Your Presenters Today

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Why Behavioral Science?

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

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

• Rational
  • Resources available and used to make the best and informed decisions
  • Know what’s best
  • Predictive models based on mathematics.

Behavioral Economics

• Irrational
  • Bounded resources and willpower
  • Heuristics
  • Don’t know what’s best or what we want
  • Interested in how? and why?
  • Conduct experiments to learn about human behaviors

How we should behave

How we actually behave

At Least Sometimes...
BEHAVIORAL ECONOMICS IN CONSUMER BEHAVIOR

“Irrational” Behavior
**BEHAVIORAL ECONOMICS IN CONSUMER BEHAVIOR**

**System 2 Way of Nudging**

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**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 \(\rightarrow 76.5\)

Extra calories burnt per year \(\rightarrow 17,595^*\)

Which is equivalent to:
\(\rightarrow 8.5 \text{ days food}\)
\(\rightarrow 2.3 \text{kg (5lbs) fat}\)

BMI
Falls from: \(\rightarrow 25.4 \text{ to } 24.6\)
(Overweight) (Healthy)

* Assumes 230 working days in a year
BEHAVIORAL ECONOMICS IN CONSUMER BEHAVIOR

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?
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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%
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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
OVERVIEW: TOP BEHAVIORAL SCIENCE EFFECTS

“FLATS”

- Framing
- Loss Aversion
- Anchoring
- Time
- Saliency
## OVERVIEW: TOP BEHAVIORAL SCIENCE EFFECTS

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

<table>
<thead>
<tr>
<th>Framing</th>
<th>Priming</th>
<th>Adjusted Scaling</th>
<th>Attention Bias</th>
</tr>
</thead>
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<tr>
<td>Loss Aversion</td>
<td>Status Quo</td>
<td>Endowment &amp; Virtual Ownership</td>
<td>Anticipated Regret</td>
</tr>
<tr>
<td>Anchoring</td>
<td>Reference Point</td>
<td>Base Rate Fallacy</td>
<td></td>
</tr>
<tr>
<td>Present Matters</td>
<td>Peak End</td>
<td>Hyperbolic Discounting</td>
<td>Optimism</td>
</tr>
<tr>
<td>Availability</td>
<td>Recognition</td>
<td>Accessibility Bias</td>
<td>Vividness</td>
</tr>
</tbody>
</table>
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.
### McKinsey Example: Various BSci Principles Applied to CX Design

<table>
<thead>
<tr>
<th>Business</th>
<th>Practice</th>
<th>Principle</th>
</tr>
</thead>
<tbody>
<tr>
<td>Walt Disney World</td>
<td>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</td>
<td>Get bad experience over with early</td>
</tr>
<tr>
<td>Amazon</td>
<td>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</td>
<td>Segment pleasure, combine pain</td>
</tr>
<tr>
<td>Cathay Pacific</td>
<td>Flight attendants memorize the names of passengers in premium cabins in order to say good-bye by name as fliers deplane</td>
<td>Finish strong</td>
</tr>
<tr>
<td>Norwegian Cruise Lines</td>
<td>Pioneered “Freestyle Cruising,” which gives customers choice over when they dine, where they dine, and when to see entertainment</td>
<td>Give customers choice</td>
</tr>
<tr>
<td>Pizza Hut</td>
<td>Provides detailed real-time updates on order status to customers</td>
<td>Create a sense of control by showing where the order is</td>
</tr>
<tr>
<td>Ritz-Carlton Hotels</td>
<td>Greets guests with a welcome email before arrival and personalized welcome letter in the room</td>
<td>Create a sense of control by sticking to habits</td>
</tr>
</tbody>
</table>
EXPERIENCING SELF

REMEMBERING SELF

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

Experiencing vs. Remembering

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

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.
Improving CX in the Hospitality Industry
PEAK-END: IMPLICATIONS FOR CUSTOMER EXPERIENCE DESIGN

Improving CX with Call Centers
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.
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.

**YES**  
44%  

**YES**  
68%
Endowment Effect & Virtual Ownership

We start valuing something once we can imagine owning it, even before we’ve taken possession.
Endowment and Virtual Ownership
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.
Scarcity

Handel's Apartments of Temple Bar

4 people are looking right now
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

5 people are looking right now
Booked 26 times today
In high demand – only 4 rooms left on our site!

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How can Ipsos help you?

Partnership with:

- Systematic
- Multifaceted
- Actionable
- Rigorous
- Timely

1. BSci Infused MR Projects
2. Custom BSci Experiments
3. BSci Audits
4. BSci Workshops