# NUDGING: BOOSTING SMALL BUSINESS SUCCESS THROUGH BEHAVIOURAL ECONOMICS

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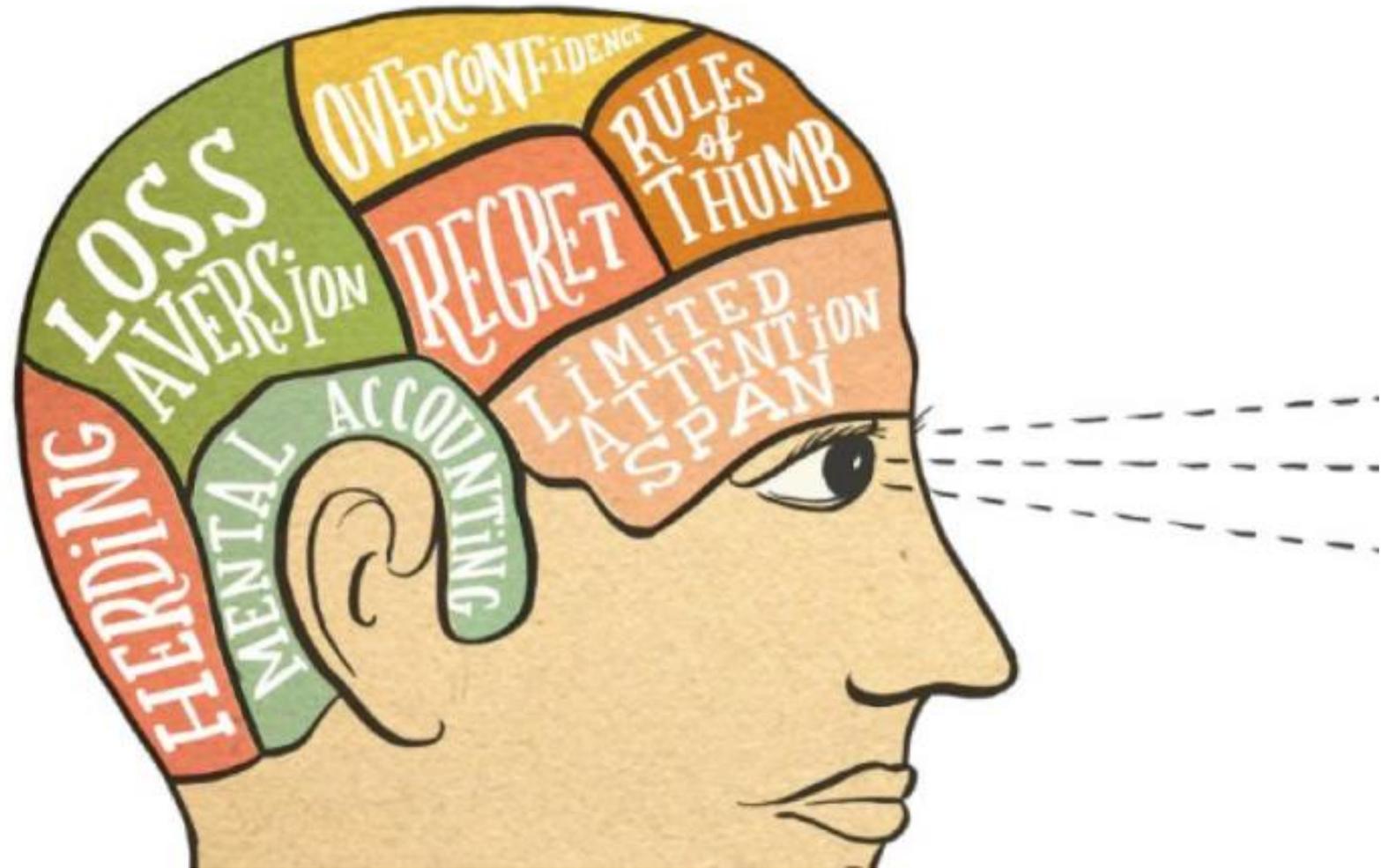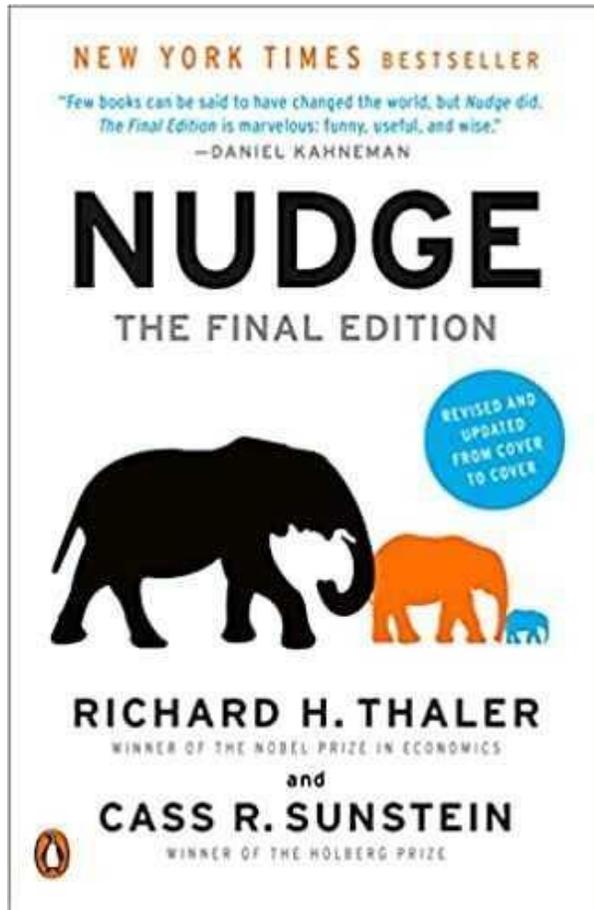
A concept from behavioural economics that involves subtly influencing people's decisions and behaviours without restricting their options or changing their incentives.

WHAT IS NUDGE?
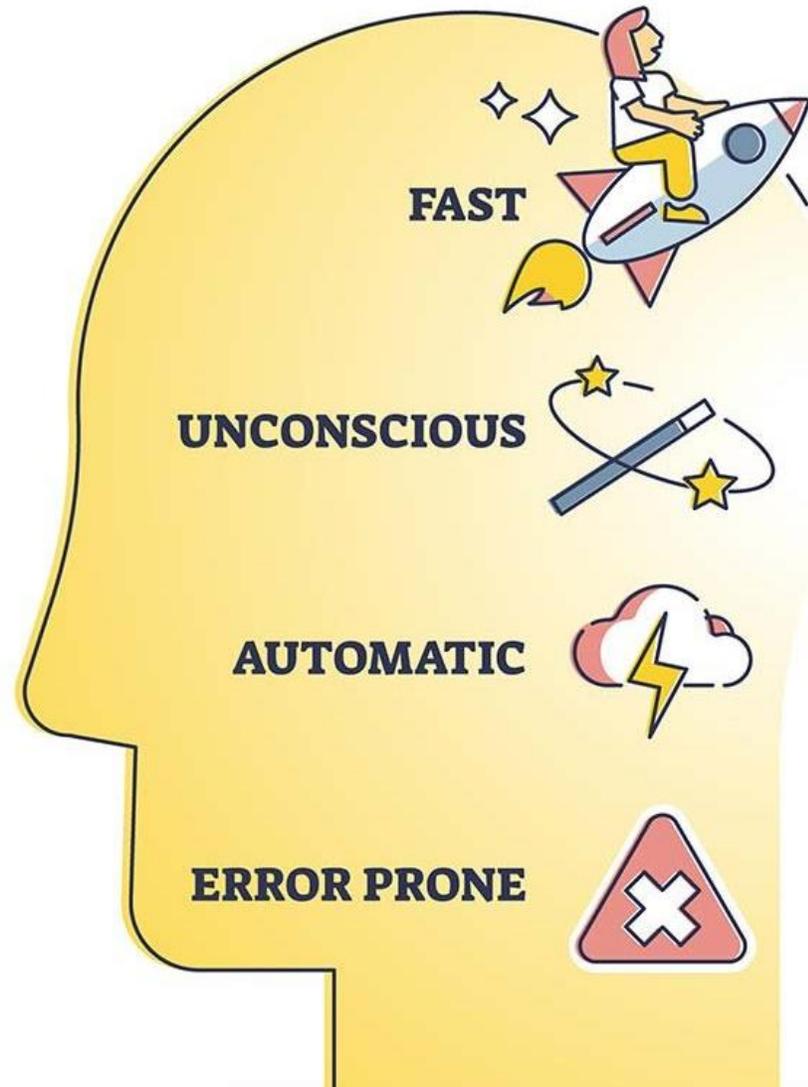
" Nudges take advantage of individuals' heuristics, their intuitions, their rules of thumb, their impulses, their myopia, and their laziness.

– Nudge, Thaler and Sunstein "
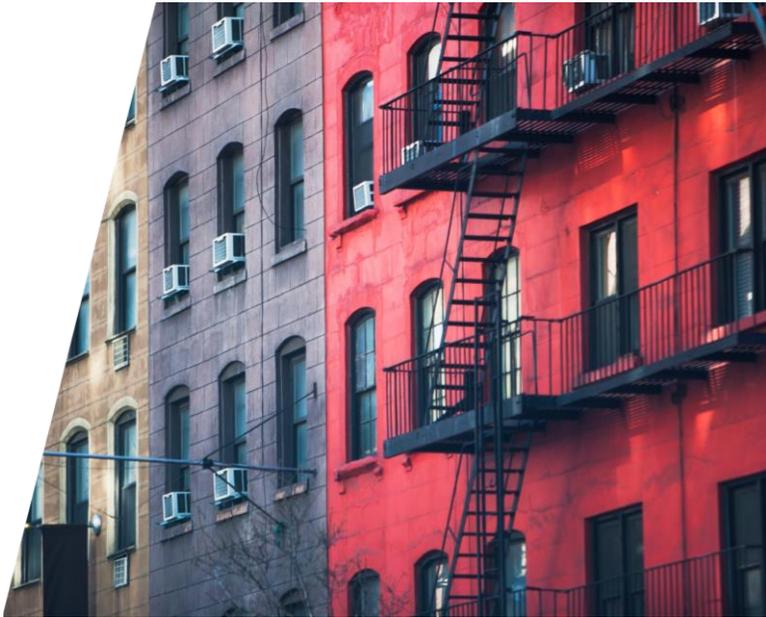
- Nudging Strategies

- Customizing Nudging for Your Business

- Measuring Success

Nudging Strategies

CHOICE ARCHITECTURE

REARRANGE THE WAY CHOICES ARE PRESENTED TO MAKE CERTAIN OPTIONS MORE APPEALING OR NOTICEABLE.

- Defaults
- Anchoring
- Framing
- Simplification
- Feedback loops

DEFAULT

➡ UTILISE DEFAULT SETTINGS TO GUIDE CUSTOMER DECISIONS

"People have a strong tendency to go along with the status quo or default option."
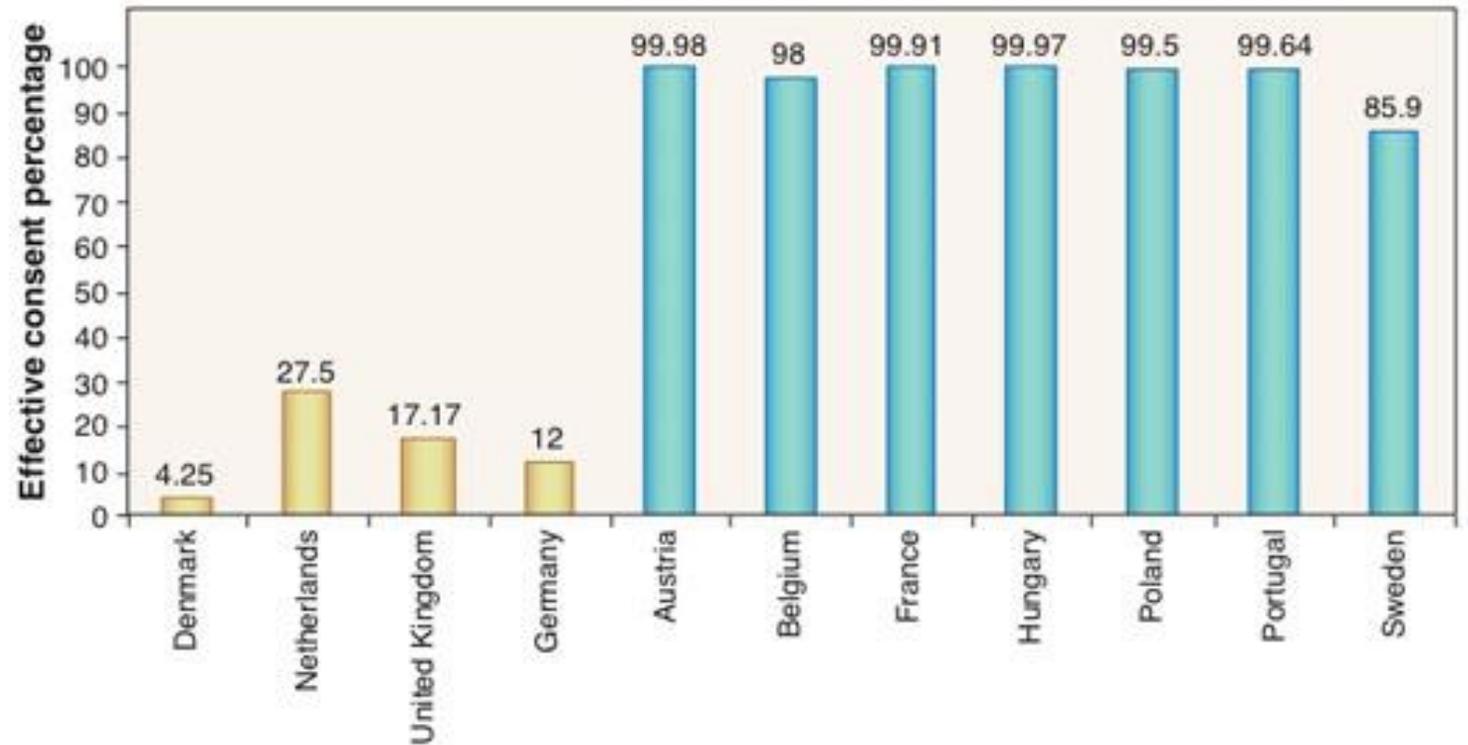
Effective consent rates, by country. Explicit consent (opt-in, gold) and presumed consent (opt-out, blue).

ANCHORING

→ CONSUMERS' INHERENT TENDENCY TO USE THE FIRST PIECE OF INFORMATION THEY SEE AS A REFERENCE POINT FOR FURTHER DECISION-MAKING THE VALUE OF YOUR PRODUCT.

FRAMING

→ PRESENT CHOICES IN A WAY THAT EMPHASISES CERTAIN ASPECTS.
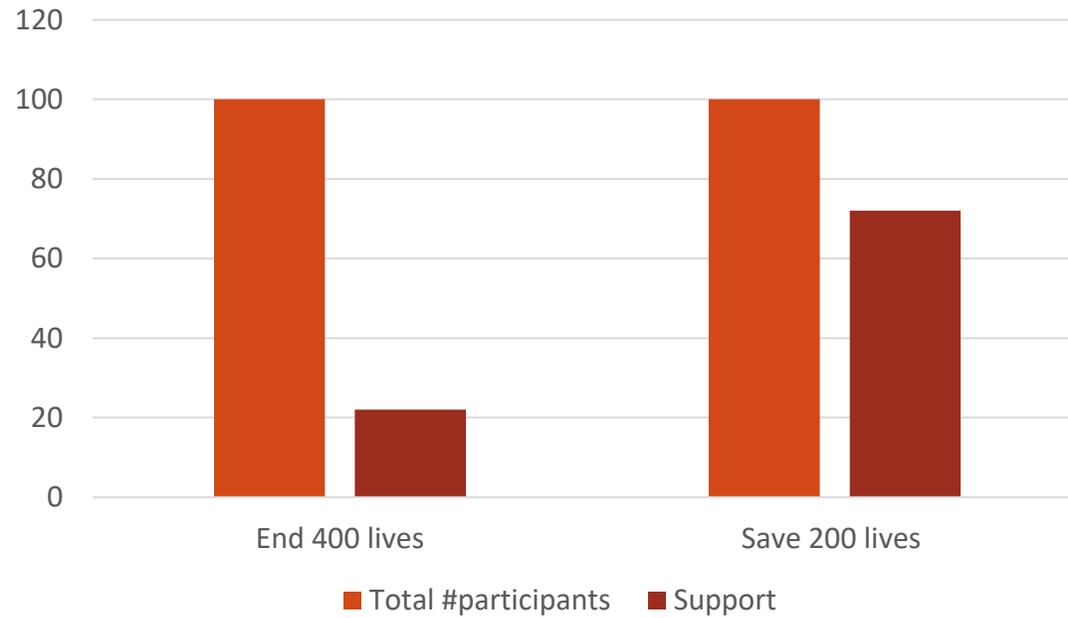
1981 Tversky and Kahneman

SIMPLIFICATION

➡ OFFERING A LIMITED NUMBER OF OPTIONS CAN PREVENT CHOICE OVERLOAD AND MAKE IT EASIER FOR CUSTOMERS TO MAKE A DECISION.

More choice = Less buying
Iyengar and Lepper (2000)

Sampled 40%
Bought 12%
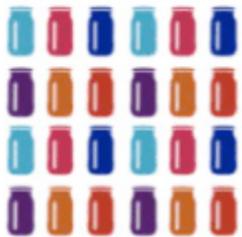
Sampled 60%
Bought 2%

THE PARADOX OF CHOICE
TOO MUCH CHOICE LEADS TO PARALYSIS AND DISSATISFACTION

MENU — MEGA PIZZA CO

SERVING TODAY'S SPECIAL — AMY'S PIZZA

Wow! This has got to be good.
RAISED EXPECTATIONS

Look at all those other flavours
OPPORTUNITY COST

I should've got the other one
ANTICIPATED REGRET

I never pick the best one
SELF-BLAME

sketchplanations

FEEDBACK LOOPS

→ PROVIDE CUSTOMERS WITH IMMEDIATE FEEDBACK ON THEIR ACTIONS.

How Coca Cola Closed the Customer Feedback Loop
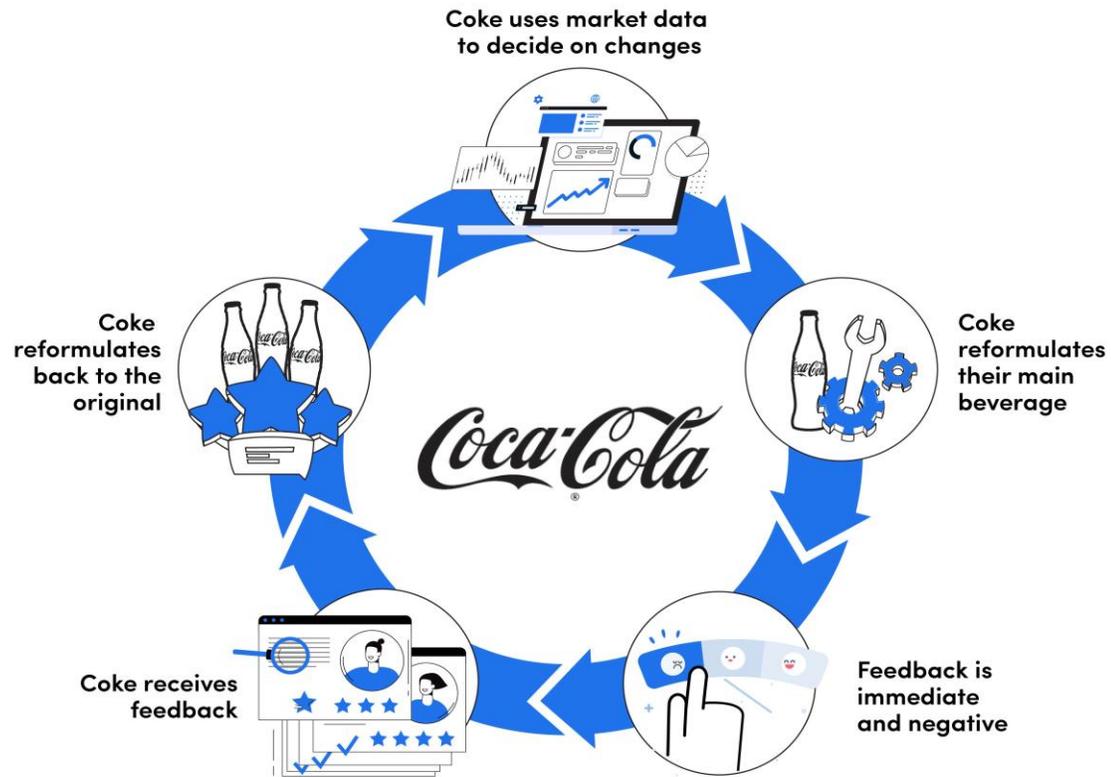
Coke uses market data to decide on changes

Coke reformulates their main beverage

Feedback is immediate and negative

Coke receives feedback

Coke reformulates back to the original

SOCIAL NORMS

In this store the average shopper buys at least 4 fruits or vegetables.

Most popular: bananas, oranges, potatoes, tomatoes, onions, apples

Mean Baseline, Phase 1 & Phase 2 Produce Sales as a Percentage of Total Sales by Month

Produce as a percentage of total sales

Monthly Averages

Phase.2
Phase.1
Baseline

8/24/2023

PERSONALISATION

→ TAILOR RECOMMENDATIONS AND OFFERS BASED ON INDIVIDUAL PREFERENCES AND PAST BEHAVIOURS. THIS MAKES CUSTOMERS FEEL UNDERSTOOD AND CAN INCREASE ENGAGEMENT.

To put the significance of personalized Customer Experience for your business in numbers:

- **McKinsey & Company**: *"Companies that excel at personalization generate 40% more revenue from those activities than average players"*

- **Hubspot**: *"Personalized Call-to-Actions convert 202% better than default versions."*

- **123 Form Builder:** *"90% of customers are willing to spend more when companies provide personalized customer services."*

- **Accenture Research**: *"91% of consumers are more likely to shop with brands that recognize, remember, and provide them with relevant offers and recommendations."*

- In 2022, *"61% of customers would leave for a competitor after just one negative experience"* up from the *"48% of all consumers"* in 2018 (**123 Form Builder** & **Accenture Research**).

This allows consumers to share as much or as little information as they like, while providing Warby Parker with the information they need to offer a personalized shopping experience.

Here's a peek at their quiz:
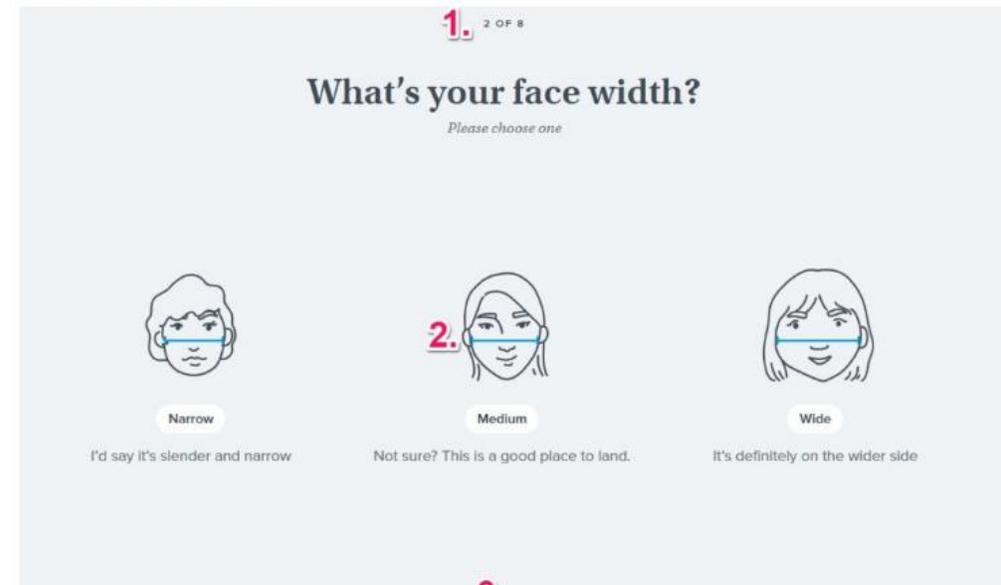
Customizing Nudging for Your Business

UNDERSTAND YOUR AUDIENCE

- Begin by thoroughly understanding your target audience's preferences, behaviours, and pain points.

- Segment your audience based on demographics, interests, or purchase history. Customise nudges for each segment to address their unique needs and motivations.

Demographic data – A collection of all the data points about a person, such as their name, email, title, gender, and location.

Behavioral data – Reveals everything about a visitor's actions while using your website or app, such as pages visited, links clicked, average time on site, and number of visits, acquisition channel (such as search, email, social, paid ad, referring site) time elapsed since last visit, emails open, or call center interaction.

Contextual data – Related to a visitor's unique properties while providing context to their behavior on a website or an app, such as device type, browser type, location, and time of the day.

GOALS AND OBJECTIVES

Define clear goals for your nudging efforts. Whether it's increasing sales, boosting engagement, or encouraging specific actions, tailor your strategies to align with these objectives.

Setting goals

S	M	A	R	ST
SPECIFIC	**MEASURABLE**	**ACHIEVABLE**	**RELEVANT**	**TIME-BOUND**
What do I want to accomplish?	How will I know that I have accomplished the goal?	How is this goal achieved?	Does this match our other efforts?	When does the goal need to be completed?
Why is the goal important?	How many/much?	What resources are needed to achieve the goal, and do we have them?	Is it the right time to be setting this goal?	What can be accomplished within the timeframe?
Who is involved?	What sources of information can I use to determine if I have met the goal?	If not, how can we attain them?	Is it worthwhile for our business?	What can I do in the immediate future (six weeks)?
Where is this goal located?			Am I the right person to achieve this goal?	What will need a longer timeframe (six months)?
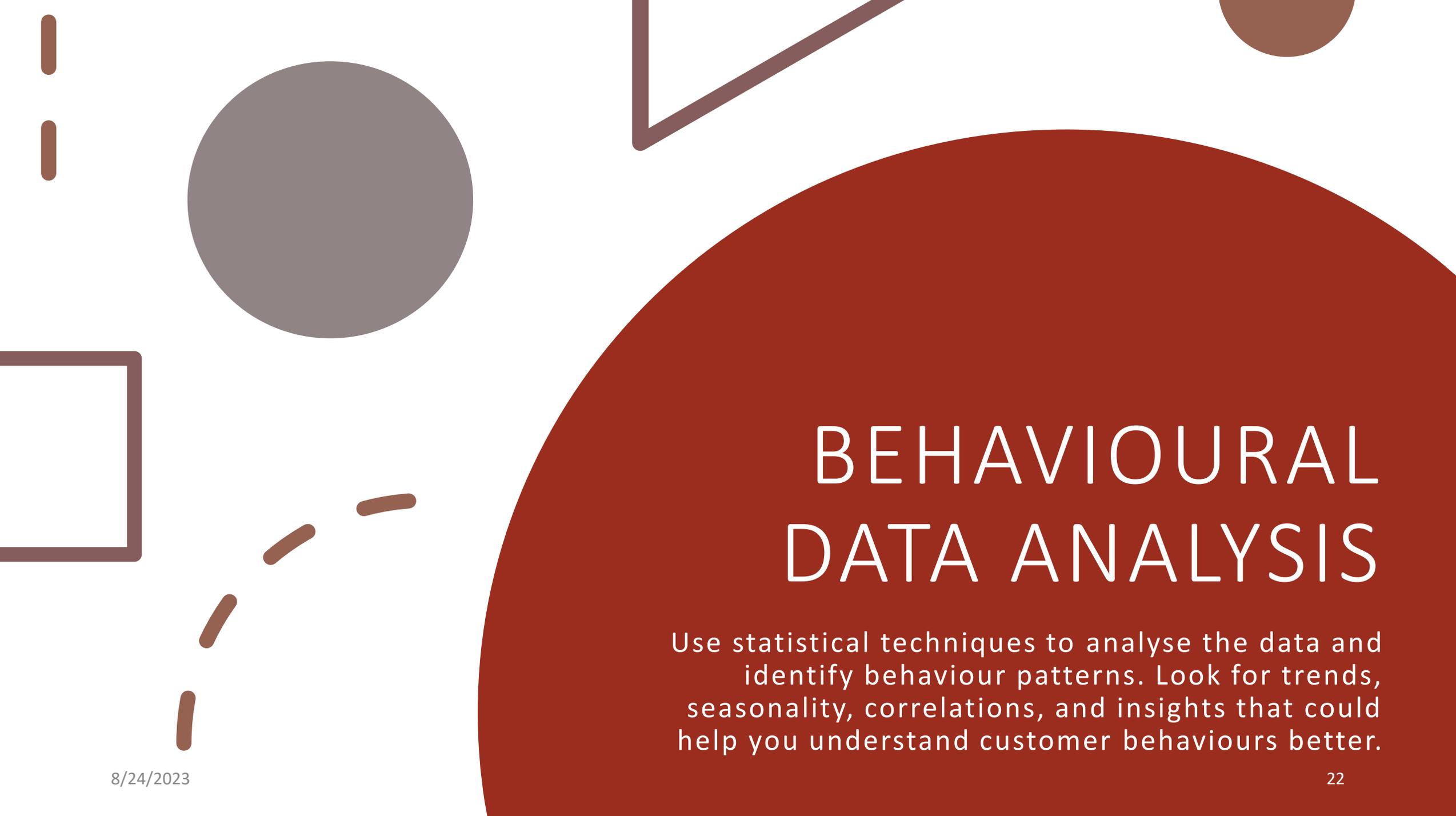
BEHAVIOURAL DATA ANALYSIS

Use statistical techniques to analyse the data and identify behaviour patterns. Look for trends, seasonality, correlations, and insights that could help you understand customer behaviours better.

Tools and Software

Mixpanel

Heap

Userpilot

Amplitude

OPERATION

- Then: Based on timing:
- Personalization
- Channel Selection
- A/B Testing
- Feedback Integration
- Storytelling
- Loyalty Program
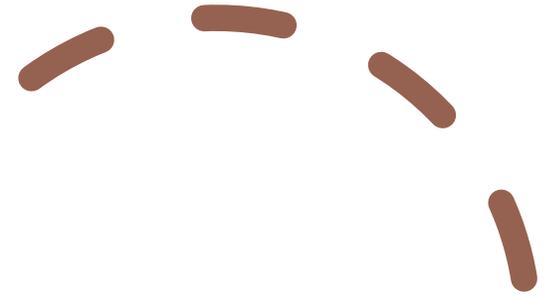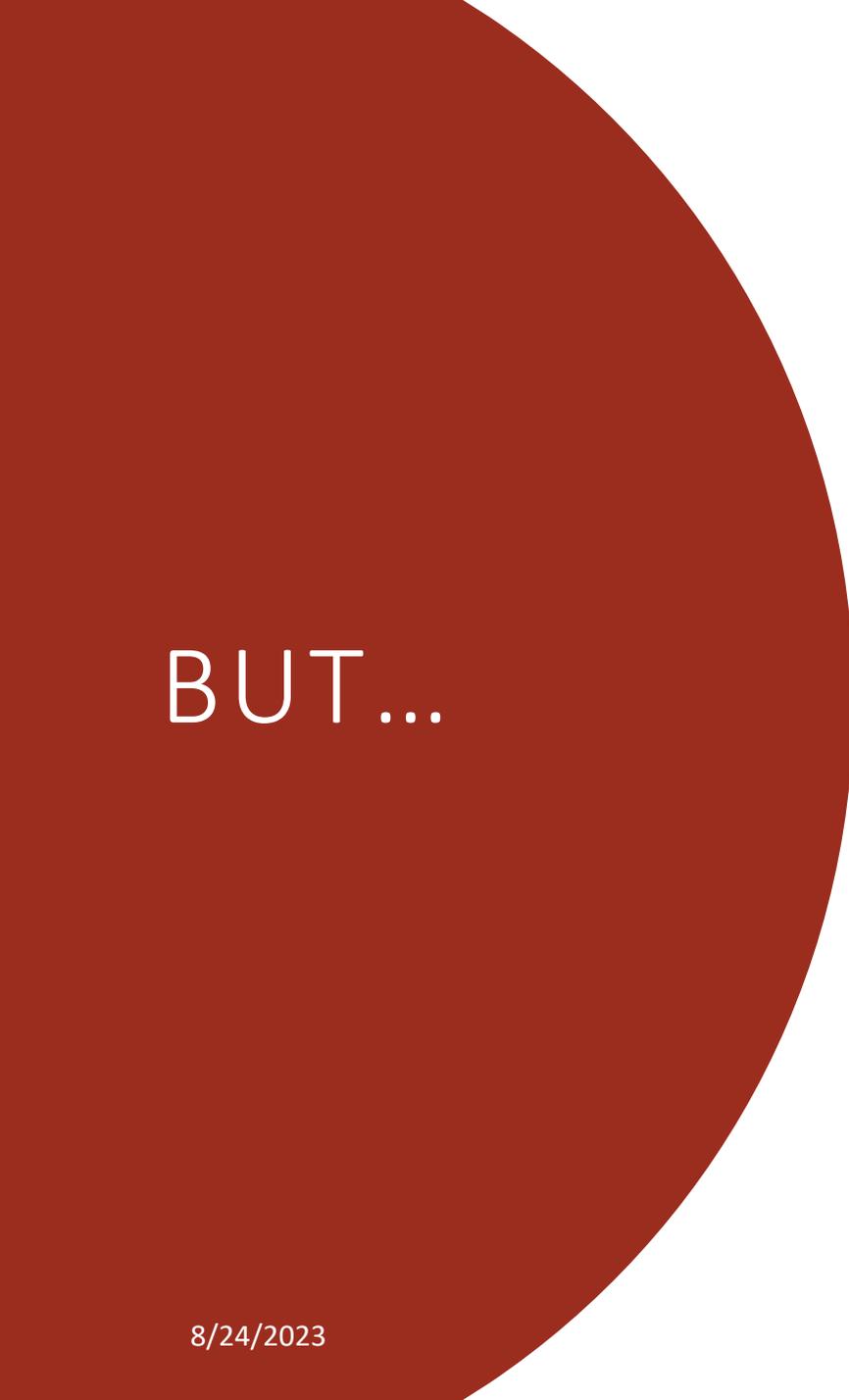
BUT…

- Case-by- case

- Consistency

- Privacy and Ethical Considerations

- Continuous Learning

Measure success and achieve long-term goals
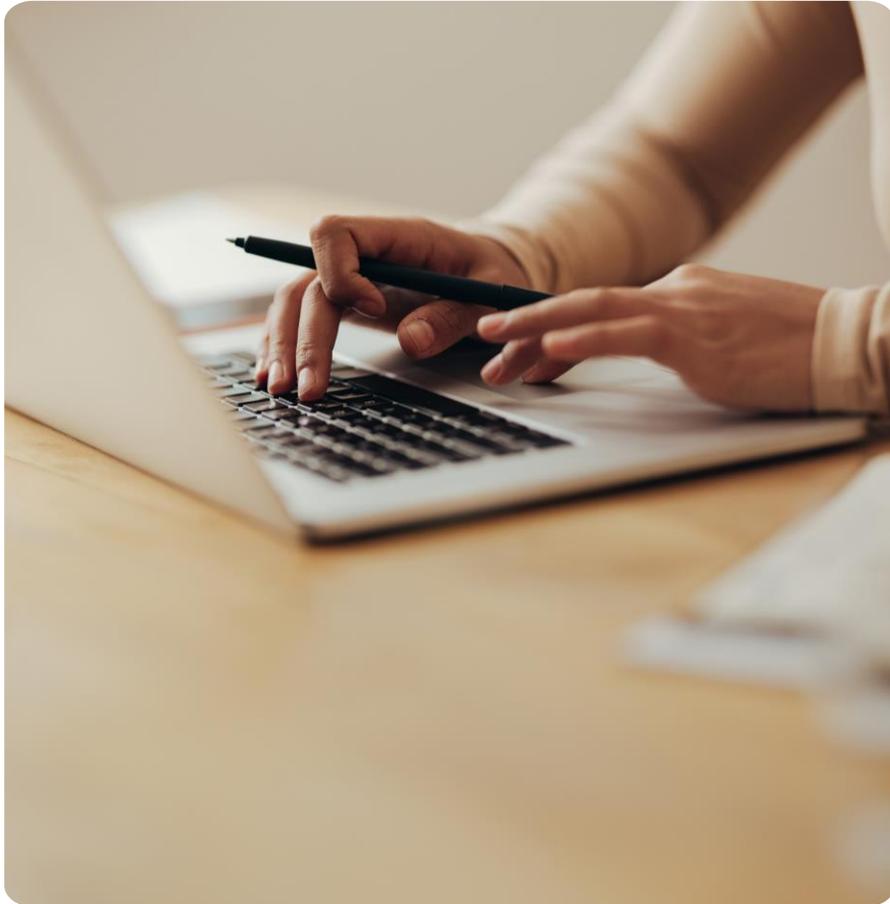
SUMMARY

- Nudging, the art of guiding decisions without removing choices, empowers small businesses to influence customer behaviour positively.

- Through real-world cases, we saw how subtle shifts in choice architecture can drive sales and engagement. Customisable strategies, from defaults to personalisation, empower tailored interactions.

- However, ethical considerations are paramount; nudging must be transparent and respectful.

- Nudging isn't just about now – it's about building lasting loyalty, fostering social impact, and aligning with long-term goals.

"

Nudging isn't just about influencing decisions; it's about crafting meaningful, ethical interactions that lead to mutual growth and success.

"

THANK YOU

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MORE EXAMPLES OF DEFAULT

- Retirement Savings: In retirement savings plans like 401(k)s in the United States, employees are often given a choice to enrol and contribute. When enrollment is set as the default option. Research has shown that participation rates can be as high as 90% under automatic enrollment compared to around 40% under voluntary enrollment.

- Energy Consumption: Many utility companies have implemented default settings where customers are enrolled in paperless billing or automatic energy-saving programs. This simple change has led to significant reductions in paper usage and energy consumption.

- Healthy Food Choices: In school cafeterias and other settings, placing healthier food options as the default choice (e.g., as part of meal combos) has led to higher consumption of nutritious foods by individuals.

- Donation Campaigns: When donation amounts are suggested as default values in fundraising campaigns, people tend to donate closer to those suggested amounts. This has been observed in crowdfunding platforms and charitable organisations.

- Healthcare Decisions: In medical contexts, default options for treatment choices can significantly impact decisions. For example, in a study about end-of-life care, when doctors default to comfort-focused care rather than aggressive interventions, patients are more likely to choose the default option, leading to improved quality of life in their final days.

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