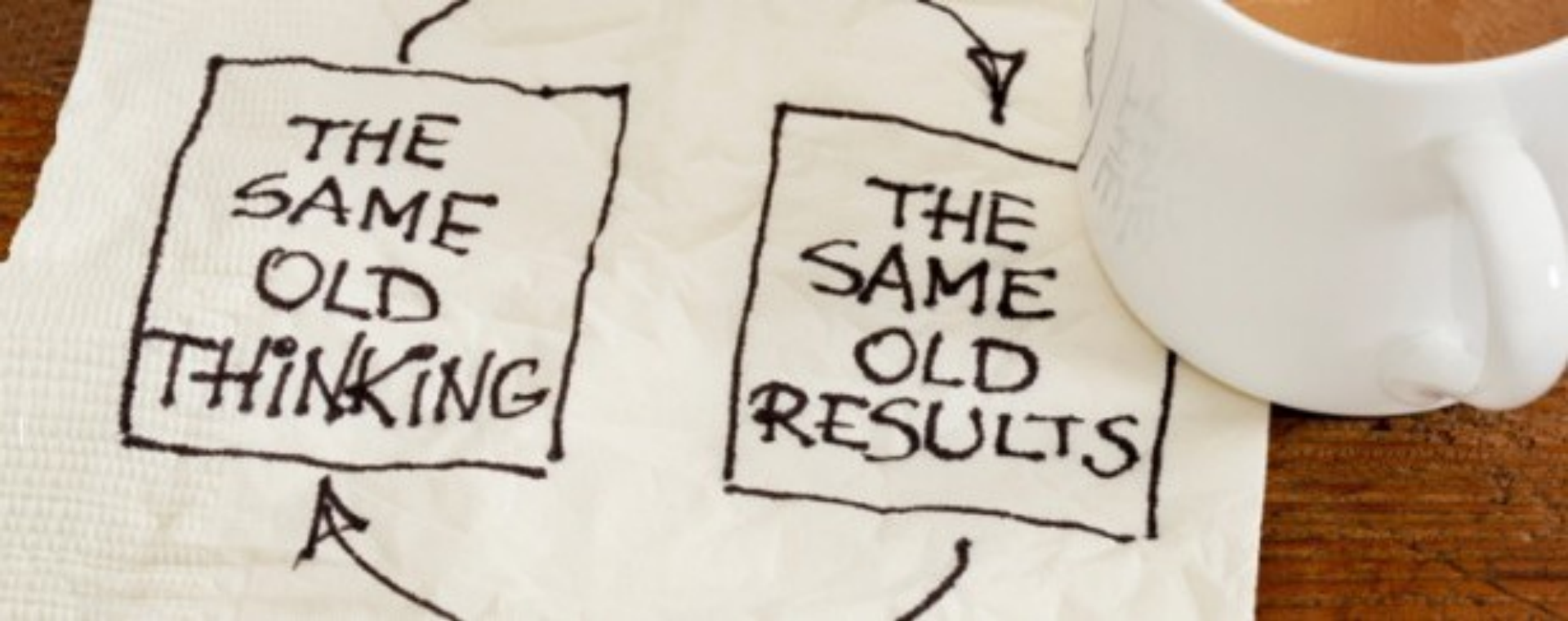




# **Behavioural Economics**

& the biases of our intuition and decision-making



**New thinking.. But what's in it for Planning?**

THE  
SAME  
OLD  
THINKING

THE  
SAME  
OLD  
RESULTS

A

The image shows a hand-drawn diagram on a white paper napkin. It consists of two rectangular boxes connected by arrows. The left box contains the text 'THE SAME OLD THINKING' and the right box contains 'THE SAME OLD RESULTS'. An arrow points from the top of the left box to the top of the right box. Another arrow points from the bottom of the right box back to the bottom of the left box, forming a cycle. The word 'A' is written below the left box. A white coffee cup is partially visible on the right side of the napkin.

*"Does our industry really need it?"*

*"Does it liberate creativity?"*

*"Maybe it's better for DM-agencies?"*

**New thinking.. But what's in it for Planning?**

## **Classic Economics**

Consumers are  
rational: Supply &  
Demand

## **Psychology/ Advertising**

Humans are  
emotional:  
Persuasion

## **Behavioural Economics**

Humans are  
predictably  
irrational

## **Classic Economics**

Consumers are  
rational: Supply &  
Demand

## **Psychology/ Advertising**

Humans are  
emotional:  
Persuasion

## **Behavioural Economics**

Humans are  
predictably  
**irrational**

**Constant flaws in decision-making**

## **Classic Economics**

Consumers are  
rational: Supply &  
Demand

## **Psychology/ Advertising**

Humans are  
emotional:  
Persuasion

## **Behavioural Economics**

Humans are  
**predictably**  
irrational

Empirically validated and  
true for a significant majority

## **Classic Economics**

Consumers are  
rational: Supply &  
Demand

## **Psychology/ Advertising**

Humans are  
emotional:  
Persuasion

## **Behavioural Economics**

Humans are  
predictably  
irrational

**THIS MEANS:**

**Please keep this toilet clean for the next user.**

**Thank you**

**VERSUS**







**VERSUS**



90% LEAN



10% FAT



**VERSUS**

## CARWASH PASS

Collect a point each time you use the carwash.  
Receive a free carwash for a complete card!



**VERSUS**

## CARWASH PASS

Collect a point each time you use the carwash.  
Receive a free carwash for a complete card!





**VERSUS**





30p

C



£1

A



£2

B



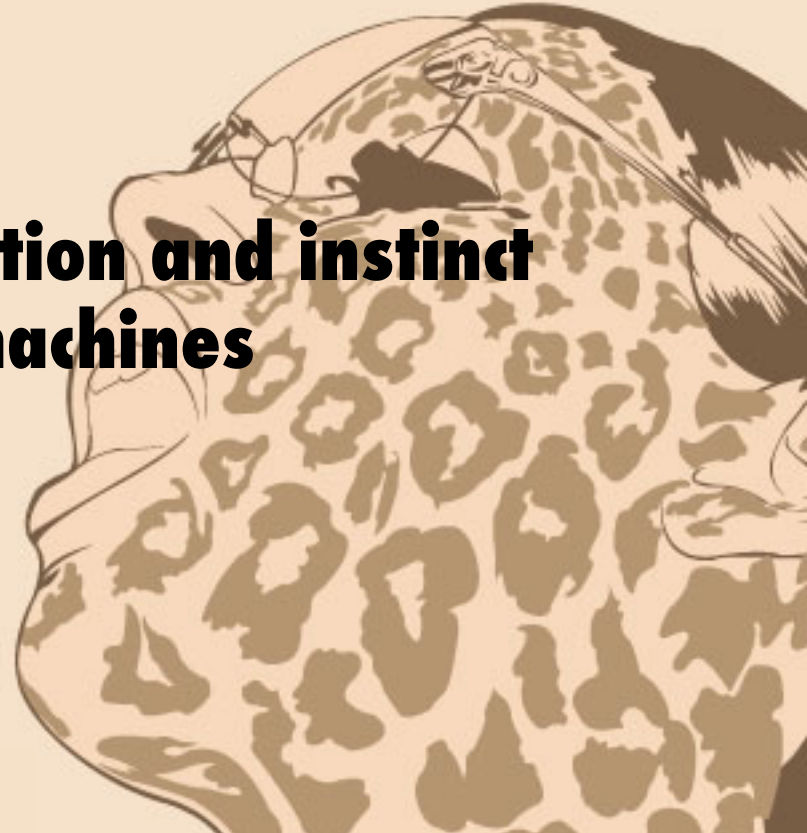
£4

D

Percentage of people choosing

	C	A	B	D
A and B	-	33%	67%	-
A, B and C	0%	47%	53%	-
A, B and D	-	0%	90%	10%

**We are creatures of intuition and instinct  
not calculating machines**



# Split-Second Decisions

With 10.000 decisions a day,

**95%**

of our decisions are based on intuition  
and "what feels right" or "is good enough"

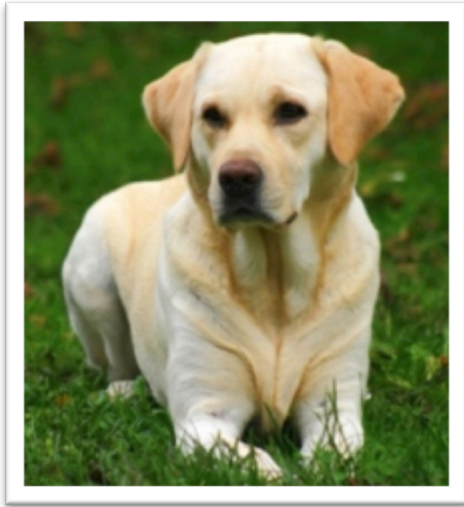
**79-93%**

Of our decisions are guided by  
instinct and past behaviour

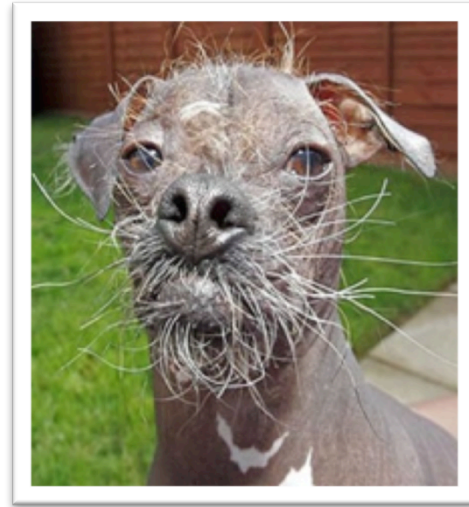
18-35% is based on intention

# Categories & Prototypes: How we make sense of the world

Category: Dogs



Prototype



Atypical



# Categories & Prototypes

Category: Toothpaste



Prototype



Atypical

# Categories & Prototypes

Category: Toothpaste



Prototype

= Champion and  
Challenger brand



Atypical

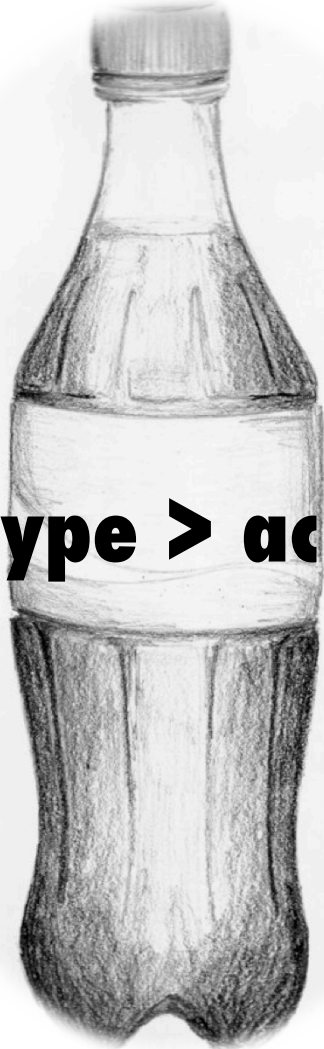
# Categories & Prototypes

**8x**

Prototypes (first and second brand in market share) drive penetration 8 times higher than the third brand.

The difference in brand loyalty is only 3.5 times higher between the two prototypes and the third ranked brand.

**become the prototype > achieve brand loyalty**



# We know...



1. Humans act category first, brand second

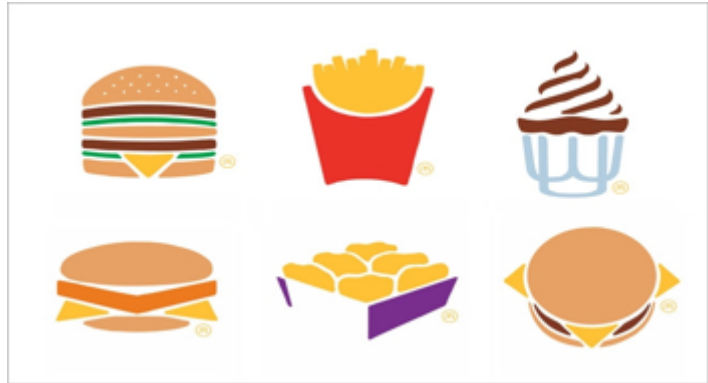
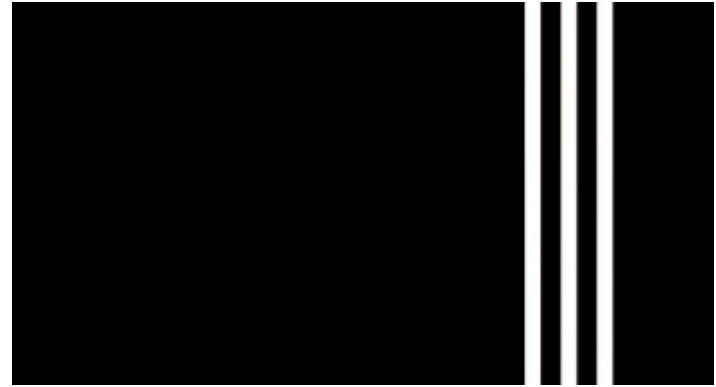


2. We strongly prefer the prototype



3. We gravitate to the distinctively familiar

# That's why we know all these ...



# ... and why product packaging matters



Research into different needs can influence packaging and positioning. Adidas' implicit goals imply 'good grip', strong/powerful, noticeable click when product is opened, 'Dynamic Pulse' name ... etc.

**7**

**broad BE areas of enquiry**  
**(defined by the IPA, 2009)**





# **Loss Aversion**

**People will work harder to avoid losing something than they will to gain it.**

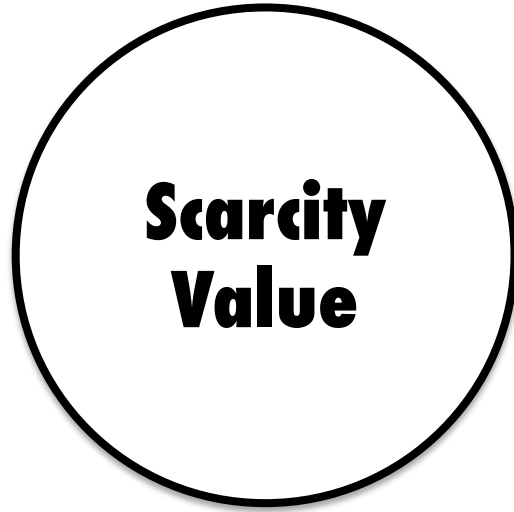
E.g. selling concert tickets for higher prices or subscription-models where you need to unsubscribe



# **The Power Of NOW**

**People engage less with future events  
than they do with current events.**

E.g. smoking & drinking habits or  
difficulties for influencing people to start saving for a pension



**When we perceive something to be scarce  
it has a greater value in our eyes.**

E.g. the amount of diamonds available in the world versus  
their perceived limited quantity by the merchants



# **Goal Dilution**

**When multiple goals are pursued, they are less effectively achieved than goals pursued individually.**

E.g. the single-minded proposition or the success of mobile applications versus mobile browsing



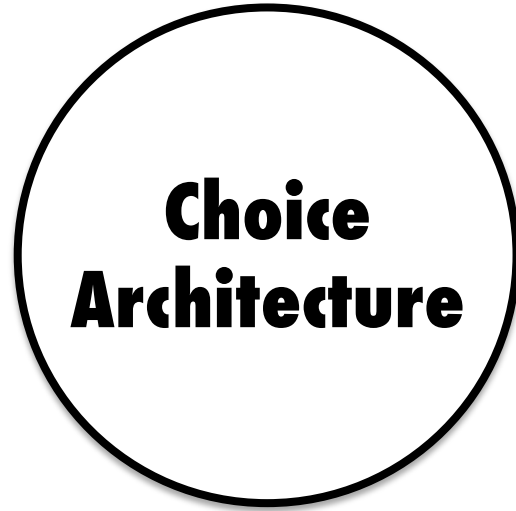
**The way a task is presented affects people's willingness to take it on and complete it.**

E.g. completing online forms in several small parts or an increase in taking all the medication when pills have different colours



**The price that is demanded for something  
makes us value it.**

E.g. a professional and world-renowned violin player who  
plays in the street and is not recognized or acknowledged



# **Choice Architecture**

**Choosing is relative to what you can have, not  
absolutely about what you want.**

E.g. the availability heuristic or anchoring effects; or the fact that the majority of people choose the second cheapest bottle of wine in a restaurant

# System 1

Autopilot  
Fast  
Implicit  
Effortless  
Associative  
Difficult to control or modify  
No self-awareness

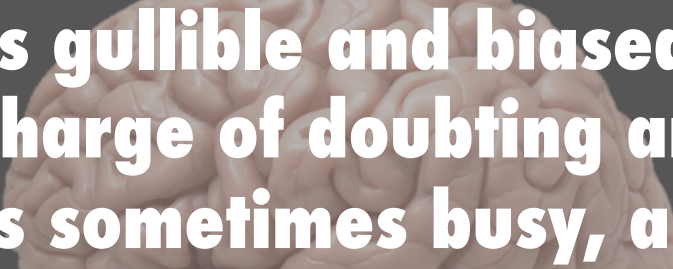


# System 2

Slow  
Serial  
Explicit  
Effortful  
Logical & skeptical  
Deliberately controlled  
With self-awareness

*"System 1 runs the show, that's the one you want to move."* – Daniel Kahneman



A realistic, light-colored human brain is centered in the background, showing its characteristic gyri and sulci. It is partially obscured by a semi-transparent grey rectangular box that contains the text.

**“System 1 is gullible and biased to believe,  
System 2 is in charge of doubting and unbelieving,  
but System 2 is sometimes busy, and often lazy”**

**- Daniel Kahneman**

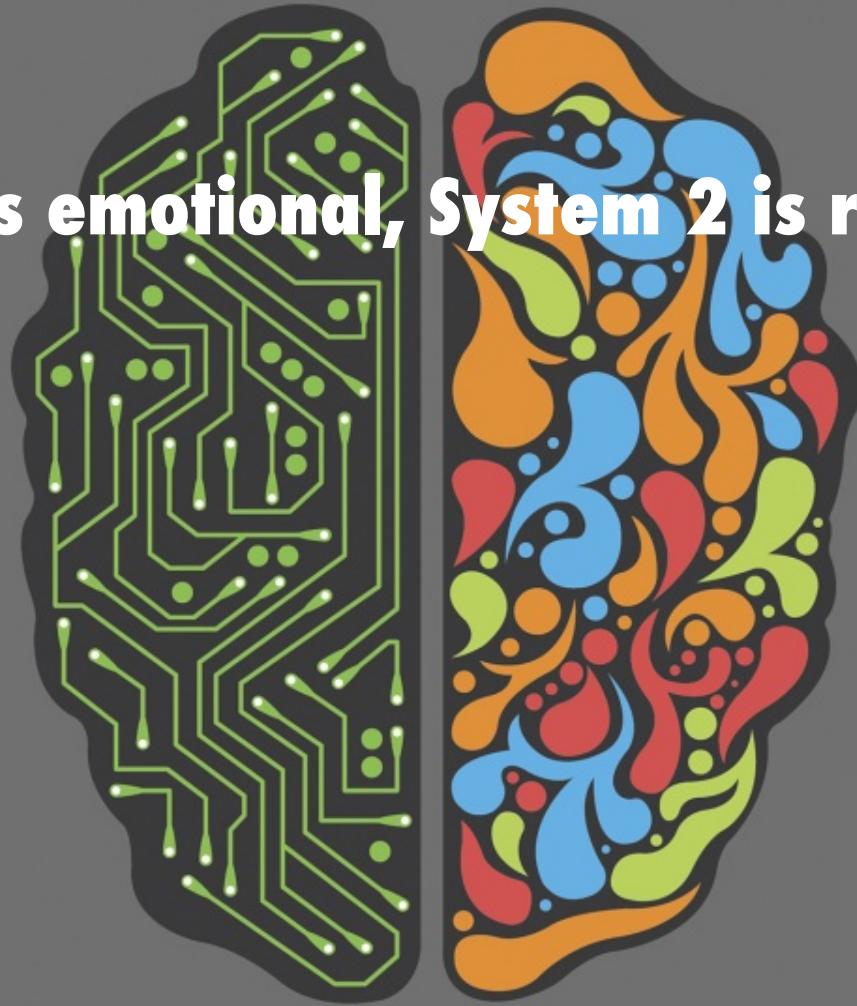


**“Laziness is built deep into our nature”**

**- Daniel Kahneman**

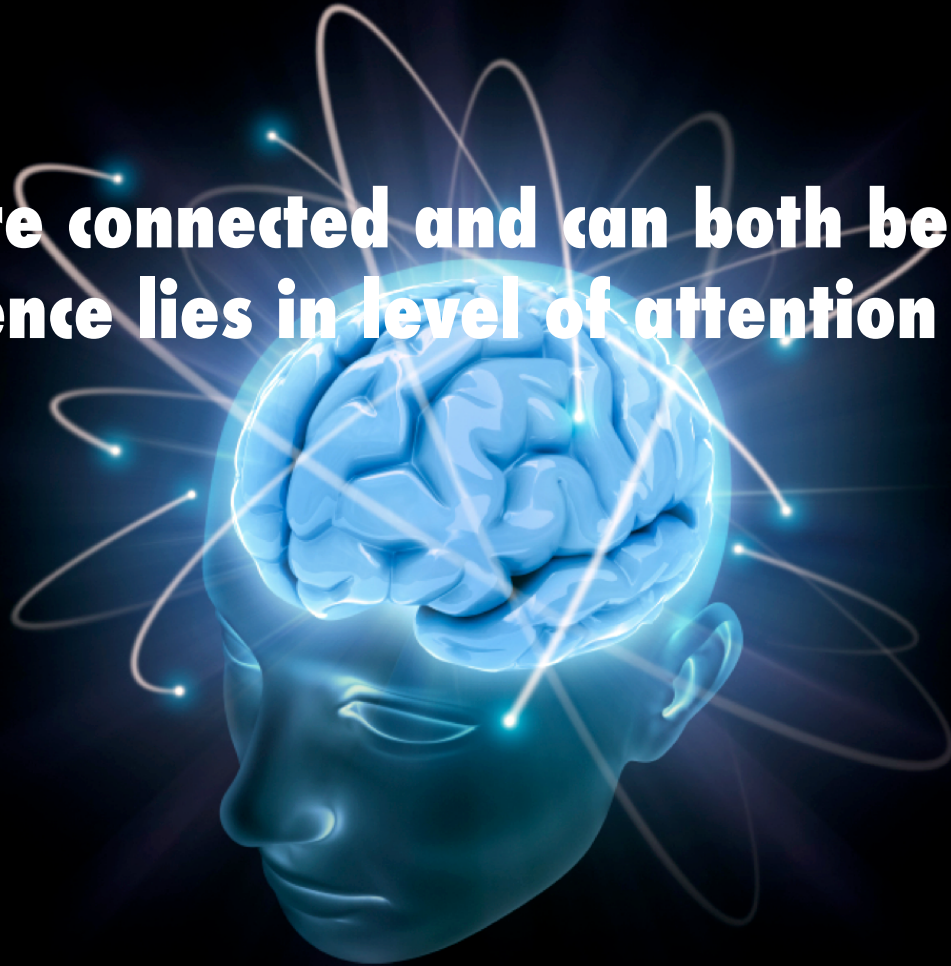
**MYTH:**

**"System 1 is emotional, System 2 is rational"**



**TRUTH:**

**Systems are connected and can both be in any state  
The difference lies in level of attention and arousal**



## **TRUTH:**

**Systems are connected and can both be in any state  
The difference lies in level of attention and arousal**

System 1 is the imaginary;  
The one that is most likely to give you some implicit attention.

Most advertising should concentrate on System 1 because it's most likely to give you some form of attention if you serve a highly emotional or attention-seeking ad.

**MYTH:**

**Advertise towards either System 1 or System 2**



The background of the slide is a stylized world map. The continents are represented by a grid of small, light gray dots. Overlaid on this grid are numerous colorful speech bubbles in various shapes and sizes, scattered across the map. The colors include red, blue, green, yellow, pink, and dark blue. The speech bubbles appear to be floating or rising from the map, creating a sense of global communication and data flow.

**TRUTH:**

**Calculate the probability of the media context**



**TRUTH:**

**Calculate the probability of the media context**

Advertising can't influence to which system it talks.

Media research should focus on what is the most likely context and situation people will be in, at the moment the ad is served.

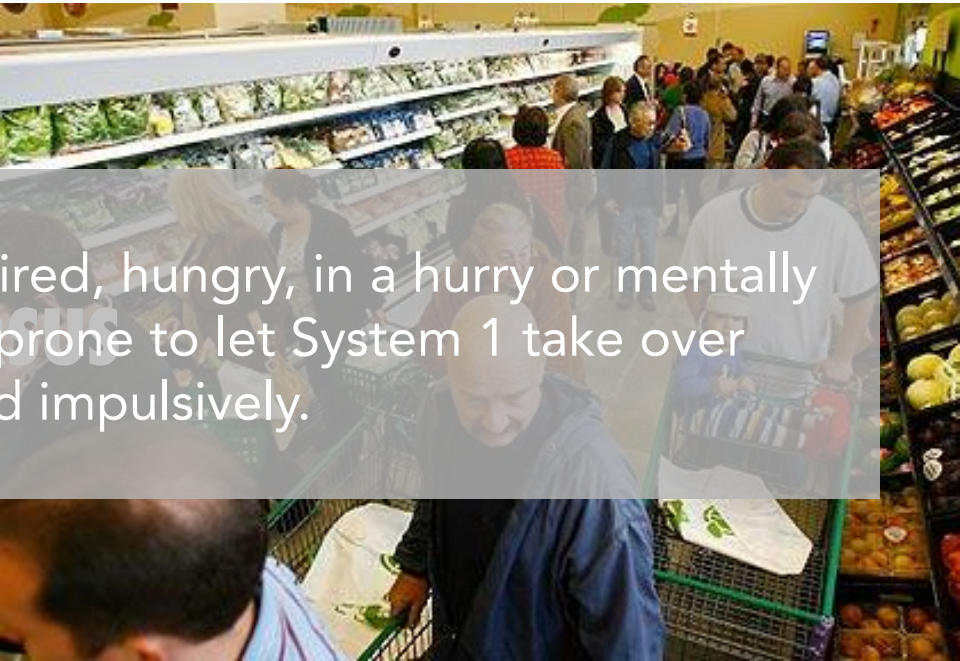
The majority of ATL should focus on System 1, while BTL is more likely to reach System 2. But not always.





**VERSUS**



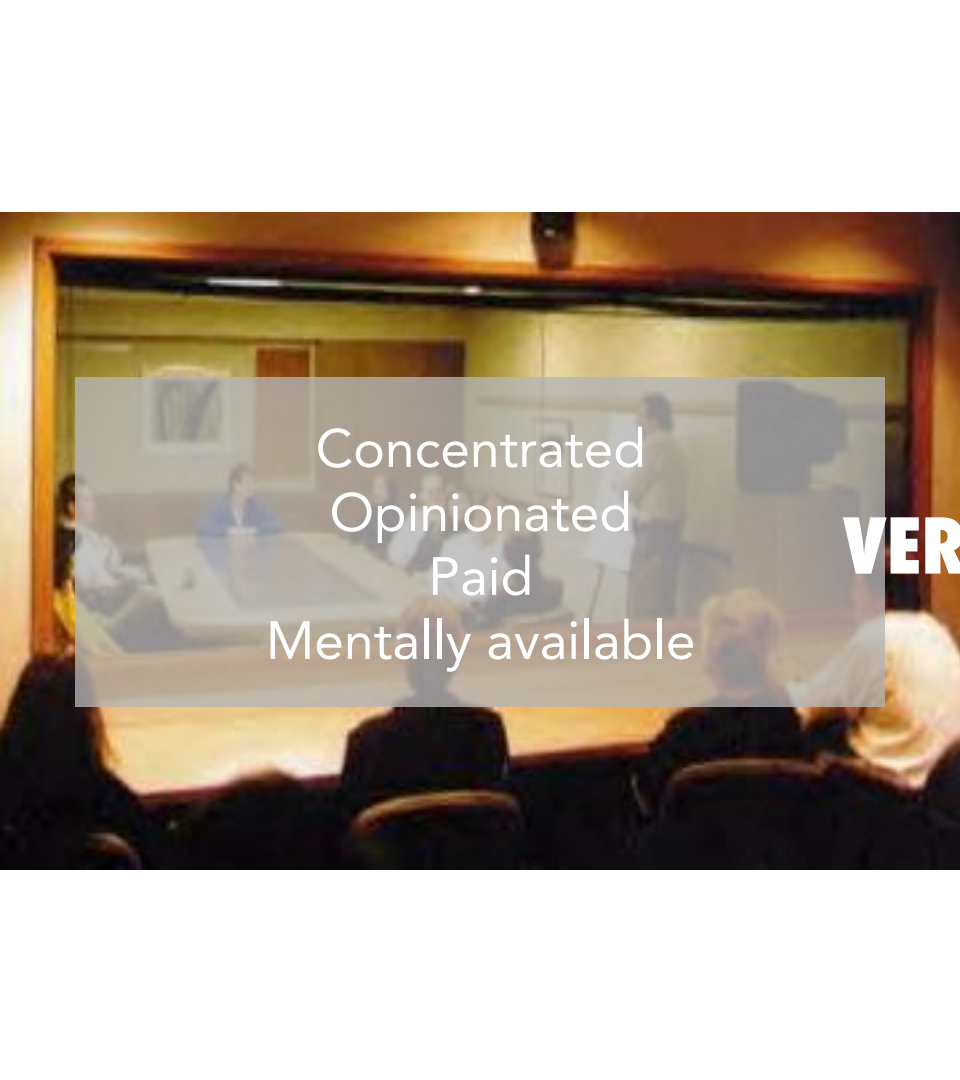


(Self) Control shrinks when we're tired, hungry, in a hurry or mentally unavailable. That's why we are prone to let System 1 take over intuitively and impulsively.



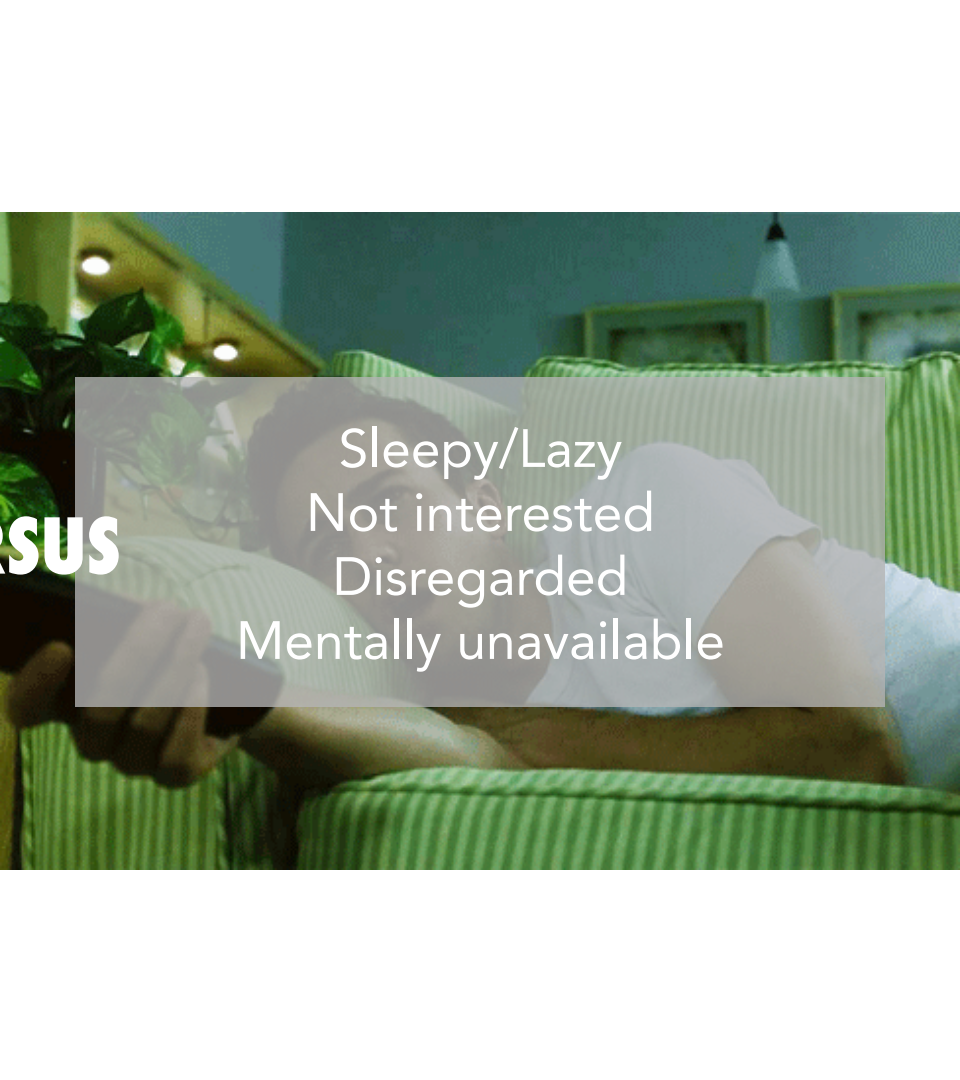
**VERSUS**



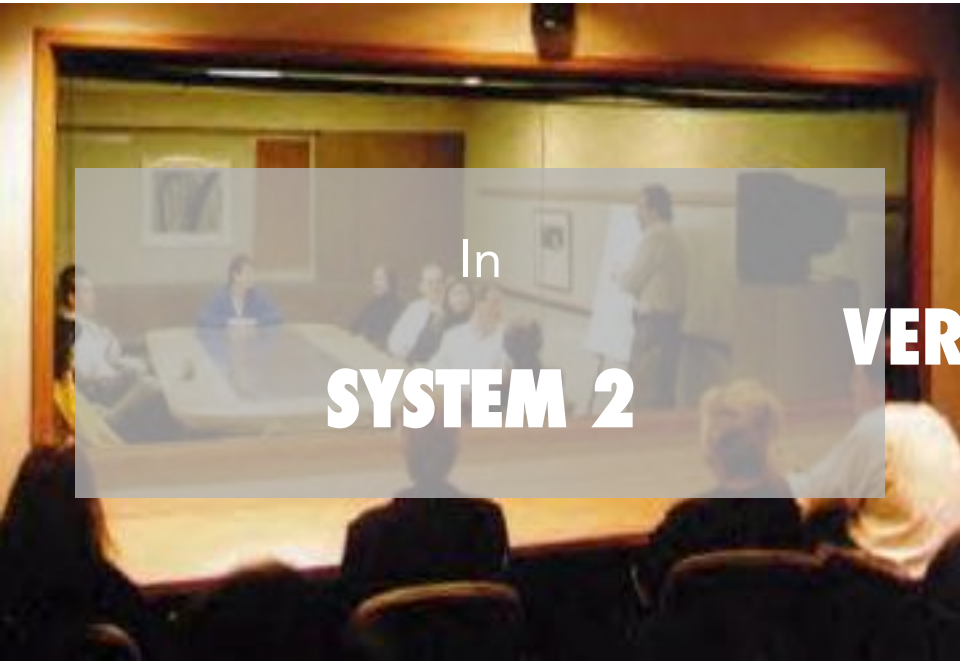
A photograph of a person standing at the front of a meeting room, presenting to an audience. The room has a large screen and several people seated at tables.

Concentrated  
Opinionated  
Paid  
Mentally available

**VERSUS**

A photograph of a person lying on a green and white striped couch, appearing to be asleep or resting. The person is wearing a white t-shirt and has their head on the couch.

Sleepy/Lazy  
Not interested  
Disregarded  
Mentally unavailable



In

**SYSTEM 2**

**VERSUS**



In

**SYSTEM 1**



Apple – '1984' TVC



**REJECTED**

**by  
focus groups**

See: <https://www.youtube.com/watch?v=3SdevjDLkO4>

“Reason is, and ought only to be the slave of the passions, and can never pretend to any other office than to serve and obey them.”

- David Hume



HSBC  PREMIER

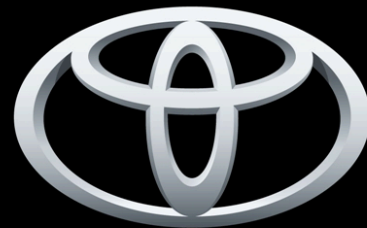
*P&G*



WORLDWIDE  
PARTNER



direct line



**TOYOTA**

**VISA**

HSBC  PREMIER

P&G



WORLDWIDE

The complexity of your product should not be translated in most of your communications because

**System 1 feeds System 2**



direct line

VISA

3 heuristics responsible for this process:

## **PRIMING**

**building positive associations or memory blocks**

## **HALO EFFECT**

**tendency to like or dislike everything to come after a first impression**

## **AFFECT**

**emotions influence judgment about something or someone**



**It's all about first impressions**

# What's in it for Brand Planning?

A polished argument for single-minded & simple (emotional) advertising

A polished argument for distinctive & consistent branding

A strong case against pre-testing of creative concepts and executions

A body of literature full of interesting behavioural insights