

June 2016

IPSOS VIEWS

Is the Behavioural Lens Out of Focus?

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Using behavioural science to get closer to the consumer.

FOREWORD

Before psychologists and neuroscientists came onto the stage, Shakespeare's Hamlet, Prince of Denmark was the best reference to understand our deep dislike of uncertainty and how it shapes our behaviour. Experimental psychology and more recently neuroscience have not replaced Hamlet but they have enriched our view of behaviour, especially behaviour within the context of uncertainty. They have also changed how we look at ourselves as consumers, shoppers, customers or citizens.

In this *Ipsos Views* paper, Pascal Bourgeat takes the helicopter view of behaviour to show that the lens we use is often out of focus and why. He then sets out to show a simpler and clearer view of how (economic) behaviour works from the overlap of various areas of behavioural science, and presents examples from different industry sectors. There is much to gain from having the right picture resolution when we set out to influence behaviour. For it is when we fit most closely around the way consumers, shoppers and customers 'construct decisions' that the creativity in our interventions, actions and campaigns is most effective.

The behaviour lens is unbalanced

Renewed interest in behaviour (or more precisely its mechanics) is taking place at the right time. Digital technology is disrupting many sectors as it transforms so many aspects of our lives: how we learn, how we search, how we form relationships, how we shop, how we keep fit, how we drive, how we work, how we connect, almost everything from the time we wake up to the time we go to sleep. As we constantly change our environment, our behaviour keeps changing as we adapt to new environments. Yet, the behavioural

mechanisms underlying behaviour are unlikely to change any time soon.

As interest in behaviour continues to gain momentum, anything and everything is being said about how behaviour works and what those mechanisms are. Business publications like the Economist, HBR (Harvard Business Review) or McKinsey Quarterly have pushed their own view of (economic) behaviour in the wake of popular books by Daniel Kahneman, Gerd Gigerenzer, Richard Thaler or Dan Ariely. The hullabaloo in the public space and among professionals about irrationality, the role of emotion, cognitive bias and auto-pilot behaviour owes as much to watering down what research actually shows as to focusing on one area of behavioural science at the expense of everything else. For all the talk about cognitive biases and consumers, the faddish view of behavioural science among professionals is itself very much shaped by conformity bias, availability bias, availability cascade and bandwagonism.

In this paper we examine some of the many lenses available to look at behaviour and decision-making in particular and how they create different perspectives on behaviour, sometimes at odds with each other. However from the overlay of these lenses emerges a view of decision-making articulated around three major forces (maximisation, emotion and effort). We provide a series of examples of those forces at work in consumer packaged goods (CPG), service sectors, technology and retail. Finally, we examine how different types of research from observational to experimental, from quick surveys to the combination of neuro-measurement methods and an increasing array of digital tools fit within this simple view of decision-making and helps find ways to influence and change behaviour more effectively and more efficiently.

Many lenses, many views

There are many lenses we can use to look at behaviour beside behavioural economics, an area of behavioural science that has gained much visibility over the past four years; the breakthrough research took place over 30 years ago and Nobel Prizes linking economics and behaviour were awarded in 1978 (Herbert Simon), 1992 (Gary Becker), 2000 (Daniel McFadden) and 2002 (Daniel Kahneman).

Does economics have anything of value to say or was it just a fantasy view of economic behaviour? Consumer psychology, cognitive and social psychology, human ethology and the neurosciences are all deeply rooted in experimentation. But what do they say about behaviour that can shape our view of behaviour in a practical way?

“*Behavioural economics points to limitations in our willingness and ability to behave as maximisers and shows decision-making does not always reflect consistent and stable preferences...*”

Economics was first under the spotlight. Arguably, it was a sitting duck because it imagined a world where everyone forms ‘consistent and stable’ preferences and behaves as a perfect ‘maximiser’ all the time (always choose best) in a world where all choices are only about self-interest.

Behavioural economics points to limitations in our willingness and ability to behave as maximisers and shows decision-making does not always reflect consistent and stable preferences (especially in situations of risk or uncertainty) as evidenced for example by loss aversion or framing effects.

Rationality and reasoning

Cognitive psychology has had a major impact in its foray into judgement and decision-making. At times, this has led to confusion and uncertainty given over 25 theories or types of theories about cognition and behaviour elbow each other within a kaleidoscopic view of behaviour. Dual process theory (DPT aka system 1 / system 2 now redubbed type 1/ type 2) has benefited from visibility outside academic publications and conferences. DPT contrasts two types of ‘thinking’: the first type relying on automated processes and the second type requiring controlled and more effortful processing like reasoning. Often, the interpretation of DPT is that decision-making is irrational because it relies on automated or subconscious processes and conversely reasoning is equated with rational outcomes. Yet, rationality is about how reasonable outcomes are within the decision context, not whether we engage tight reasoning processes or not. Besides, casual observation of our own lives reveals how excessive consideration and over-analysing lead to poor outcomes (or even paralysis e.g. the choosing-feels-like-losing situation). And conversely, relying on past experiences and gut-feel with little or no upfront reasoning can lead to sensible, rational outcome (especially to avoid poor decisions). As Kahneman put it in 2003 in a summary of his work for the American Economic Review: “attention and effort by themselves do not purchase rationality or guarantee good decisions. In some instances, too much cognitive effort actually lowers the quality of performance. There are other situations in which skilled decision makers do better when they trust their intuition than when they are engaged in detailed analysis”.

Often lost in translation here is that the “coherence-rationality” espoused by economics is not the same as the “reasoning-rationality” of interest to psychologists. More from behavioural science has been lost in translation, for example:

- feeling can be seen as a different kind of ‘thinking’ from reasoning;
- people engage both types of reasoning processes in many (but not all) situations with the controlled system overriding quick impressions;
- both *conscious* (deliberative or reflective) and *non-conscious* processes are at work in consumer decisions; and
- processes that are merely automated by habitual behaviour are not unconscious in the same way as Freud’s Unbewusste which has more to do with deep motivation (power, belonging, enjoyment, control, recognition, security, etc.). Auto-pilot behaviour can rise to consciousness whilst hidden motivation remains just that, hidden (at least to ourselves).

“Understanding how the internal forces that shape our behaviour interact with specific circumstances (social, temporal, situational, cultural, physical, etc.) is the key to influencing behaviour.”

behaviour is examined within the particular context in which it takes place (or doesn’t). Understanding how the internal forces that shape our behaviour interact with specific circumstances (social, temporal, situational, cultural, physical, etc.) is the key to influencing behaviour.

There is a tension between the narrow view of economics (the rational-agent model) and the more fluid view from behavioural economics and psychology. It is the contrast between those two perspectives that obscure our view of behaviour. Everyone agrees people want to make good decisions, either consciously or not, at least choices that they are happy with. The broad idea of maximisation makes sense intuitively and is not rejected by experimentation. Ipsos has conducted over 40,000 studies on the adoption of innovation in CPG, service sector, technology, durables and more by developing predictive models of behaviour assuming people behave like maximisers. Overwhelmingly, these models have predicted in-market behaviour very well which makes it difficult to conclude that economic behaviour has nothing to do with some form of maximisation. At the other end, reducing behavioural economics to ‘cognitive illusions’ creates a view of people as a ‘pile of quirks’ and ignores their conscious or unconscious attempts at maximising the value of their choices and the underlying efficiency of decision processes.

Behaviour in context

Besides, human ethology shows that behaviour is adaptive given our curious and experiential nature and our exceptional ability to learn: the shortcuts we use on auto-pilot are as much the ‘tools that make us smart’ as they are the processes that can lead to ‘sub-optimal’ outcomes (usually in the presence of risk and uncertainty). If we are intent on influencing and changing the real life behaviour of shoppers, consumers, customers, patients or health care professionals, there is nothing much to gain from benchmarking observed behaviour and how we form impressions and preferences to some normative fantasy of what behaviour ought to be like. On the other side, the gains for practitioners are substantial if

Contrast between traditional economics and behavioural economics.

• I am a perfect maximiser	• Our ability to choose best is limited, it's not about maximisation
• My preferences remain the same	• Preferences are constructed 'on the fly' and choices change with context and perspective
• My choice is only driven by my self-interest	• Choice is driven by self-interest but in a social environment

Decision making and efficiency

A second series of lenses comes from consumer psychology and increasingly neuroscience: consumer psychology highlights the 'constructive' nature of consumer preferences in the choice process (they are formed 'on the fly') and how consumers try and minimise cognitive costs. More recently, through a series of experiments, neuroscience showed the role of glucose metabolism on the use of full-on reasoning vs shortcuts in decision-making (going for shortcuts or full-on reasoning is not independent of how much glucose runs in our blood because it impacts our performance). In addition, neuroimaging points to automated processes as being driven by economy not speed (lower brain activation for automated tasks indicates less effort required). These lenses mark efficiency as a major force in decision-making and choice processes: Ipsos looked at shoppers in a frequently purchased category of food products from many different angles: observing their journey through in-store cameras, using eye tracking devices and conducting in-aisle and exit interviews. The results provide evidence for maximising behaviour as well as store and shelf design making attention and purchase behaviour easier.

Me and we

Finally, social psychology contrasts self-interest with 'social interest', looks at the discrepancy between our 'actual self' and 'ought self' (duties and obligations at work or in society) and describes individual decisions and choices shaped by conformity, compliance, imitation and reciprocity. And evolutionary psychology tentatively shows how competition (selfishness), cooperation and altruism (selflessness) are all adaptive traits that benefit individuals in different circumstances. The evidence from the neuroscience of 'mirror neurons' and social cognition points to a brain wired for social behaviour, including economic behaviour.

Each one of these fields provides a perspective on decision-making and choice processes. These fields overlap of course but they all pull in a particular direction (maximisation for economics, errors in reasoning and hazardous shortcuts for behavioural economics and cognitive psychology, the impact of the group on individual choices for social psychology and the drive for efficiency for neuroscience and consumer psychology). So what picture of decision-making and choice emerges from all the different strands of research?

SAM: a balanced view of behaviour

When these different lenses are superimposed, a simpler and clearer view of economic behaviour becomes apparent: three key forces shape decision and choice processes. Shortcuts and biases find their place in this view and we gain a more unified view of behaviour: it is one of **efficiency**, not perfection vs flaws in rationality or emotion vs reason.

The SAM consumer **Seeks** to maximise, wants to **Avoid** negative emotion and **Minimise** effort (SAM). When behaviour is seen from the perspective of how those three internal forces shape our behaviour in a particular situation, social context or set of circumstances, which reasoning processes we engage in decision-making, which shortcuts we turn to and which biases are at play, we move from behaviour as a 'pile of quirks' to behaviour as decision-processes and outcomes in context.

1. Seeking maximisation

Maximisation looks different from that of economics once the lens from psychology is added:

Maximisation is not about choosing the best in all circumstances but **making decisions that we are happy with** (and sometimes **not unhappy** with). Hence consumers can seek to maximise very tightly or simply try and avoid poor outcomes... and anywhere in between. It is a much more elastic view of maximisation and allows for consumers behaving as effective maximisers in some cases: for example, eye-tracking studies reveal maximising behaviour as 'eye fixations' move between mainstream brand and its private label lookalike on shelf. If the eye is not a window into the soul, it is certainly a window into our mind and the processes at work.

In other cases customers are driven by a desire to avoid stuff-ups: at Ipsos we have found a clear contrast in customer behaviour between sectors of financial services where the consequences of poor decisions are high like mortgage choice or wealth management vs others like credit card or online savings account. For the former, making the best possible decision is only a distant second priority to **not** making a poor decision.

Self-interest (me) is increasingly influenced by '**me and we**' considerations that are fuelled by hyper-connectivity, a desire for transparency and a fresh sense of activism. For the launch of its plug-in C-Max car, Ford enabled people in ten cities around the world to create their own animation and be part of a shared story using La Linea, an old animation character and the idea of plug-in. So maximisation is driven by what we need or desire as individuals but tempered by surface and deep currents of social norms and our enduring need for belonging.

Context colours decision situations, how we form impressions, preferences and choices. There are multiple facets to context that can be used on their own or in combination to impact impressions and decision processes: moment and location, time pressure, complexity and uncertainty of situation, presentation of options, social and personal, culture, physiological or mental state, etc. French fashion label Pimkie has teamed up with Hotel Banks in Belgium to create fashion mini-bars. The range of apparel and accessories is chosen in light of weather and local activities. Hotel customers are free to use the items from the mini-bar and purchase them on check-out.

The 'hot cognition' research points to the relationship between mood and how we process situations (more holistically and superficially, less analytically). An Ipsos R&D experiment using a range of biometrics and other measures (eye-tracking, heart rate, galvanic skin response and voice pitch) shows that handing out a flower to shoppers as they enter the drinks aisle in a large grocery store:

- **elevates their mood;**
- **increases their motivation (as engagement with a broader range of products);**
- **increases purchase conversion from 'hold' to 'drop' (in basket);**
- **decreases price sensitivity; and,**
- **may increase size of shop and/or spend.**

An analysis of thousands of Ipsos experiments about the adoption of new CPGs shows that increasing choice within a range has a positive impact on penetration (through a combination of attention, appeal and other factors). A product in the range can be a poor seller but benefit all other products through a halo effect. If the range is first presented without that particular product, the purchase of the remaining products in the range decreases. How the choice options are framed as well as colour, mood and impression can have a substantial impact on behaviour. Conversely, **mood can turn negative when increasing choice leads to overload and inhibit purchase behaviour** (the too-much-choice-kills-choice effect).

At the other end, consumers may have good reasons (conscious or unconscious) to behave like serious maximisers. A recent McKinsey study highlights that 'millennial moms' are a lot more likely than the average US consumer to behave like maximisers by "comparing prices, using coupons or loyalty cards more often, seeking out sales and promotions, shopping at several stores to find better deals, and buying more products in bulk".

2. Avoiding negative emotion

Beyond mood, any kind of negative experience, thoughts, feelings and social encounters resonate more strongly

and for longer. Many of the biases at work in our decision-making processes appear to **keep negatives at bay** or mitigate them: negativity bias, status quo bias and almost all forms of loss aversion, anticipated regret, choice overload, zero-risk bias, cognitive dissonance, confirmation bias, choice supportive bias, etc. For example, Australian health insurance provider AHM realised customers of health insurance have access to a range of health services like dentistry, optometry, physiotherapy and many others (though spend on each one is capped) but use few of them. They created an offer where customers can choose which services they want, pool the caps and spend more on services they really want. Their tagline "use 100%, waste nothing" makes the offer resonate more strongly by tapping into our loss aversion and the reaction it triggers (moving away from the sense of loss).

An online bank in Asia Pacific asked too many questions too early in the engagement process to customer acquisition. It made many people feel uncomfortable and drop out altogether, reducing acquisition substantially. Unilever shared some insights from an observational category study backed by neuro-measurement conducted in Turkey in partnership with a retailer. The research uncovered how consumers keep away from negative emotion in ways often unsuspected at point of sale:

- **The mood of males looking for personal care products turns sour when they see female products in the process and can inhibit their purchase behaviour.**
- **Shoppers' mood turns negative when they encounter sharp edges at the end of the aisle but picks up if they see round edges.**
- **Empty shelves on show with white as the dominant colour in view also impacted consumers' emotions negatively.**

Consumer products are sometimes categorised as ‘haftas’ or ‘wannas’ (have to buy vs want to buy). The same personal care category study showed how in-store reps pushing one product on shelf can decrease mood and purchase by inducing a negative emotion, pushing people towards ‘haftas’ and away from ‘wannas’.

3. Minimising effort

Minimising effort is as much about physical effort (how many clicks or steps) as it is about ‘cognitive costs’ (e.g. for a shopper accessing and updating memories of brands, attention at POS, the number of alternatives feeding into the decision and processing value for brands).

Underlying our reluctance to commit effort is some form of energy conservation. ATP, an organic molecule, is the main source of power for brain function derived from glucose metabolism. ATP remains constant within the cellular machinery and is exactly balanced by glucose utilisation. Hence our natural motivation to minimise its use and adopt efficient decision processes. It also accounts for our newfound willingness to outsource more and more cognitive functions to digital devices (memory, search, evaluation, localisation, comparison, value maximisation, etc.).

A (meta) analysis of almost 100 experiments looked at how consumers choose as a function of the number of options available to them in CPG categories as well as durables (e.g. MP3 player, camera) and services (e.g. hotels). The analysis showed that whether consumers experience overload is influenced by choice set size; overload is also modulated by four factors, all of which relate to **cognitive effort**:

1. **whether consumers intended to put much effort in the decision or not;**
2. **how complex the choice set is to navigate;**
3. **how difficult they find the decision situation; and**
4. **how difficult they find forming clear preferences.**

Speaking about brands, ex-adman Bob Hoffman says the marketing industry is deluded about consumers “caring deeply about our batteries, our wet wipes and our chicken strips”. Hoffman goes on saying that “people have shaky jobs and unstable families, they have illnesses, they have debts, they have washing machines that don’t work... they have a lot of things to care deeply about”. This is a very direct and frank way to highlight that underlying consumer behaviour is a brain ruthlessly selective with attention and the tyranny of ATP guiding our behaviour towards efficiency (allocating mental resources to what matters most).

“

People have shaky jobs and unstable families, they have illnesses, they have debts, they have washing machines that don't work... they have a lot of things to care deeply about.

”

The SAM view of behaviour is in focus because it is balanced. It is not beholden to one particular lens but all lenses contribute to our view of behaviour. An unbalanced view of behaviour is likely to lead to a poor understanding of the opportunities, challenges and limitations to change behaviour in a particular environment, be it that of consumers, shoppers or customers. Conversely, a clear view of the forces at work in economic behaviour helps identify those points where we have some leverage to influence behaviour and those where the SAM forces constrain our interventions. In addition, SAM helps us see more easily which shortcuts and biases are at work in behaviour and why.

We examined how SAM forces are at work in a series of sector case studies, each reflecting a different type of environment:

1. CPG

2. Fintech and digital technology

3. Retail

CASE STUDY 1:

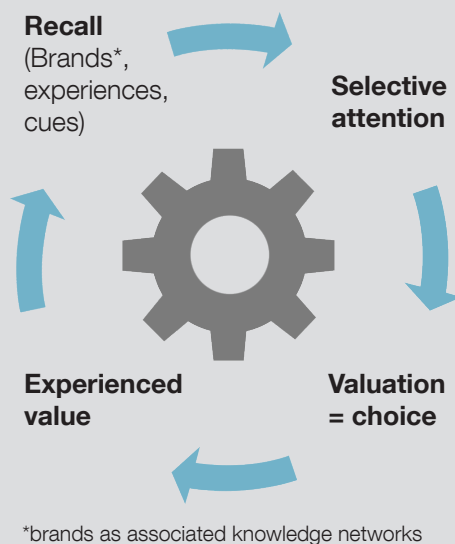
CPG innovation and private labels

CPG is a fiercely competitive environment and brand success can be elusive. Decision and consumer neuroscience provide some key insights into how behaviour works in this environment: consumers typically engage four types of brain processes in a mostly auto-pilot mode:

Four Types of Brain Process

1. **Recall from memory** (some brands, experiences, cues, etc. are accessed)
2. **Selective attention** (at the shelf consumers lock in a small number of options in active memory)
3. **Valuation** (the brain assigns value to options)
4. **Experienced value** (shopping and consumption experience feed back into memory)

These processes work like a wheel in CPG because of the consumption and repurchase pattern:



consumers' lives (e.g. Sure compressed deodorant taps into sustainability, Scholl's Velvet Smooth Express Pedi provides an effective solution to the age-old problem of hazardous solutions, Robinsons Squash D taps convenience in its portable solution to flavour water on the go). The law of diminishing returns means that overwhelmingly product innovation fails the maximisation game and the leverage at the valuation stage is very hard to get.

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”

SAM provides some insight into the leverage available at key points on the wheel.

1. Across markets, we often see that CPG brands put great effort into building **stronger consumer preference** (i.e. they seek maximisation for the valuation game). Over time however perceptions of quality in the market may increase and perceived differences between brands decrease (including vs private labels) or become irrelevant: *consumers shift their choice goals from (near) maximisation to 'good enough'.*

In addition, the efforts of many brands to increase preference usually hit the wall of diminishing returns. The 2015 Nielsen Breakthrough Innovation Report found that out of 8,650 CPG product launches, only 18 actually delivered a new proposition, generated £10/€10 million sales in year 1 and retained 90% of their sales in year 2: almost all of the 18 innovations actually change something significant in

Of course, brands have long tried to create a range of associations: desirable associations to form preference or useful ones to prime consumers and make brands come to mind or be noticed on shelf without effort.

New avenues to create brand associations are on the rise as brand management converges with corporate reputation and managers align their brands with the needs of consumers and the demands of society. In the UK, Persil, a brand of laundry detergent, encourages parents to give children free/ play time outside which is vital for personal development. In #dirtisgood Persil contrasts the situation of today's children who reportedly have less free time than people in maximum security prisons. By adopting a broader social purpose and communicating it through an arresting comparison, Persil gains emotional resonance leading to recall attention and value vs other brands. Persil's competitor Ariel questions why the laundry is only a mother's job at #ShareTheLoad.



2. Memory access and attention are the two stages likely to offer more leverage to brands.

By tapping into valuable social purposes, both Persil and Ariel also create emotional resonance among consumers, giving the brand a chance to encode something new in consumers' minds that will stick not just for preference but also for access to the brand in memory and attention at the shelf. There is some evidence from consumer neuroscience that long-term memory encoding (LTME) does not take place unless there is some emotional resonance to the situation or event. This is consistent with memory as an adaptive mechanism which encodes situations and events as useful experiences for the future. Unless there is some association with a positive or negative (expectation of) outcome, the situation or event is ignored at the time and irrelevant to the future. No **accessible** memory is needed.

Out of the seven rules that Byron Sharp lists in "How brands grow", five are about making choice **easy for consumers**. The SAM behavioural force at play in each one of them is physical and mental (energy) efficiency and impacts behaviour through memory access, attention and other decision processes:

1. **Be easy to buy** (how the brands best fit in consumers' lives, have distribution, have the right sizes and flavours on shelf)
2. **Get noticed** (attention to advertising and processing stimulus, being visible on shelf)
3. **Refresh and build memory structures** (build appropriate memory structures and reinforce them)
4. **Create and use distinctive brand assets** (distinctive visual, aural and verbal imagery minimise consumers' processing and enable fast recognition, memory structures need to link effectively into brand to be reinforced)
5. **Don't give a reason not to buy** (e.g. ingredients consumers don't want, excessive premium)

Brands should choose their battle carefully: 'attention and memory equity' is the first battle for CPG brands and sometimes easier to win than the valuation battle. Besides, brands that don't get selected from memory and attention don't go into valuation and don't get chosen. It's a game where pain means no gain!

3. Private labels or store brands are a prime example of SAM principles at work in consumers' behaviour. In many countries, private labels have been re-designed to deliver a consumer experience on par with that of manufacturers' brands. The more consistent product quality is across private labels lines in a store, the more efficient the choice for private labels becomes (including trial). Consistent visual cues across shelves minimise attentional effort. Private labels matching their design with a leading brand also make it easy for consumers to compare: visual familiarity minimises consumers' loss aversion or status quo effect as they consider switching. In a test for a grocery chain, we found that more consistent visual cues of a particular type across categories (e.g. tinned tomatoes, cheese, salty snacks, frozen dessert, etc.) led to stronger appeal because all products look like they belong to the same brand.

Is it surprising that the share of private labels is as high as 45% of grocery sales in Europe as reported by Nielsen⁶ when the business model fits so neatly around the key forces that shape consumer behaviour? In our 2014 Ipsos global trends survey of 21 developed and emerging countries, 48% of consumers say private label/store brands and manufacturer brands don't differ in quality. Germany tops the list with 64% followed by the US and UK with 58% and 56%. Conversely Germany is the country where people least feel overwhelmed by the choices they have as a consumer (i.e. more would be more of the same).

Finally, the **cheaper cost structure** of private labels for retailers makes it easier for **consumers to behave like near maximisers**: consumers form on-par quality expectations and they are given lower prices, they process choice with minimum cognitive cost and they experience minimum negative emotion as they form value and buy. Private labels can effectively tick all three SAM boxes.

4. Digital technology creates opportunities to encounter brands in ways that attract attention, have emotional resonance, build brand accessibility or make shopping really easy. The Pepsi Max augmented reality campaign in bus shelters in London gave consumers "an unbelievable moment in their day" to help them notice and connect with the brand. At the shelf, IBM augmented reality shopping app creates an easy and informative experience to find out more about brands or quickly scan them for content without reading all back labels. Apart from the critical point that the shelf is, any entry point (outdoor advertising, magazine page, ordinary objects or popular shopper locations) can be used to create an experience that is educational, informative or entertaining and most importantly immersive.

“*The cheaper cost structure of private labels for retailers makes it easier for consumers to behave like near maximisers*”

Digital technology can also totally disrupt the journey on the consumer mental wheel by impacting attention, valuation and experience through a radically different experience. The L'Oreal Genius Make-up app makes it easy to search, experience and remember looks, order for home delivery, reduces the risk of negative emotion (eliminates uncertainty about looks) and creates exclusive attention to the brand. Other brands like Shiseido, De Beers or Ikea have seized on the same idea.

% saying private label brands and manufactured brands “don't differ in quality”

 Germany **64%**  US **58%**  UK **56%**

Source: Ipsos Global Trends 2014

CASE STUDY 2: Financial services and Fintech

Financial technology (Fintech) is creating opportunities to capture and use financial data in radically innovative ways for customers to transact, invest, borrow and manage their day-to-day finances or their retirement savings. Fintech is at the cusp of creating intense competition with mainstream financial services companies.

A 2016 global review from PwC on Fintech included a survey of financial services companies (banking, asset management, insurance and payment sector) around the globe. 83% of the companies surveyed believe that part of their business is at risk of being lost to stand-alone Fintech companies. Emerging trends believed to be most important by the banking sector all relate to making it easier (cognitive effort) as well as more attractive (maximising) and transparent (removing negative emotion) for customers:

Emerging Trends in the Banking Sector

1. **Moving to simplification and streamlined product application**
2. **Implementing solutions that will improve and simplify operations**
3. **Emergence of self-service tools**
4. **Moving towards nonphysical and virtual channels**
5. **Enhancement of credit decision-making**
6. **increasing services and solutions for underserved customers**

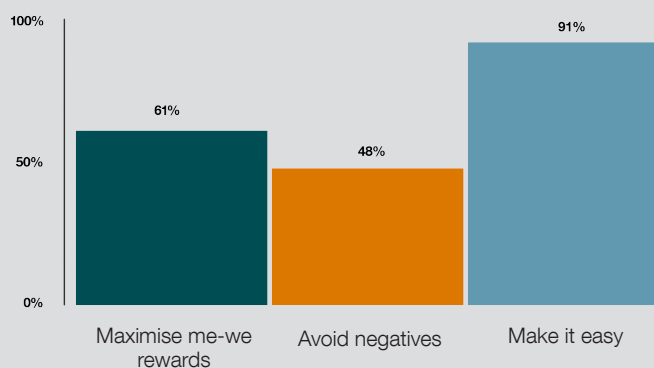
In 2016 Ipsos conducted a 'behavioural review' of 104 Fintech companies around the world (US, Canada, Brazil, UK, France, Germany, Switzerland, Denmark, India, China and Australia) operating in twelve sectors of financial services: wealth management, retirement planning, money transfer, payment systems, investments platforms and products, P2P lending, retail banking, personal day-to-day money management, SMB financial management and insurance. The purpose of the analysis was to identify how each Fintech company tries to fit around and leverage the key internal forces that shape behaviour.

Using the SAM lens, the analysis revealed that **61% of them maximise 'me or we' rewards**, that is rewards that target both self-interest and group or community interest. For example, in Germany Fidor online bank's motto is "Banking with friends": it offers easy, quick and fair banking that appeals to the economic needs of customers. In addition, Fidor has created Germany's "most active finance community of customers, employees and senior executives of the bank" to remove the lack of transparency and information asymmetry of traditional banks. The community comes first, banking second: better financial decisions for customers come from the sharing of knowledge and experiences within the community. Property Partner enables investors to invest in property like they would invest in shares (crowdfunding model from £50) and provides healthy returns after fees. **Many of the Fintech companies are attractive because they use technology to provide more attractive products to customers and investors much more efficiently.**

Minimising effort, making it easy for customers and investors is paramount for both Fidor and Property Partner. The review of the Fintech companies showed that 91% leverage energy conservation by making more and more aspects of wealth management, investment platform, retail banking or peer-to-peer (P2P) lending exceedingly easy, streamlined in process, very flexible in access, terms (to understand) and visually simple and appealing.

Financial services are a prime example of behaviour shaped by uncertainty mixed with the prospect of unattractive outcomes (miserable customer experience, wrong product features, complexity of process, etc.). In a 2014 Ipsos review of how customers navigate products and brands in financial services in Australia (banking, wealth management and insurance), we identified a series of biases and effects on customer behaviour including loss aversion, framing effect, negativity bias, confirmation bias, status quo and fairness bias. **Removing negative emotion affecting customers in financial services is also a strong driver of the appeal of the new Fintech offer:** 48% of the 104 Fintech companies Ipsos reviewed tap into removing negative emotion by increasing transparency, enabling access to asset classes currently out of reach of most investors or using social media and other sources of information to remove unnecessary and time-consuming questions. Again, this is possible because of technology.

Fintech has a huge amount of scope to grow and transform financial services, front and back because a large proportion of Fintech companies are finding strong leverage in essential SAM forces that other environments such as FMCG can hardly do. Fintech has not conquered the world yet for a number of reasons, one of which is that behaviour in financial services is tightly controlled by trust (and distrust) and the use of Fintech apps is not normalised yet. Fintech still has a deficit of 'social proof'. When the behaviour looks and feels embedded in the lives of enough people around us then the bandwagon effect will accelerate the reach of Fintech in many facets of our financial lives.



Source: Ipsos Fintech Survey, 2016

69% look at online reviews when they don't feel confident making a purchase decision

CASE STUDY 3: Retail bricks and clicks

A real-estate company in Latin America was struggling to sell a string of new apartments to Generation Xers. The company realised they had to frame the encounter with the development totally differently: printed information was made available as origami rather than traditional flyers and brochures. By tapping into nostalgia, the company took generation Xers to a different place which coloured the impression they formed of the development, its location and features. It sold quickly and at higher than expected prices.

Technology brands understand the power that flagship stores have to redefine our perceptions, impressions and behaviour in the moment. Technology constantly redefines the possibilities that retailers have to create fun, memorable and tangibly immersive experiences for customers. Huge screens and digital walls have 'supernormal stimuli' quality to create attention and mood. All of these have a strong effect to colour decision-making and push customers away from tightly maximising behaviour. However, the same technology also enables customers to look at shelves **in store**, seek a price review or a feature comparison from their device and quickly reshape options and preferences. Ipsos found that 69% of customers in 21 of the largest developed and emerging economies say they look at online reviews when they don't feel confident making a purchase decision. In retail, customers who sit at opposite ends of the maximisation process (from effortful and inclusive to experiential and exclusive) can be equally happy with their choices.

Technology is also working hard to make it easier for shoppers to access information, see how products and services can transform their looks or that of their new car or lounge room. There is always room to make a difference to shoppers' mental effort. But in retail, physical effort can never be discounted: a content and technology retailer was sharing with us how they had looked at shoppers' heat maps in their flagship store and realised people often made a 'bee line' to the large wall of accessories but very few ended up buying anything. After moving the island counter four small steps closer to the wall, sales took off.

Health conscious grocery shoppers take the time to read back labels of the food products they buy. They are motivated enough to bother (i.e. bear the cognitive and time cost). They behave like real maximisers. UK shoppers more intent on avoiding unhealthy food choices can push shopping trolleys with new handlebars that scan barcodes and displays product information (e.g. low salt for butter) using coloured LED lights and smileys.

A leading e-tailer in the Middle East tailors its positioning differently across countries and offers customers to an immersive and easy experience all the way to transaction and beyond. In one of the countries the company serves, the market is more sensitive about issues of online merchandise quality whilst in another country, the market is more likely to angst about a potentially limited range of online merchandise. Given customers drive to keep away from negative emotion, the e-tailer presents a different face upfront in each country to keep negative emotion at bay and ensure it can successfully engage customers.

New payments systems from Fintech for retailers (e.g. Affirm POS loans) give shoppers more control and more transparency into payment (and repayment for credit) though they don't really make payments easier than say near field technology (NFT) enabled credit cards. Despite NFT our in-built tendency to minimise mental and physical effort means we will respond to even more efficient payment systems: technology companies are experimenting with voice and facial recognition systems so

all we need to do is say our initials or look at a device. Security is obviously a motivation for online shopping but **ultimate simplicity** is a powerful force on behaviour.

Gradually e-tail is moving to a 'zero-friction' world where purchase behaviour remains driven by desire shaped by goals and/or the moment and greatly facilitated by ultimate ease and seamless customer experience (no negative emotion, feeling or mood along the way).



Making behaviour work

MAPS: a framework for behavioural analysis

SAM keeps the three key 'constructive' forces of behaviour into the picture as we look at the behaviour of shoppers, consumers and customers. Technology however plays an increasing role in our ability to become more perceptive about their behaviour. Technology provides muscle to the type, breadth and depth of insight that we can gather.

An array of neuroscience tools also brings deeper insight to consumer behaviour in many of the consumer, shopper and customer situations encountered at Ipsos:

- **Implicit Reaction Time** measures implicit memories of brand experiences, cues, visuals, names, shapes, colours: which memories will be accessed in the decision process? How strong are they vs the competition? How can we prime consumers as they go to the shelf?
- **Eye tracking** devices are critical to gain insight into decision processes by measuring consumers' eye-fixations (e.g. what do consumers actually look at in store, how long, how many times and what do they look at on packs or POS material).
- **Biometrics** like facial coding, heart rate and galvanic skin response (GSR) reveal emotional engagement in response to advertising, a new store lay-out or a web/app interface for online banking.

Technology does not replace behavioural analysis. It simply enhances it. A simple but powerful behavioural design framework like Ipsos MAPS reveals the specific personal and contextual forces that constrain or enable behaviour before interventions are designed to influence behaviour.

The MAPS framework looks at personal forces articulated around our motivation and ability to perform the behaviour. The contextual forces are articulated around the social and physical environment in which the behaviour takes place.



Decision-making in CPG, service sector and retail routinely relates to an environment featuring choice alternatives and motivation influenced by goals (conscious or not). SAM provides the critical backdrop to understand how the internal forces that shape our behaviour interact with specific circumstances (social, temporal, situational, cultural, physical, etc.).

Understanding this interaction is the key to generating insight and remains the key to influencing behaviour.

Regardless of whether one uses casual observation or a raft of neuro-measurement tools, a simple 'lab' experiment or a complex multi-faceted live experiment (e.g. store), insights gained from digging into a behavioural situation in CPG, service sector and retail almost surface more easily and clearly as the opportunities and the constraints created by the mindset of the consumer, shopper or customer become visible:

1. **What is maximisation likely to look like for them? Are they trying to make 'best' decisions or avoiding poor choices? How can we colour the decision process and its environment through moment, situation or occasion, time pressure or social context, complexity and uncertainty of choice options, sensory stimulation etc?**
2. **What negative emotions (or just feelings) arise in the situation or process, how can they be eliminated or circumvented? How can mood be enhanced?**
3. **What are the cognitive demands? Are there any mental (or physical) barriers to be pulled down? What can be done to make the behaviour (or a behaviour in a chain of behaviours) especially easy (creating easy memories, outsourcing memory access to a device, augmenting reality to get attention, ultra-simplicity of process, cues and easy associations, visual or auditory priming, anything tapping into our sense of smell)?**

Developing successful interventions

The **Ipsos 4 I process** shows that insight is a critical component to developing successful interventions, actions or campaigns.

What behaviour or behaviours do we want to change? An online general insurance company wanting to increase acquisition (and policy renewal) identified a string of behaviours which all had to work to deliver the key behaviour: land on web page, click on quote section, click on send, ..., click buy policy, not cancelling in cooling off period, renew policy. In this case, the client realised from web analytics and ethnography which behaviours were not working and why.

The creativity at the heart of many interventions relies on **insight**. When interventions fail or are insufficient to change behaviour, the reason is almost always that the behavioural analysis was neither **systematic** (looking at **all** facets of the person interacting with the physical and social environment) nor **perceptive**: whatever needed to be seen was overlooked. Creativity and the success of interventions and actions depend on both.

THE IPSOS 4 I PROCESS

Identify

The problem and behaviour(s) of interest

Insight

Understanding behaviour(s) in depth and in context

Intervention

Design feasible behaviour change solutions

Improve

Evaluate and refine solutions (iteratively)



Further reading

Herbert Simon on economics and psychology (1959). Always a classic.

<http://pages.stern.nyu.edu/~dbackus/Exotic/1Time%20and%20risk/Simon%20AER%2059.pdf>

Gigerenzer and Goldstein (1996) on 'fast and frugal' as processes that make us just as smart as rational inference

<http://www.dangoldstein.com/papers/FastFrugalPsychReview.pdf>

Daniel Kahneman on psychology for behavioural economics (2003). The short and actually easy-to-read forerunner to his 'Thinking, fast and slow' book.

http://www.princeton.edu/~kahneman/docs/Publications/Maps_bounded_rationality_DK_2003.pdf

Stanovitch and West (2000) on system 1 and system 2 as different types of reasoning

<http://psy2.ucsd.edu/~mckenzie/StanovichBBS.pdf>

Bettman, Luce and Payne (1998) on how consumers 'construct' choice and decision situations

<https://faculty.fuqua.duke.edu/~jrb12/bio/Jim/48.pdf>

Yoon et al (2012) on decision neuroscience uncovering consumer key decision making processes

http://www.psych.upenn.edu/kable_lab/Joes_Homepage/Publications_files/Yoon%20et%20al%202012.pdf

Dhar and Gorlin (2013) on the role of dual process in constructing preferences and choices

<http://faculty.som.yale.edu/ravidhar/documents/Adual-syst emframeworktounderstandpreferenceconstructionprocess esinchoice.pdf>

Skvortsova, Palminteri and Pessiglione (2014) on neuroscience looking at efforts vs rewards in decision making

<http://www.jneurosci.org/content/34/47/15621.full.pdf>

Dickinson, McElroy and Stroh on the impact of glucose on engaging fast or quick processes in decision making

http://www4.ncsu.edu/~rghammon/workshop/S14_Dickinson.pdf

Boos, Dijksterhuis and van Baaren (2012) on the link between glucose and engaging conscious or unconscious processes in decision making

<http://psycnet.apa.org/index.cfm?fa=buy.optionToBuy&id=2012-04347-001>

My top three favourite books:

Robert Cialdini (1993): Influence – The Psychology of Persuasion

Gerd Gigerenzer (2007): Gut-feeling – The Intelligence of the Unconscious

Susan Michie, Lou Atkins and Robert West (2014): The behaviour change wheel: a guide to designing interventions

End notes

¹ Motivation also seems to be hidden in the genetic make-up of some neurotransmitters (at least dopamine) given genetic differences of dopamine receptors across individuals are correlated with their sensitivity to status and power.

² 2016 neuromarketing world forum in Dubai

³ <http://uk.businessinsider.com/bob-hoffmans-three-ad-delusions-2016-3?r=US&IR=T>

⁴ <http://www.nielsen.com/uk/en/insights/reports/2015/breakthrough-innovation-report.html>

⁵ Byron Sharp (2010): How brands grow, Oxford University Press

⁶ <http://www.nielsen.com/us/en/insights/news/2014/around-the-globe-private-labels-appeal-goes-beyond-price.html>

⁷ <http://ipsosglobaltrends.com/brands.html>

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