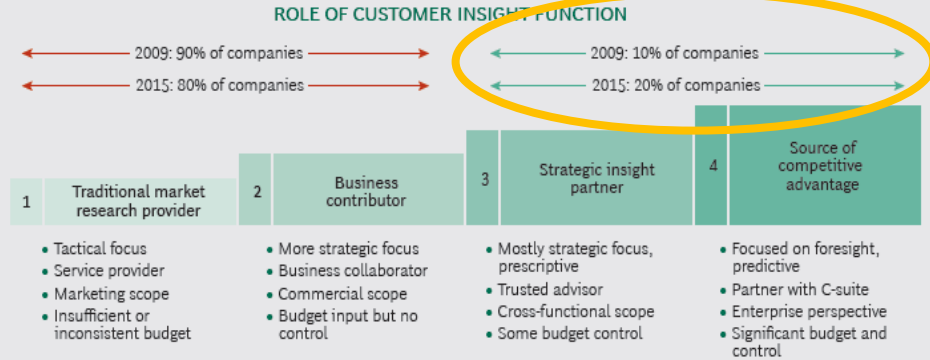


Sources: BCG survey of 45 cross-sector CEOs and other top executives.

Note: Only the top ten capabilities are shown. The percentages in each column may not add up to the total shown because of rounding.

Yet made *little progress* with the value they are getting

EXHIBIT 2 | The Stages of CI Maturity



Sources: *The Consumer's Voice – Can Your Company Hear It?* BCG report, November 2009; BCG, Yale CCI, and Cambiar, 2015 Customer Insights Benchmarking Study.

VISION



No understanding

Current understanding

with BSci

Complete understanding

Consumer Behavior



INTRO TO BEHAVIORAL SCIENCE

WHERE ARE WE TODAY?



- **What is Behavioral Science?**
- Thinking fast, thinking slow: 2 systems
- How BSci help your Market Research?



What is Behavioral Science?

Behavioral Science is an interdisciplinary field of science (e.g., social and cognitive psychology, judgment and decision making, and behavioral decision theory) which generates and applies insights to understand, predict, and ultimately implement behavioral change.



“Chief Behavioral Officer: It's the new ‘must-have’ role.”

~ Crawford Hollingworth

What is Behavioral Science?

Traditional Economics



If we all behaved like “Econ”:

- We’d spend significant amount of time carefully weighing the product, service and price attributes of all options to make optimal purchase decisions every time in every category
- We’d choose breakfast based on fiber and other nutrition contents.
- We’d never have any problem of over-eating or under-exercising.
- We’d never have problems to plan for future, e.g., saving for retirement, research and purchase right types of insurance.

What is Behavioral Science?

Traditional Economics



How we *should* behave

Behavioral Economics



How we *actually* behave
At Least Sometimes...

BEHAVIORAL ECONOMICS IN CONSUMER BEHAVIOR

“Irrational” Behavior



BEHAVIORAL ECONOMICS IN CONSUMER BEHAVIOR

System 2 Way of Nudging

StepJockey: how small steps add up over time



Woman
45 years old
75kg
172cms

Climbs up and
down stairs in a
5-storey building

2 x a day

Climbs the stairs
in the underground
station

1 x a day

Extra calories
burnt per day→ **76.5**

Extra calories
burnt per year→ **17,595***

Which is
equivalent to:→ **8.5 days food**
.....→ **2.3kg (5lbs) fat**

BMI
Falls from:.....→ **25.4 to 24.6**
(Overweight) (Healthy)



* Assumes 230 working days in a year

System 1 Way of Nudging



Are We Rational?

- Are people rational?

- Do our research methodologies assume that people are rational?

- Do we analyze our research based on the assumption that they are rational?



INTRO TO BEHAVIORAL SCIENCE

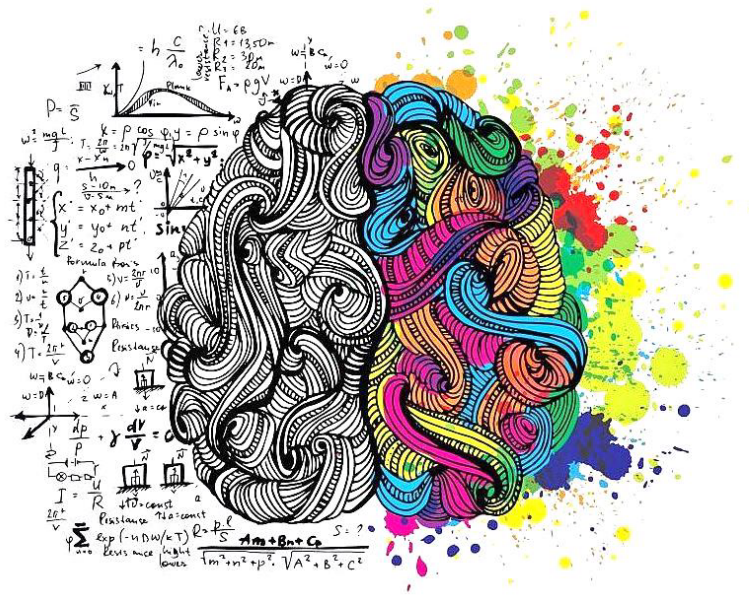
WHERE ARE WE TODAY?

- What is Behavioral Science?
- **Thinking fast, thinking slow: 2 systems**
- How BSci help your Market Research?



Two-System Models of Cognition

- Soul vs. Mind (Aristotle)
- Id vs. Ego (Freud)
- Lizard brain vs. Monkey brain (pop psychology)
- Heart vs. Mind (Your mom, offering advice)
- Tacit vs. Deliberate (Hogarth 2001)
- Experiential vs. Rational (Epstein 1994)
- Associative vs. Rule Based (Sloman 1996)
- System 1 vs. System 2 (Stanovich & West 2002)



Fast vs. Slow Process

Fast Process



- Unconscious
- Non-logical
- Automatic
- Low Effort
- High capacity
- Hard to articulate

Slow Process



- Conscious
- Logical
- Controlled
- High effort
- Small capacity
- Linked language
- Provides reasons

We can never turn off our fast process.

CASE STUDY

How to make a loyalty program more effective?



Endowed progress effect increases sales by +79%



INTRO TO BEHAVIORAL SCIENCE

WHERE ARE WE TODAY?

- What is Behavioral Science?
- Thinking fast, thinking slow: 2 systems
- **How BSci help your Market Research?**



How we can use Behavioral Science in improving Market Research?



COLLECT

How can we get less biased data/more accurate responses?

Behavioral Science can help...

- Ask even better questions
- How to frame questions
- What choice options to present
- Avoid our own and client biases



ANALYSE & INTERPRET

What does your data mean?

- Behavioral Science offers insights on how people think and behave, which help us to think about how to approach the data and how to get stories out of the data.



IMPACT CX STRATEGY

How do we apply research insights to developing and actioning strategy?

- We can put Behavioral Science to work to deliver added value recommendations to in creating customer experience strategies to tactics to marketing communications.

How does Ipsos integrate BSci in research design & delivery?

Some examples:



COLLECT

- Design short surveys that allow respondents to mimic their fast decision making processes, which use **Heuristics**



ANALYZE & INTERPRET

- Reflect **Reference Points** argument by creating competitive context through relative scales, etc.



IMPACT CX STRATEGY

- Leverage Change Management Consulting tools and BSci concepts like **Peak End Rule** to help clients formulate **action plans to activate** research findings



TOP BSCI EFFECTS

Many Behavioral Science Principles... Countless Opportunities for Application

Environmental Resources
Any aspect of a situation or environment that influences behavior (e.g. time to complete a task)

Materials
Having the items and resources available

Triggers / Prompts
The features of a given situation or environment that act as prompts or reminders to perform a specific behavior.

Priming
Use of incidental cues in an environment to influence a non-conscious response e.g. a sign with watching eyes next to a bicycle lock-up to deter theft.

OVERVIEW: TOP BEHAVIORAL SCIENCE EFFECTS

“FLATS”



FRAMING



LOSS AVERSION



ANCHORING








TIME



SALIENCE

OVERVIEW: TOP BEHAVIORAL SCIENCE EFFECTS

Each “FLATS” category includes several of those “BSci Cards”

 <u>F</u>RAMING	Framing	Priming	Adjusted Scaling	Attention Bias	
 <u>L</u>OSS AVERSION	Loss Aversion	Status Quo	Endowment & Virtual Ownership	Anticipated Regret	Scarcity
 <u>A</u>NCHORING	Anchoring	Reference Point	Base Rate Fallacy		
 <u>T</u>IME	Present Matters	Peak End	Hyperbolic Discounting	Optimism	Temporal Discounting
 <u>S</u>ALIENCE	Availability	Recognition	Accessibility Bias	Vividness	



Nudge people towards responding honestly on a topic that carries a social-stigma for many

Framing

Framing questions through the lens of acceptance can alleviate the fear of admitting to a socially-taboo behavior.

Negative Example:

Are you a smoker? Do you smoke?
Could elicit defensiveness or fear of being labeled.

Positive Example:

When was the last time you smoked? **Shifts the focus to frequency instead of admitting to a behavior.**

Adjusted Scaling

Utilizing larger and more subjective scales can promote a sense of normalcy, even for heavier users.

Negative Example:

How often do you smoke? “Very often, Somewhat often, etc.”
Conveys that smoking “very often” is an extreme behavior.

Positive Example:

How many times did you smoke last week? **Assumes smoking last week was okay.**

Priming

Priming consumers with a “warm-up” exercise that implicitly promotes honesty has been shown to actually elicit more honest responses.

Negative Example:

No warm-up. **Requires them to immediately open-up on a topic that may feel too personal.**

Positive Example:

Conduct a word association exercise on an unrelated topic using words like “honest”, “pure”. **Encourages an open mindset.**



Increase customers' likelihood to respond to research by providing the right motivation

Loss Aversion

We feel disproportionate pain over losses and tend to take gains for granted. This leads us to strongly prefer avoiding losses, rather than acquiring gains.

Gain Example:

Turn Clutter into Cash

Loss Example:

Every time you throw away your mail, you could be throwing away dollars!

Taps into consumers' fear of losing

Reciprocity

Reciprocity involve “in-kind” exchanges between people; responding to another’s action with equivalent action.

The invite reads” You have been **carefully chosen** to participate in a project where your junk mail works for you”

Making people think we went through the effort to select them makes them more likely to feel compelled to participate.

Feedback, Reminders, Self-Monitoring

Feedback and reminders (in-person, in a diary, using a phone call or via SMS) on progress toward achieving a behavioral goal can have significant effects.

We included study **directions on a calendar** and added the following prompt: “ You don’t need to do anything extra! Just keep the enclosed **envelopes in convenient locations** as you sort through your mail.”

Including memory cues helps boost compliance.



Business	Practice	Principle
Walt Disney World	Families select and pay for their meal plans and restaurant reservations before starting their vacation, avoiding the need to pay after each dining experience at the park	Get bad experience over with early
Amazon	1-click ordering reduces the pain of entering payment details each time while checking out, whereas the pleasure of shopping is repeated with each checkout	Segment pleasure, combine pain
Cathay Pacific	Flight attendants memorize the names of passengers in premium cabins in order to say good-bye by name as fliers deplane	Finish strong
Norwegian Cruise Lines	Pioneered "Freestyle Cruising," which gives customers choice over when they dine, where they dine, and when to see entertainment	Give customers choice
Pizza Hut	Provides detailed real-time updates on order status to customers	Create a sense of control by showing where the order is
Ritz-Carlton Hotels	Greets guests with a welcome email before arrival and personalized welcome letter in the room	Create a sense of control by sticking to habits



TIME

WE REMEMBER AND JUDGE EXPERIENCES BY IT'S PEAKS AND ENDS

Experiencing vs. Remembering



EXPERIENCING SELF



REMEMBERING SELF



https://www.ted.com/talks/daniel_kahneman_the_riddle_of_experience_vs_memory

WE REMEMBER AND JUDGE EXPERIENCES BY IT'S PEAKS AND ENDS

Implications for Decision Making



REMEMBERING SELF



EXPERIENCING SELF



https://www.ted.com/talks/daniel_kahneman_the_riddle_of_experience_vs_memory

WE REMEMBER AND JUDGE EXPERIENCES BY IT'S PEAKS AND ENDS

Peak-End



sosl

Peak-End

We judge an experience by its most intense point – the 'peak' – and its end; regardless of whether a 'peak' is pleasant or unpleasant, or how long it lasts

Ipsos

PEAK-END: IMPLICATIONS FOR CUSTOMER EXPERIENCE DESIGN

Improving CX in the Hospitality Industry



PEAK-END: IMPLICATIONS FOR CUSTOMER EXPERIENCE DESIGN

Improving CX with Call Centers





LOSS AVERSION

Loss Aversion



sosd|

Loss Aversion
Losses loom larger than gains
– people feel losses more
intensively than equivalent
gains, and thus go the extra
mile to avoid losses,
rather than obtaining
the equivalent gains.

Ipsos

The graphic is a vertical rectangle with a dark blue background and a white decorative border. At the top, the word 'sosd|' is written in white. Below it is a white stylized bird or wing logo. In the center, there is a white-bordered box containing the text 'Loss Aversion' in bold, followed by a definition: 'Losses loom larger than gains – people feel losses more intensively than equivalent gains, and thus go the extra mile to avoid losses, rather than obtaining the equivalent gains.' At the bottom, the word 'Ipsos' is written in white, with the same stylized bird logo above it.



LOSS AVERSION

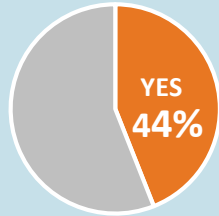
Insurance...

Imagine that you are looking for insurance for a new car you've just purchased.

Suppose you are offered the policy described below...

Group 1: Deductible Frame

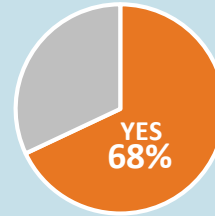
Annual premium: \$1,000
Deductible: \$600



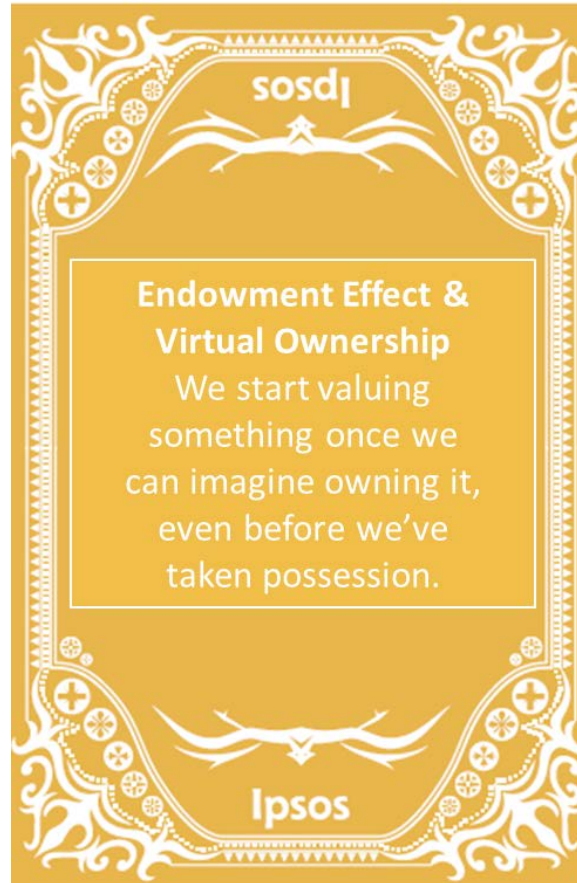
Group 2: Rebate Frame

Annual premium: \$1,600
Rebate: \$600

A rebate of \$600 minus any claims paid will be given to you at the end of the year.



Endowment and Virtual Ownership



Endowment and Virtual Ownership



Scarcity

A vertical rectangular graphic with a dark blue background and a white decorative border. The border features intricate scrollwork and floral patterns. At the top center, the word "sosl" is written in a white, lowercase, sans-serif font. Below it is a white silhouette of a bird with its wings spread. In the center, a white-bordered box contains the text "Scarcity" in bold, followed by a paragraph: "We estimate the value of something from its perceived availability. If something is in short supply everyone else must want it, so it must be good." At the bottom center, the word "Ipsos" is written in a white, lowercase, sans-serif font. Above it is another white silhouette of a bird with its wings spread.

sosl

Scarcity
We estimate the value of something from its perceived availability. If something is in short supply everyone else must want it, so it must be good.

Ipsos

Scarcity



Wesley Eames
@WesleyEames

And just like that, the @Spectacles are sold out in only a few hours in OK...



RETWEETS: 6 LIKES: 31

10:04 AM - 15 Nov 2016

Handel's Apartments of Temple Bar Very good 8.5
492 reviews

Dublin

4 people are looking right now

Parking

Booked 7 times today

You missed it! We reserved our last available room at this property.

Our availability in Dublin is low on your dates – lock in a great price before it's too late.

[View this apartment and many more on our dedicated website](#)

Blooms Hotel Good 7.8
4,432 reviews

Dublin

5 people are looking right now

Booked 26 times today

Deal

Double Room

Lock in this great price while you still can – you can always cancel later!

In high demand – only 4 rooms left on our site!

-45% \$202 ~~to~~ \$112

FREE cancellation – no prepayment needed

Select your room

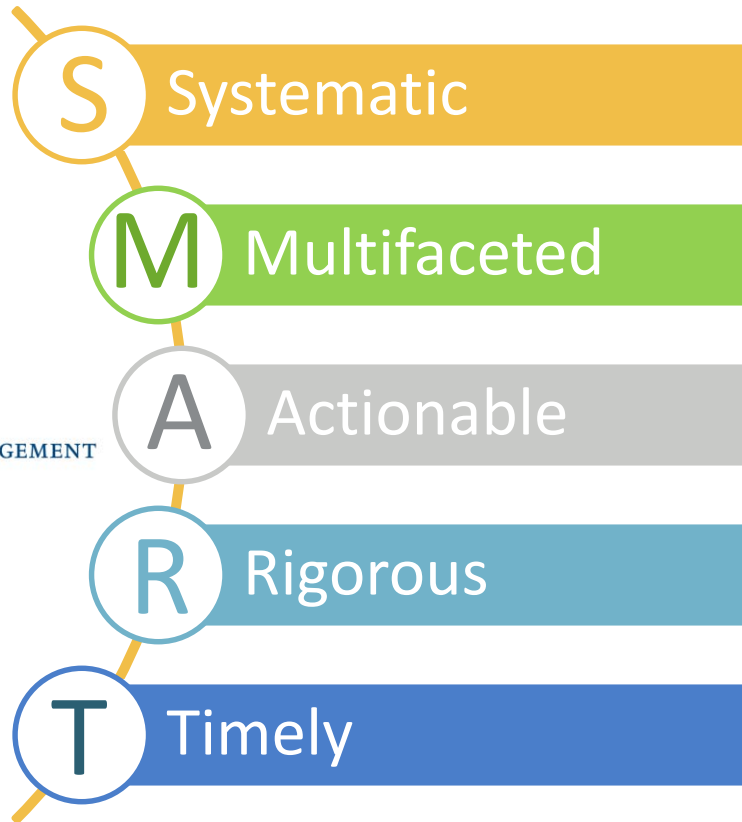


How can Ipsos help you?

Partnership with:



Yale SCHOOL OF MANAGEMENT
Center for Customer Insights



1 BSci Infused MR Projects

2 Custom BSci Experiments

3 BSci Audits

4 BSci Workshops



thank
you!