The B²B Institute

The Objectivity Trap

On the biases and misconceptions that cause us all to undervalue B2B Marketing.

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Introduction

David Ogilvy invented modern advertising. He burst onto the postwar Madison Avenue scene largely through force of personality and by making a lot of noise. As an immigrant to the US and a failed gentleman farmer, he dressed as the flamboyant British ‘gent’ he was – layers of Scottish tweed and on occasion even a kilt. He smoked a pipe and drove a Rolls Royce around Manhattan. He spoke and wrote in highly quotable one-liners - many of them profound (“We sell, or else”), and some of the profoundly silly, like “Develop your eccentricities while you are young. That way, when you get old, people won’t think you’re going gaga.” But Ogilvy was also trained in scientific market research by the Gallup organization. He understood the power of fame, and his iconic campaigns and bestselling books endure to this day as the gold standard for marketing and creativity. Despite his patrician air, he believed in marketers honouring the intelligence of their audience.

Rory Sutherland is in many ways David Ogilvy’s spiritual heir and cut from the same colourful and intricately woven cloth. Straight out of Cambridge, he landed at Ogilvy’s agency as a graduate trainee. He is rumoured to have met the legendary David only once, but he certainly learned from the master. I don’t just mean the loud tweed jackets and khaki three-piece suits with short trousers. I am not even talking about the Jackie O sunglasses, an ever-present cloud now attributed to vaping devices and references to sloe gin and Welsh sheep farming. I am talking about Rory's belief in “big ideas”, and his highly quotable and profoundly influential writing and public speaking on how behavioural science should shape marketing. What Baudelaire is to poetry, Rory is to marketing podcasts. When our B2B Institute colleague Peter Weinberg was in college, Rory’s first TED talk captivated him so much that he decided on the spot to embark on a career in marketing because of it (and I am glad he did.)

Reading Rory (or even better, listening to him talk live in person) is a tremendous amount of fun, like listening to your favourite professor as an undergraduate. A natural raconteur, his ability to teach, inspire and provoke is remarkable, as is his ability to talk for hours with gusto to anyone who engages him in conversation. The world of marketing as seen through Rory’s eyes becomes exciting and full of creative possibilities and surprising plot twists. But don’t let the anecdotes and droll delivery fool you. This is ground-breaking, transformational thinking that has the power to deliver huge business value. As Rory teaches us – marketing is a mindset, not a cost-centre; human beings are not rational, so magic is often preferable to reason when solving marketing problems; all value is perceived value; think of the world as probabilistic, not deterministic; people choose brands to mitigate disappointment or blame – the list of valuable mental models is endless.

These are times where we could all use a little magic, and mental models for innovation that don’t require large budgets. Nowhere in marketing is this fresh perspective more needed than in B2B marketing and, in this unique publication, we are excited to share Rory’s take on it with you.

GLOBAL DIRECTOR OF THE B2B INSTITUTE

Jann Schwarz

OPINION

New Frameworks for Marketers in a Disruptive Era

When circumstances are new, as they are today, the rule book often needs to be revisited, analysed, and perhaps updated. The use of psychology and insight within business is not a revolutionary proposition. However, we believe the psychological insight you find in behavioural science can give us fresh eyes in our approach to B2B Marketing.

This white paper by Rory Sutherland, one of the most innovative marketing minds and writers of today, is the first time he has written an extended essay on B2B Marketing. For years Rory has studied behavioural science as a way for marketers to think differently, and indeed many brands have adopted these techniques especially in consumer marketing – but they are by no means a standard approach. Rory looks for ways we can question presumptions and challenge norms, not to increase disruption, but in the face of disrupted times to find new tactics for business success, and in some circumstances survival.

'The Objectivity Trap' is a rallying cry for greater understanding of the motivations, priorities and needs of the people businesses deal with day to day; to reject many accepted wisdoms about the rationality of the decisions made by organisations; to make sense of the behaviours that affect these relationships, on individual and group levels; to empower each of us to respond even where on first sight these ideas may not make sense or fit with previous experience.

Rory champions innovation that adds value to businesses which doesn't require great financial investment to production, supply, distribution or ways of working. He talks of Marketing as a mindset not a media budget. While this approach is useful in a boom, it can be business-saving and culture defining in a crisis.

This creativity to innovate we hope inspires our readers to develop a new decade of innovation to strengthen their businesses for the benefit of customers and consumers. In Rory's book 'Alchemy' (2019) he quotes the great ad agency genius Bill Bernach – 'Conventional logic is hopeless in marketing – as you end up in the same place as your competitors', and we hope it will help you find your new ways of framing the future.

We live in a time of massive access to data, and venturing beyond the relatively safe walls of formal market research can feel daunting and uncertain. Application of Behavioural Science can give fresh structures, and empirical understanding of patterns of undeclared behaviour that can't always be explained through traditional research. If most people don't know that they're doing something they surely can't be expected to then tell you why. Outlining the opportunities that this practice can reveal can open up new business opportunities, greater profitability, and give confidence to innovators, and even their nervous or sceptical colleagues.

Here with Rory Sutherland and his colleagues from Ogilvy Consulting we venture into the uncharted lands of understanding unconscious bias within business, customer decision- making, buying committee shortlisting and how corporates think - a territory that inspires distinctive, revolutionary rather than evolutionary change.

EMEA LEAD B2B INSTITUTE

Jenny Shaw-Sweet

HEAD OF EMEA, B2B INSTITUTE

Victoria Pattinson

About The Writer

Rory Sutherland

Vice Chairman, Ogilvy UK

Rory Sutherland is the Vice Chairman of Ogilvy, co-founder of their behavioral science practice, and B2B Institute Research Fellow, a group of distinguished expert practitioners and academics undertaking research about the future of the marketing sector.

Sutherland works with a consulting practice of psychology experts who look for 'unseen opportunities' in consumer behaviour - the often small contextual changes which can have enormous effects on the decisions people make - for instance tripling the sales rate of a call centre by adding just a few sentences to the script.

Before founding Ogilvy Change, Rory was a copywriter and creative director at Ogilvy for over 20 years. He has been President of the IPA, Chair of the Judges for the Direct Jury at Cannes, and has spoken at TED Global. He writes popular columns for the Spectator, Market Leader and Impact, and last year published the best-selling book "Alchemy, The Surprising Power of Ideas Which Don't Make Sense" 2019.

Foreword

"What is needed is not an interpretation of the utility created by marketing, but a marketing interpretation of the whole process of creating utility."

Wroe Alderson 1957

I write this from Britain, which is now on the uncertain road to recovery following the initial shock of the COVID crisis. Other countries and cities are still deep in that first phase.

At this point it is impossible to know the lasting effects on business behaviour. But it has certainly become doubly clear that narrow ideas of self-interest are completely insufficient to describe and predict human action. Employees, from healthcare workers to postmen, have continued in their jobs at some personal risk through a sense of professional and social duty. Organisations public and private have gone to extraordinary lengths to look beyond short-term financial self-interest, even cooperating closely with rivals in furtherance of solutions. You could say these behaviours are atypical. But there is a different way of looking at it. Perhaps it is at moments like this, in showing our ability to cooperate in response to common threats, that we are at our most human.

In the last ten years, Behavioural Science has helped provide a framework for a new and more nuanced approach to understanding behaviour – and with it added a new facet to consumer marketing. It has done this by challenging two convenient but erroneous assumptions about how people decide and act. **First, it has confirmed scientifically something many marketers have long suspected – that consumers cannot always accurately describe their motivations or predict what factors might be decisive in influencing their behaviour . Second, it has catalogued many instances where patterns of human behaviour consistently deviate from those predicted by conventional, self-interested economic axioms.**

These twin findings elevate the value of bringing a creative and experimental marketing mindset to bear on problems, since they suggest that the twin lenses once confidently used to inform business decision-making about customer behaviour – namely mainstream economics and market research – are not sufficient for good decision-making.

[1] In words often attributed to David Ogilvy, "The trouble with market research is that people don't think what they feel, they don't say what they think and they don't do what they say." A more scientific explanation can be found in Timothy J Wilson's Strangers to Ourselves.

[2] In my book Alchemy, I call these two lenses "the broken binoculars". Business decision-making is both clouded and distorted by an over-reliance on economic theory and by an over-literal reliance on the statements of research respondents.

[3] The Pensions Regulator - Automatic enrolment Commentary and analysis: April 2018-March 2019 UK

[4] As defined by Investopedia, B2B, short for business-to-business, "refers to business that is conducted between companies, rather than between a company and individual consumer."

[5] In the field of behavioural science, a cognitive bias refers to a systematic error in thinking that affects the decisions and judgments people make.

The fact that there is much more to human behaviour than we thought is an annoyance to those with a love of false certainty, but a gift to the intuitive marketer: it allows you to consider and experiment with a range of behavioural interventions which would previously have been rejected as illogical, or which might have been rejected in market research.

Here are just three examples: Purchases from a telephone response line doubled when four words added **social proof** to a choice: "Most people do this." The proportion of UK staff in a workplace pension scheme increased by more than 32% when employees were enrolled by **default**, but given the opportunity to opt out . An airline comparison website increased its sales by **slowing down** the speed at which it delivered search results. None of these interventions would have made much sense to an economist: in market research it is unlikely than many people would admit to being affected by such oblique interventions.

And yet they work.

Hence Behavioural Science provides a valuable counterpoint to the reductionist, Taylorist view of business as a logical, quantifiable battle for efficiency gains in a commodity space. Without some acknowledgement of human psychology and epistemology, without understanding the need for framing and storytelling, you can be as logical as you like and still fail. You could produce a product that is both objectively better and cheaper than your competitors' products and find it fails to sell.

No one is claiming that Behavioural Science is an exact science. But it does present the marketer with an entirely new experimental space. And one which is more valuable since it allows for butterfly effects: cases in which very small and inexpensive changes can lead to extremely valuable results.

Our fear is that this quiet revolution will fail to deliver the same value to B2B marketing as it has and will deliver to consumer marketing. The prevailing assumption may be that the twin lenses still work well for B2B marketing, since business decisions, unlike consumer decisions, are "entirely rational", and made by people who are perfectly capable of describing their needs. We believe this is untrue. In fact, we believe that Behavioural Science may end up with a greater role to play in B2B than in B2C marketing. Apart from anything else, the question of business biases has been explored very little, so the potential is immense.

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The objectivity trap

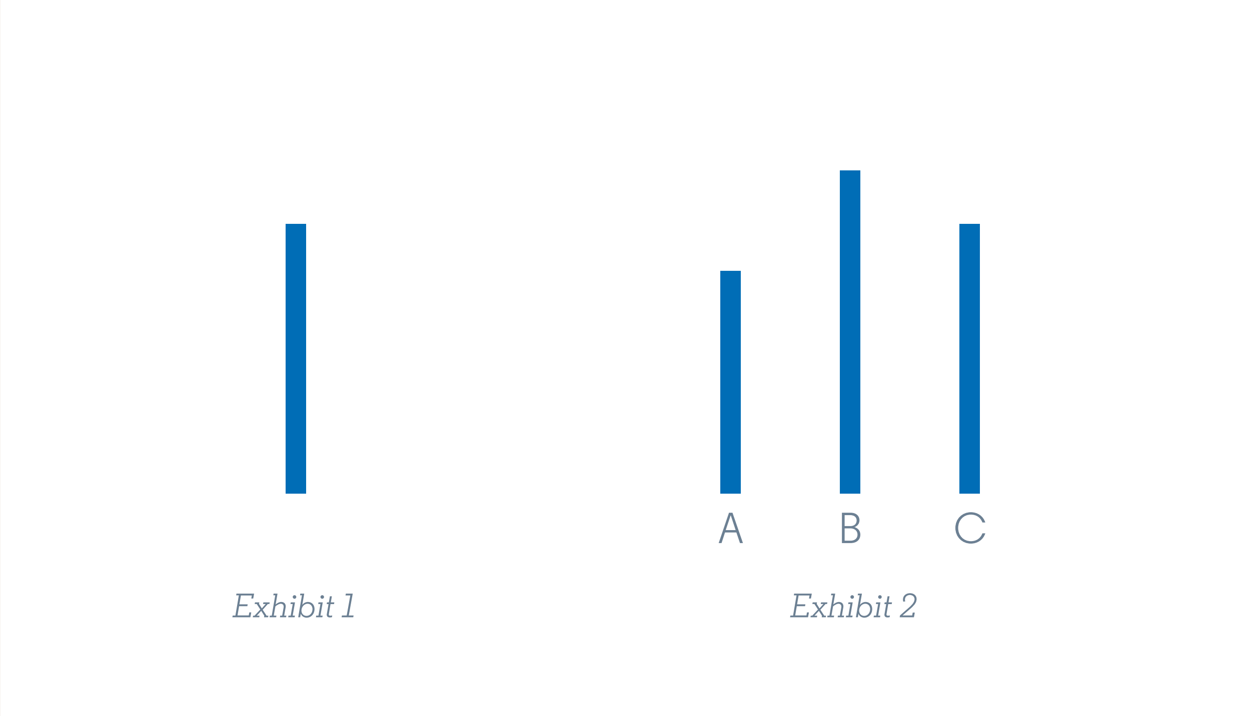
YOU DON'T BECOME RATIONAL THE MOMENT YOU PUT ON A SUIT.

To date, most discussion of "biases and irrationalities" revolves around individual behaviour – most often consumer behaviour. What receives much less attention is the presence of widespread bias in collective, institutional or corporate decision-making. Yet, in terms of its importance – and the scale of its effects – collective bias may be far more significant than individual bias. Indeed, like viruses, biases are worst when they are present in large groups of people.

For one thing, individual biases may, at the aggregate level, cancel each other out. Decisions and preferences arrived at independently might be individually irrational, but the market mechanism can still aggregate these different preferences to cater for what most people care about most of the time.

This isn't necessarily true in collective decision-making. In cases where corporate fashions or business-school dictums hold widespread influence, or where there is a single "approved" way of looking at the world, any bias is likely to be widespread and deeply entrenched. Moreover, once such institutional bias attains the level of "received wisdom", confidence in decisions made under the influence of this bias is likely to be very high, and there is a correspondingly high social and reputational risk involved in challenging the bias. In this environment, people's biases do not cancel each other out – they multiply.

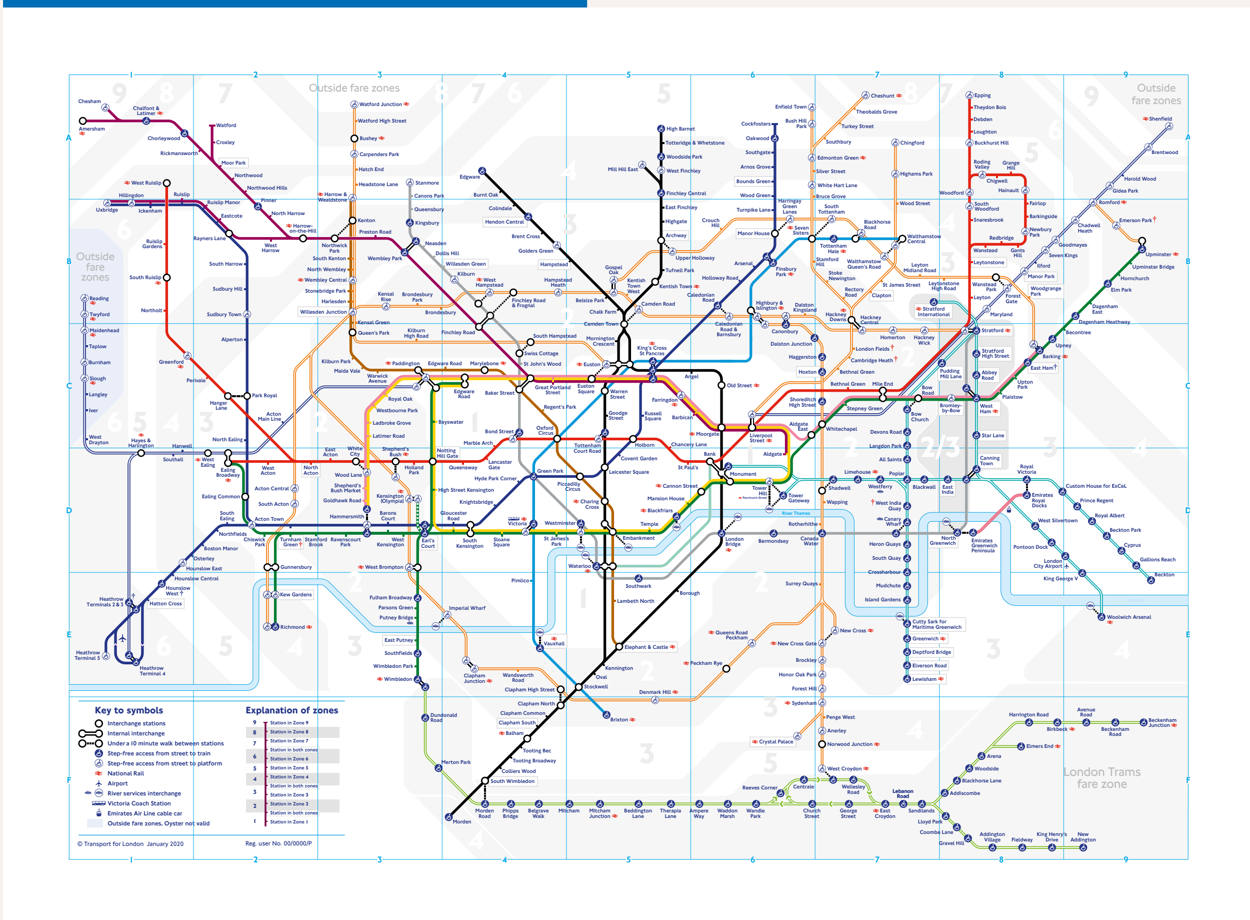
Solomon Asch experiment



RECEIVED WISDOM. WHEN IT'S CONVENIENT FOR EVERYONE TO THINK THE SAME WAY.

I refer to this as The London Underground Map problem. In many ways, the map of the London Underground, ('the Tube Map', in local parlance), is a very good map. But like all representative diagrams, it emphasises some forms of information at the expense of others: for instance, in this map, geographical fidelity – the accurate representation of distance – is sacrificed in the pursuit of clarity. This distortion would not be so much of a problem if everyone used a different map: however, when everyone uses the same map, the same misjudgements are multiplied many thousands of times: hence tens of thousands of tourists use the tube to travel from Covent Garden to Leicester Square, say, even though in reality it would be far quicker and easier to walk. The distance is under 0.2 miles. This isn't just a failing of the London Underground; both the Metro and New York subway are equally misleading in their similar ways.

London Underground Map



Collective insanity is much more dangerous than individual insanity since it compounds itself. When you buy a product or service for yourself, your self-interest is generally well aligned with solving the problem at hand. When you make a decision in an institutional setting, this is not true. Fear of regret, which drives individual decisions, gives way to fear of blame: a decision which is easy to defend, or one which delivers small but quantifiable incrementable improvements, will be preferred to one which overall is better for the health of the organisation. Gerd Gigerenzer describes this as **"Defensive Decision-Making"**.

The difference between personal and institutional decision-making arises because, while the consequences of an individual decision are usually experienced by the person making it, in business, you are judged less by the consequences of a decision than by the quality of your reasoning in arriving at it.

Indeed, many cited instances of consumer bias are not really biases at all. They may simply be explained by the fact that a consumer's deep-seated, instinctive and unconscious motivations are more sophisticated and multivariate than economists and narrow rationalists can understand.

For instance, a car may be bought as a form of transportation, but it may also be bought to enhance the status and reproductive prospects of its owner. If we were exclusively interested in the former, a Lamborghini would seem an appallingly "irrational" way of travelling through London (it is slower than the train on most journeys). On the other hand, for someone interested in enhancing their status, it is rather better than an unlimited train pass.

But when you make a decision in an institutional setting, *"How will I be judged on this decision?"* weighs more highly on the mind than *"What is the likely outcome?"* It is at its worst when the interests of an individual decision-maker are not well aligned or synchronised with the interests of the business or institution.

The good news is that, if business decision-making is plagued with consistent distortions in thinking, it provides a huge opportunity for discovering new ways to compete: the greatest market opportunities exist where every significant actor in a market segment shares the same set of self-limiting assumptions. If you can find out what they all assume to be true, which now isn't, you have already found a basis from which you can differentiate yourself and win.

And this opportunity may be open to more people than realise it.

[6] Professor Gigerenzer is a renowned psychologist at the Max Planck Institute, Berlin. See Risk Savvy for a popular explanation of his work on Defensive Decision-Making.

"B2B IS BIGGER THAN ANYONE THINKS."

Remember, just because you communicate with consumers from time to time, this does not mean you are not a B2B business.

Think about it. In reality, Google is a B2B business (almost all of its revenues derive from other businesses). Amazon's Marketplace and Cloud are B2B businesses. British Airways and Eurostar survive largely on B2B business. Even Unilever and P&G are both B2B businesses in many respects - both spend more on trade marketing and sales than on consumer marketing. Visa and Mastercard may be consumer brands, but they are largely B2B businesses. A huge part of government is engaged mostly in interacting with businesses, not individuals. And, as the ad guru Stephen King of JWT observed, most B2C advertising works in part through its indirect appeal to a B2B audience, since retailers and other intermediaries are more likely to stock a product and pay the desired price for it, which has been heavily promoted to their own customers.

Almost all businesses are B2B businesses to some extent, even if they don't know it. Yet mixed businesses tend to concentrate most of their marketing attention on consumers.

Within the businesses mentioned above, far more attention will be focussed on consumer marketing than on B2B marketing.

Yet B2B is big. Very big.

Almost all businesses are B2B businesses to some extent, even if they don't know it. Yet mixed businesses tend to concentrate most of their marketing attention on consumers.

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[7] B2B Marketing Magazine. (2019). B2B Nation: The B2B Industry's Contribution to the UK Economy Revealed

[8] Bureau, US Census. "2015 SUSB Annual Data Tables by Establishment Industry". www.census.gov.

[9] WPP BrandZ B2B Survey 2018

THE SCALE OF THE OPPORTUNITY.

Nearly 40% of UK companies derive all or the majority of their income from Business-to-Business activity and a further 42% are hybrids, with some of their income from both B2B and B2C. While it is impossible for us to know the exact size or value of B2B internationally, we do know that B2B accounts for 44%, or £1.7 trillion, of the UK's business turnover and some £21.78 billion in corporate tax. Over 50% of UK FTSE 350 firms are pure B2B businesses and, unlike B2C, we in Great Britain have a global trade surplus on our B2B activity.

In the US, B2B companies represent an even more significant part of the national economy. This is especially true in firms of 500 employees and above, of which it was recently estimated that as many as 72% are businesses that primarily serve other businesses. In 2018, in the US, B2B sales totalled over nine trillion dollars .

According to the BrandZ Top 100 Most Valuable Brands study, total B2B brand value globally increased by 21% to reach 4.4 trillion. (BrandZ defines a B2B brand as one that generates more than half its revenue from business clients.)

A large B2B sector is in many ways the hallmark of a developed economy.

If B2B accounts for around 50% of the economy, why does B2B Marketing receive so much less attention than consumer marketing does?

One possibility is simply that it does not work as well as marketing to consumers.

A second possibility is that, for some reason or other, people mistakenly believe that it does not work as well as marketing to consumers. Or that the people working in B2B have less respect for marketing.

If B2B accounts for around 50% of the economy, **why does B2B Marketing receive so much less attention than consumer marketing does?**

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[7] Bureau, US Census. "2015 SUSB Annual Data Tables by Establishment Industry". www.census.gov.

[8] WPP BrandZ B2B Survey 2018

This second possibility warrants some investigation. Because if business-to-business firms are making too little use of marketing, it may represent a considerable opportunity cost: billions of pounds of unrealised economic value may be waiting to be discovered if marketing were used more often, creatively, and wisely.

Here’s Peter Thiel in his book Zero to One: *“If you've invented something new but you haven't invented an effective way to sell it, you have a bad business—no matter how good the product."*

A business decision-maker is a very valuable target audience indeed. Ordinary consumers rarely buy anything costing £500,000. Some businesspeople may make purchases of this size routinely. Consumers generally buy products sporadically and in small volumes, and your brand forms a small part of their overall budget. In fact, for a food company, a cat or dog may be a more valuable customer than a human, since it is possible to get 100% share of stomach from a pet. Although humans spend more on food than cats do, they spread their budgets very widely: it is difficult, even for a Nestlé or a McDonald’s, to get more than 5% share of stomach from a human.

But if that human is making a decision for a business, this no longer applies.

Hence the payoff for a single act of persuasion in B2B may be many times more lucrative than in B2C and more enduring. Moreover, targeting those decision-makers, which might have been inefficient or costly in analogue media, becomes many times more efficient in digital and social media, where it is possible to reach people in specific companies by their specific function and area of purchasing authority. The gain in efficiency in targeting is far higher for B2B (through LinkedIn, say) than the relative gains in conventional social media.

But surely, companies are purely rational, profit-seeking entities? If business-to-business marketing were really to work well, companies would do more of it, wouldn’t they?

No. Or not necessarily.

Remember again that phrase *“No one ever got fired for buying IBM.”*

In the same vein, *“No one ever got fired for cutting a cost which produced an imprecise or unquantifiable benefit."*

If people have fallen into the B2B objectivity trap, they will have missed opportunities to put behavioural thinking to work.

Hence the value of good psychological insight in B2B businesses is potentially even more valuable than in a traditional marketing-heavy consumer business. And the value of the marketing mindset will be most valuable in fields where it has yet to be deployed.

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Business needs more than one map

As I recommend to London house-hunters: *"First get a copy of the London Underground Map then ask yourself 'What isn't on it?'"* The places depicted on the map are places that everyone already knows. Common knowledge isn't very valuable. It's by discovering something that isn't on the map that you can gain a comparative advantage. A house beside a railway station will cost far less than a house beside an Underground Station for this reason.

The contention of this paper is that, for a whole variety of cultural and behavioural reasons, biases are often more powerful in institutional and corporate decision making than in consumer decision-making. Yet by preferring the false-certainties that arise when you pretend your business customer is a rational economic agent possessed of stable preferences and perfect information (the "convenient fiction" of the title), businesses are leaving many millions of pounds of potential economic value on the table through an emotional aversion to the use of marketing, psychology and behavioural science.

This besets all organisations, but for a variety of reasons, it is most pronounced in the business-to-business arena.

Just for convenience, below is an incomplete list of some of the assumptions which unconsciously bias businesses towards devaluing B2B marketing.

I

Business decision-making is a 'rational' cost-benefit analysis

People assume that marketing only exists to exploit irrationality; since business decision-making is believed to be largely rational and conscious, marketing influence over B2B procurement decisions is considered minimal when compared to its influence over consumer purchases.

II

From an economist's world view, marketing is a cost rather than a value-ad

MBA-level Economics assumes that the growth of markets is limited by supply, and that demand is a given. Hence marketing is not perceived as a significant driver of overall growth or productivity.

Further, (Non-Austrian) economists assume a world of perfect information and stable preferences – a model of the world in which advertising is unnecessary: it is hence perceived as a cost or an inefficiency, not a source of value creation.

III

Marketing is decorative

Rather like the ancient Chinese, who invented gunpowder but used it only for fireworks, marketing is viewed as a form of decoration, not as a truly disruptive technology. Consequently, there is little status to be enjoyed by winning through superior marketing, rather than, say, winning on product or price.

IV

Marketing spend is equivalent to marketing's importance

People assume that because bought media is the most expensive item of marketing activity, it must therefore be the most important. People consequently assume that, if their business spends comparatively little on bought media, marketing is therefore of low importance to their business.

V

Short term financial metrics are the key to success

In businesses with low levels of marketing spend in proportion to overall turnover, which includes most B2B organisations, marketers enjoy little to no influence - and the sales function tends to dominate. Once you lack influence, you are forced to fall back on short-term financial metrics to justify your existence. And short-term interventions are exactly that. They work, but only in the short-term.

VI

Even when you think you're selling a product, you are selling a service

There is much to be said for the arguments of Service Dominant Logic as promoted by Vargo & Lusch (2004). In B2B their approach is perhaps even more valuable than in B2C. By challenging the Goods Dominant mindset which holds that value is inherent in the product – a viewpoint which tends to lead B2B businesses further away from considering a customer perspective – and by considering the customer as a cocreator of solutions (someone you market "with" rather than "to"). This is a mental approach which is much more likely to make the role of marketing within large B2B companies more central to their thinking, rather than banishing it to the periphery (and to the jurisdiction of the sales department). A goods dominant mindset tends to promote commoditisation; a service dominant mindset forces you to differentiate yourself.

VII

And ad agencies aren't much help

Ad agencies have not been paid on media commission since the late 1980s: but the muscle memory causes them to consort only with people with large communications budgets. This means that they rarely bother talking to people in B2B. People in B2B therefore spend far more time time speaking only to management consultants, many of whom share the prevalent assumptions above.

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Marketing is not marcoms; it's a mindset.

We tend to conflate “marketing” with “consumer marketing”. Moreover, we (agencies especially) are liable to conflate “marketing” with “marketing communications” or (worse) “marcoms”. As this article explains, this may be an expensive mistake.

As a result, organisations which do not spend large amounts of money on marketing (typically those which spend very little on bought media) will typically have a marketing function which is small, and may be possessed of minimal influence. This is a problem which is particularly prevalent both in B2B and in start-ups, where the amount spent on media is tiny in proportion to the size of the organisation. But the importance of marketing to an organisation does not diminish simply because you spend little money on it.

This is because marketing (as distinct from advertising, pricing, PR, etc) is not a specific activity: it is a mindset. More specifically, it is a mindset which is essential to understanding and solving certain issues and problems in business which have their origins not in engineering, efficiency, logistics, or in the world of physics but in the more complex realm of human perception, cognition and in the fields of individual and social behaviour. For this reason, the outcomes of marketing efforts are often larger than the sum of their parts.

Marketing should not even be confined to the marketing department. Entrepreneurs are disproportionately focussed on marketing (Bezos, Jobs, Branson), and are inextricably associated with the brands they create. The best CEOs (Bob Crandall, Bob Lutz) are disproportionately responsible for driving marketing innovation, often overriding the objections of their finance departments in the process. When Jeff Bezos introduced Amazon Prime, one of the most interesting ideas of the last few decades, almost everyone else in the company thought he was mad. Yet people who join Amazon Prime spend perhaps five times more with Amazon as a result.

All of this means that good marketing is sometimes, by necessity, messy. It is probabilistic rather than deterministic. This is frustrating to the tidy-minded. But it does not change the fact that often a marketer might be right and an economist wrong. Being able to spot those occasions where conventional logic needs to be suspended is vital to good decision-making.

Will more people buy a product at £200 than at £300? To an Economist or Finance Director, this is a clear-cut question with a self-evident answer; to a Marketer’s mind it is not – a low price may signal a lack of seller confidence. Moreover, if your product is visibly better than a £220 product from a competitor, selling it for £200 may create confusion and mistrust in the buyer’s mind.

[10] See: Dave Trott’s 1+1 = 3

Should you make an industrial cleaner quieter? To an engineer, obviously the answer is yes. Better still, it's an appealing, status-enhancing challenge. A marketer would be unsure – it is possible that a user will perceive a quieter piece of machinery as being less powerful.

This messiness, along with the shape-shifting use of vague terminology such as "brand" and "purpose" is almost painfully frustrating to non-marketers, which is why marketers and their budgets are often viewed askance by people in the hard-science cultures of engineering or finance. In B2B, where an even stronger belief in buyer rationality persists, the distaste for marketing is often even greater.

I would argue that, counterintuitively perhaps, it is this very messiness which makes marketing one of the first places any B2B company should look to find enduring growth and competitive advantage, particularly in a crisis. It also creates opportunity – both in ways which can be planned and ways which can't. Quite simply, the complex nature of human psychology makes it one of few remaining places where untapped and unexpected monopoly advantage still lies waiting to be discovered. A technological advantage can be copied in months but a psychological monopoly may endure for years. The distaste for marketing found among your competitors may even make them culturally averse to copying your success.

Who other than James Dyson thought anyone would pay more than £500 for a vacuum cleaner? Certainly not I. I like to think of myself as open to ideas, but I would have countered first that a vacuum cleaner is not a luxury good but a distress purchase, bought only grudgingly when your existing model breaks down, and secondly that anyone who can spend £500 on a vacuum cleaner probably employs a cleaner, so isn't all that bothered about baglessness anyway. I would have been perfectly logical in saying this – but it seems I would also have been perfectly wrong.

(I still don't fully understand the Dyson psychology myself. My father, who would be aghast at the bill if you took him to Pizza Hut, owns three of them.)

It all goes to show that sometimes it pays not to be logical. For if you succeed at doing something which logical people wouldn't do, you occupy a market space all to yourself.

The problem with logic is that it gets you to the same place as all your competitors.

But in a B2B setting, any departure from conventional logic is culturally very difficult.

If you only believe in logic, you can't perform magic.

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If you only believe in logic, you can't perform magic.

At the time the iPhone was released, many mobile phone manufacturers were fixated on logical incremental improvements. Faster processor clock-speed; more memory; smaller size; greater battery life. All perfectly sensible, except that each was designing phones that were more and more like everyone else's.

The iPhone was not really category-leading in any of these measures (indeed its battery-life was initially dismal, and counter to the prevailing trend, it was a very big phone). Apple's advantage lay in rewriting the rules: by asking a different, messier question: not *"what can this mobile phone handset do," but, "how does it feel while you are doing it."* Their edge was psychological, not technological. In defining its own criteria for excellence, the iPhone carved out its own category.

Once people saw the iPhone, all the metrics and product attributes which consumers had professed to care about one week earlier suddenly went out of the window. Have you heard anyone in the last ten years boasting about how small their phone is? I doubt it. In fact, now you can pay extra to get an even larger iPhone. (Apple, incidentally, had spotted another problem with endless pursuit of the same rational metrics – that businesses often pursue them beyond the point where they remain humanly important. Once a phone fits comfortably in a pocket, there is very little to be gained from reducing its size further. Male engineers may also have failed to notice that half the human population does not much use pockets – they carry bags.)

"Nerds hate marketing and advertising because it seems kind of superficial. But **you have to pay attention to marketing because marketing works.** It works on nerds and it works on you."

Though celebrated in retrospect, this psychological approach to innovation did not always endear Steve Jobs to engineers within Apple: *"What does Steve do exactly? He can't even code."*

Here's Peter Thiel again, *"Nerds hate marketing and advertising because it seems kind of superficial. But you have to pay attention to marketing because marketing works. It works on nerds and it works on you."*

As experiments in behavioural science have repeatedly shown, value can be created in the mind just as much as it can be created in the physical world.

The suspicion and doubt expressed towards psychologically-led, creative marketing transformations is more prevalent in businesses which have a strong financial, engineering or technocratic mindset – and even more in B2B. Most people in business like to believe that value is created in the factory

[10] See: Dave Trott's 1+1 = 3

– or in the physical world of objective, measurable improvements which can be easily defined and easily managed. Theirs is a Newtonian view of the world where there is no room for magic. In this neat, psychology-free world, the only way to improve a product is to change it or make it cheaper. For this reason, people in such cultures are prone to seeing marketing as a cost to be minimised, not as a source of potential value creation. In the economist's perfectly efficient imaginary world of perfect information and stable buyer preferences, marketing would be unnecessary. So people of a deterministic mindset tend to see marketing as an inefficiency or a cost, not as an opportunity to create added value.

The problem is that, once you only believe in logic, you can't perform magic anymore. This means you spend none of your time looking for magic, and you look to discount it or deny it when it appears. You become overly suspicious of the value of human insight or the revolutionary effects made possible by a deeper understanding of what customers really care about. (I spent the day of the iPhone's release with a bunch of Nokia executives, who were amused at Apple's temerity in launching a phone with 20-hour battery life - so convinced were they that they already understood what customers wanted in objective terms, they were sure it would fail).

In highly rationalistic cultures, whenever value is created in the mind instead of the factory, it is often seen as ridiculous at first. If it ultimately succeeds, it is seen as cheating.

In the B2B world, this Newtonian mindset is further strengthened by the belief that you are selling to completely rational, profit-maximising organisations entirely immune to emotion. If you are selling Lucky Charms, you probably do have to accept that there are emotional dispositions at work. If you are selling industrial drill bits, however, it's all too easy to believe that your product's rational, quantifiable attributes are all that matters, since your customer is an unbiased, wholly rational corporation, where any biases will be hammered out though the collective use of pure reason.

Everything in psychology suggests this is wrong: in fact biases, especially correlated biases, are as likely to be caused by collective decision-making as to be reduced by it (see below).

Yet unless you have a powerful marketing presence somewhere in your organisation, the natural tendency of most people in business is to pursue incremental, objective improvements rather than pursuing less-certain but potentially game-changing improvements in perception.

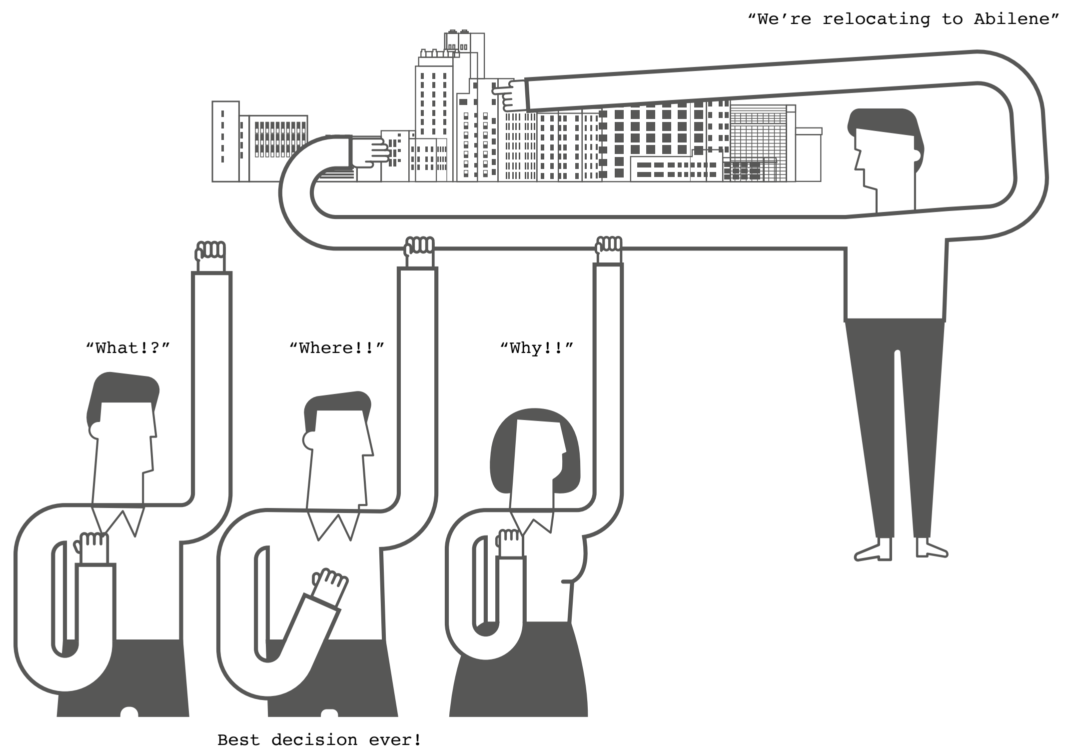
This is particularly prevalent in B2B organisations, since, while it is accepted that there is a certain amount of "irrationality" in consumer decisions, it is widely believed that decisions taken in a business or government context must of necessity be taken only on the basis of completely rational, objective judgement.

Underlying all this may be a rather sexist assumption: that chocolate bars are bought by women for all kinds of impulsive reasons, while B2B purchasing decisions are taken by men in suits as a product of a long process of highly rational deliberation. How rational are men in suits in any case? And who's to say that purchasing decisions are made by men in the first place? People are, (understandably) more than a little emotional about their long-term career prospects and keeping the respect of their colleagues.

IF BUSINESSMEN ARE SO RATIONAL, WHY DO THEY ALL PLAY GOLF?

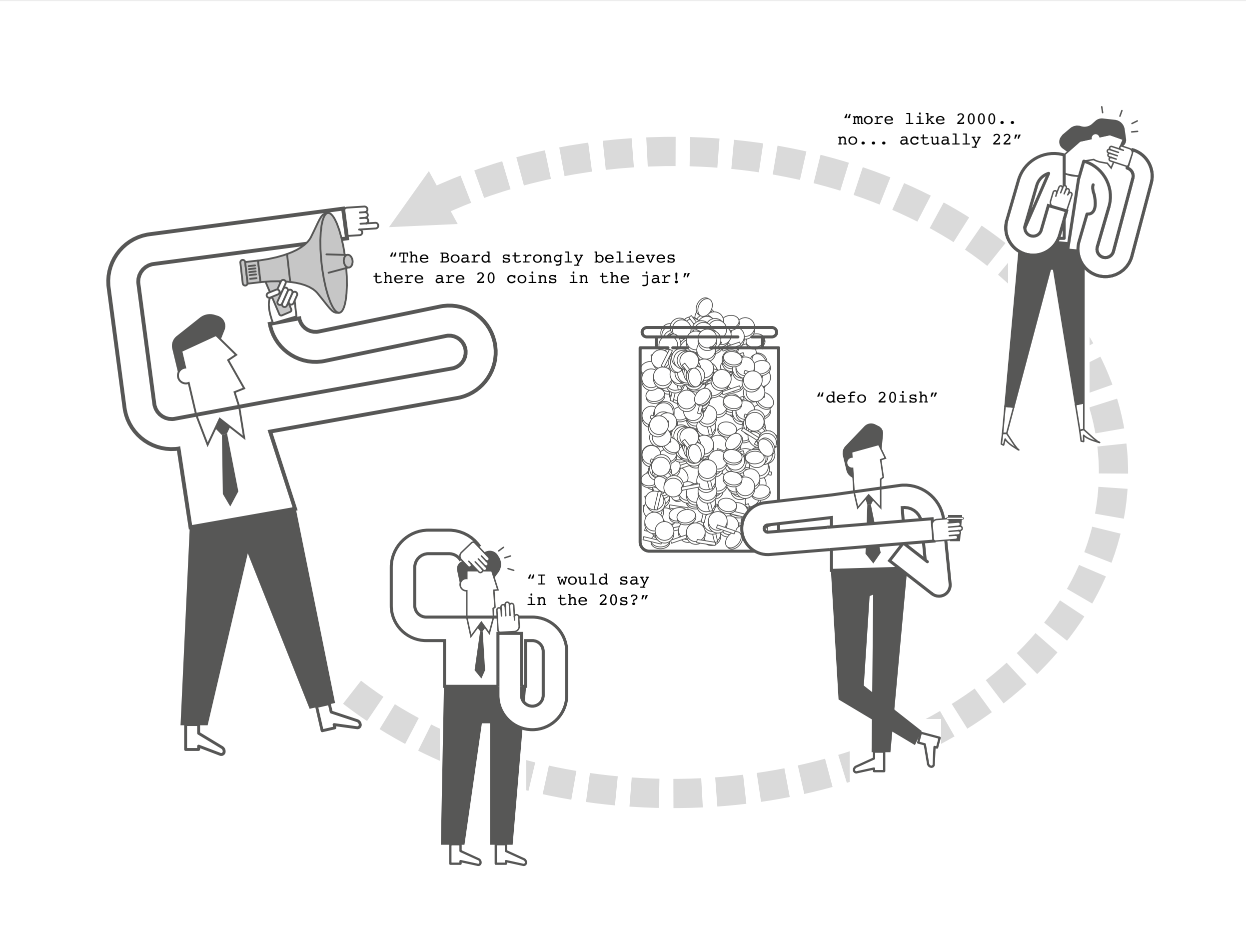
Yet, as I said above, this is a convenient fiction. In institutional decision-making, behavioural biases are probably more pronounced than in consumer decision-making. Solomon Asch's experiments showed that people would conform to a group consensus and adopt beliefs that they would never hold if they made the decision alone, simply to conform to peer pressure. (An extreme version of this is called the **Abilene Paradox**, where a group of people can agree on a course of action even when no individual within the group supports it, simply on the misguided belief that it is what other people want to do.)

Abilene Paradox



There's a classic experiment where you ask people to estimate how many coins there are in a transparent jar. When people do this independently, the accuracy of the judgment rises with the number of estimates, when they are averaged. But if people hear each other make estimates, the first one influences the second, which influences the third, and so on. That's what the Nobel-winning psychologist Daniel Kahneman calls a **correlated error**.

Correlated error box



One bias which may infect everyone within a company is the urge to prove their worth on a regular basis. In a highly defensive organisation, your job security may be far better assured by a series of small, continuous, incremental gains, than by investing a year in something really significant. If that large project gets canned, you may well end up going with it.

The B²B Institute

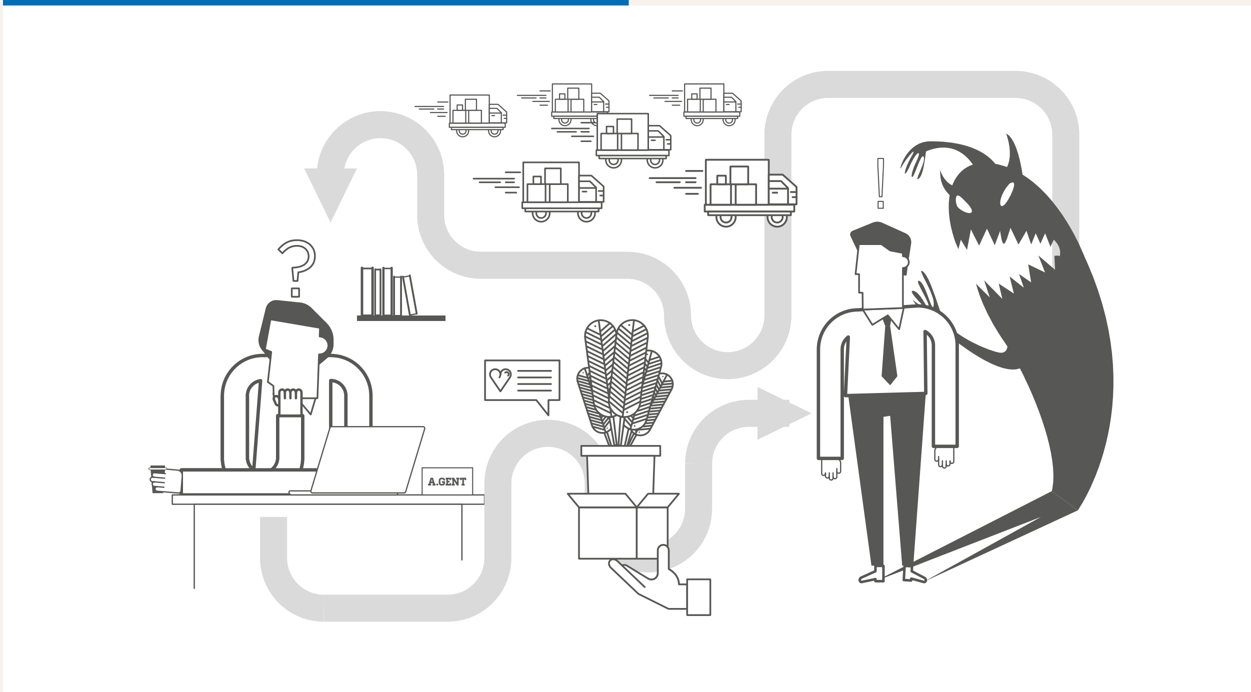
No one ever got fired for thinking like a computer.

Two other behavioural biases prevalent in collective decision-making were spotted by the economist John Maynard Keynes in the 1930s. *"Worldly wisdom teaches that it is often better for the reputation to fail conventionally than to succeed unconventionally"*, he observed. He also spotted in a certain kind of institutional decision-making a preference for being *"precisely wrong rather than vaguely right."* The reason we may prefer to be precisely wrong than vaguely right, and the reason we may prefer to make highly conventional decisions makes sense when you realise that if you make conventional decisions, or make decisions using a highly precise mathematical model rather than using instinctive judgement, these decisions may not turn out well, but you are much less likely to get blamed if things go badly wrong. If you are the lone person making a subjective, eccentric decision, you are the focus of all blame if things turn out badly.

This partly explains why meetings are so popular in workplaces. A decision made by ten people is a way of ensuring that blame is widely dissipated in the event that things turn bad. It is much better for one's career to be one of ten 'scapekids' than to be the lone scapegoat.

Which brings us to the work of Gerd Gigerenzer. Gigerenzer has identified a pattern of behaviour which he calls **"Defensive Decision-Making"**. In defensive decision-making, someone (a doctor, a consultant, a chief executive) makes a decision under the strong influence of an unconscious bias. Although they think they are making an optimal decision given the available information, in fact they are heavily influenced by a second consideration: not *"what is the best decision I could make for my patient/company?"* but *"what is the decision I could make which has the least worst-case consequences for me personally?"*

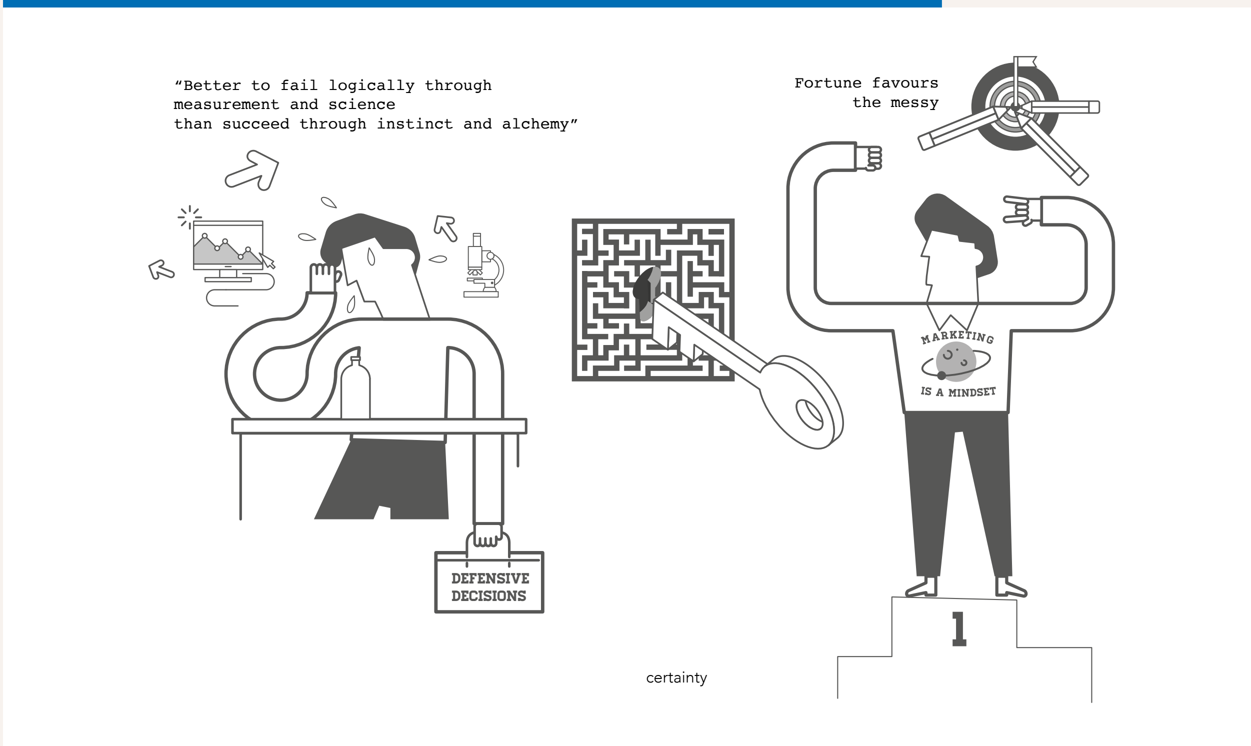
Principal-Agent problem



Defensive decision-making is most common in professional or institutional settings.

In medicine, this leads doctors to be far too prone to recommending medical interventions. Why? Because it is much more likely that you are sued for inaction than for action. Moreover, if you recommend surgery and something goes wrong, it would be the surgeon who gets sued, not you.

Risk of failure against clinging onto certainty



In business, it leads to, well, *"No one ever got fired for buying IBM."*

When presenting to the board of a huge multinational corporation, the Nobel-winning psychologist Daniel Kahneman posed a question to each of the directors individually: *"If I offered you the chance to make a decision in your division which had a 75% chance of increasing your profits by 30% and a 25% chance of reducing your profits by 30%, would you make that call?"* All but two replied no. Why? Because it meant a one in four chance of getting fired.

The Chief Executive looked crestfallen. *"But I'd want all of you to make that decision. Because, in aggregate, we'd make 15% more money."* He was in a position to enjoy the aggregate gains without suffering the shame of individual losses. His directors had to bear the risk of individual losses, without enjoying the gains of their colleagues.

In short, when consumers make a decision (marrying, buying a house, choosing a TV) they are unconsciously trying to minimise the risk of regret. When businesspeople or bureaucrats make a decision, they are trying to minimise the risk of blame.

It is for this reason that business decision-making may be far more plagued by irrational fears than consumer decision-making. The consequences of making a decision that turns out well are generally shared widely with a group and might gain you a bonus if you are lucky. The consequences of making a decision for which you can be blamed are potentially career destroying. The personal outcomes are not well aligned with the collective outcomes. (Partnerships may do this better than publicly owned companies).

"No one ever got fired for buying IBM."

And, as Keynes spotted, one of the biases that might be produced by this asymmetry is a kind of hyper-rationalism. You make decisions not on the basis of what you believe is best, but on the basis of what is easiest to defend. If the decision can be shown to have been based on a reductionist model or algorithm, however pseudoscientific this might be, you are more likely to escape censure. Even if we don't see it in ourselves, blame avoidance is a deep-set, instinctive corporate behaviour.

As a result, much activity within workplaces is almost certainly arse-covering disguised as rigour - where people are using statistics, as David Ogilvy once said, *"As a drunk uses a lamppost: for support rather than illumination."*

I once asked Gerd Gigerenzer what corporate life would be like if we did not practice defensive decision-making. He replied *"We could finish the week at lunchtime on Wednesdays."*

But the fact that businesses do not make decisions in the way that economists think they do is good news for people who believe in magic – since it suggests that a kind of psychological magic might be deployed in B2B dealings every bit as much as when selling to consumers. Innovations in price-sharing, in risk-sharing or the ability to make a small commitment before making a larger one might do much to reduce fear in the B2B buyer. New forms of measurement might be offered to prove the value of the buyer's job to others in the organisation.

Contrary to what is believed about business decision-making, the humans who make business decisions are no more immune to deep psychological motives than anyone else. Fear of blame, after all, may be as old as humanity itself.

It also explains why brands are much more valuable to B2B marketers than they themselves realise. A decision to appoint a respected brand is much less reputationally risky than the appointment of an unknown. If you appoint a well-known company to a task and things go wrong, your colleagues are likely to blame the supplier. If you appoint someone obscure, they may blame you.

As with medicine, there is a pharmacological effect and a placebo effect. One tends to be respected while the other is discounted on the grounds that it is seemingly 'magical'. Yet both can work in tandem. The best treatment would maximise the placebo effect alongside the pharmacological effect – the alchemy alongside the chemistry.

The loneliness of the long-term marketer

In many organisations, this hyper-rational business culture is not one which is welcoming to marketing thinking. The role of the marketer may hence become lonely, unenviable and short-lived. It is also becoming more and more narrowly circumscribed, with a very short average tenure. None of this bodes well for the long-term creation of marketing value: and the most sustainable forms of value in marketing are mostly created over the longer term.

Yet the requirement to make counter-intuitive judgements based on no firm data is career -threateningly dangerous in a highly rationalistic business environment.

But with the right mentality, a single marketer, by virtue of his different mindset, could provide spectacular value in unexpected places. Value which no one else would think to create. The opportunity to do this is greatly heightened by the development of behavioural science as a discipline. The great advantage of behavioural science is that it describes marketing practice in terms people of a rational mindset can respect. One acquaintance of mine, who runs a behavioural science practice in Silicon Valley, describes her role as follows: *"the Marketing Director hires me to explain what she does to the engineers."*

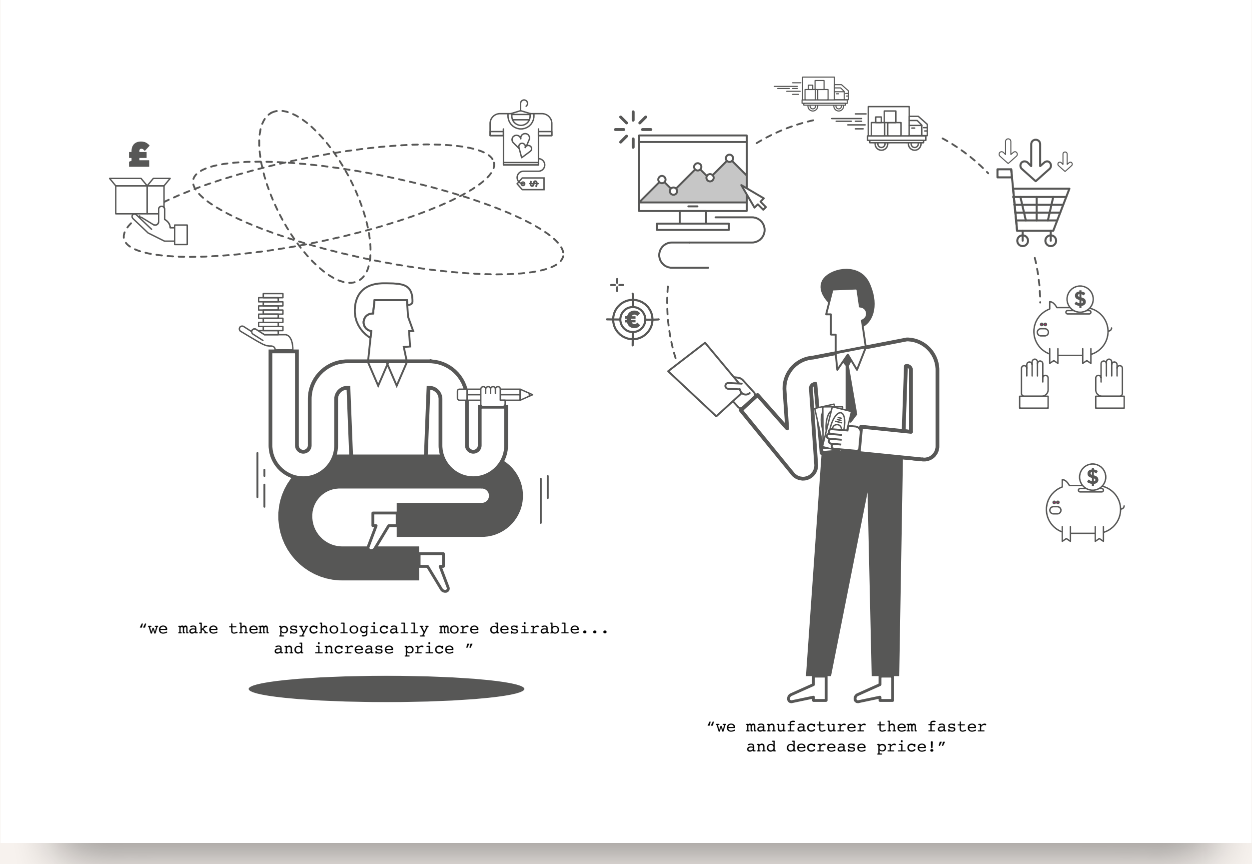
How might this work?

Well, for example, conventional economic logic suggests that for any given product or service, the only way to increase your sales to rational business buyers is to improve the attributes of the product or to reduce the price they pay. As a result of this reductionist thinking, no thought is given to a magical solution – which is to charge for the product in a way which makes people instinctively willing to pay more. A marketer would think to do this. A marketer knowledgeable in behavioural science would know how to defend his instincts, and could cite scientific papers in support of his assertion.

One B2B marketer for a law firm ingeniously charges a monthly retainer for legal services to transport and haulage firms. But he frames the price very differently. Not "£1000 a month for a fleet of 80-100 vehicles" but "from 33p per vehicle per day". To an economist, this would seem a trifling distinction. But he repeatedly finds it makes selling the product inordinately easier. Framed against the £250,000+ value of a large truck, 33p seems a trifling amount, whereas £1,000 a month sounds like a rather painful cost. Here, and in the case below, the use of the phrases **"anchoring"** and **"framing"** could be decisive.

In the same way, in the early stages of a food delivery brand (now worth over £1bn), the proposal was to pay the restaurant directly for each meal it supplied and then to invoice them monthly for the commission on the month's past sales. A marketing thinker pointed out that this was a mistake. "We should keep the money from each meal sold, deduct commission, and then send them a payment every month." He or she understood that, if the restaurant saw the new business as a source of incremental revenue, they would value it; if they saw it primarily as a cost, they would look for ways to avoid it. Again, in economic terms, there is no difference between the first proposal and the second, but the psychological effect on the business will be dramatically different.

Price Framing



I have repeatedly asked utilities why they drop the price of their energy to businesses, rather than keeping the price the same and paying a rebate at the end of the year. *"What's the difference?"* they all ask me. Because when a finance director receives a rebate, he or she can move it into any budget they like. They'd much prefer that. I don't know a great deal about finance, but I do know that the freedom to move money about gives accountants great joy. It's pretty much what they live for. Again, no non-marketer would think of doing this, since in their reductionist model, money is money. Actually, money is psychology. The value of money rests on a mutually shared delusion.
And a finance director values moveable money far more highly than a discount.

The B2B Institute

If you want growth, avoid reductionism

If there were more behaviourally-informed marketers in a host of organisations which currently has no access to this thinking, it might end such companies' mistrustful attitude to psychological value – and as a result release a great deal of extra value.

This doesn't only apply to B2B; it is also commonplace in almost all organisations with a strong technical, financial or engineering culture. People who run railway companies obsess about punctuality and speed. What they need to be told is that, if you keep customers informed of delays throughout the journey, and explain the reasons, people are much less annoyed. It also means they can break the bad news to their clients gently in advance, rather than arriving at a meeting late and in a flustered condition.

In most internal functions of business (HR is an obvious exception), objectives can be defined in very simple, objective terms. Speed, time, weight, cost. Success can be defined in advance, and progress can be measured against these aims. When put into practice with human beings, the rules will never be so neat. Good organisations need to learn to lose their aversion to ambiguity.

In marketing, the metrics that matter are defined by the customer, not by the organisation.

These metrics may change over time. And vary enormously between different customers and different marketing strategies.

In a business culture which is obsessed with quantification and measurement, there is an ever-present risk that the need for accountability makes the value created by marketing smaller rather than larger. If you spend your money doing only what can be proven to work, you may be missing out on things which are more effective but less demonstrable. You will also focus disproportionately on short-term wins over long-term value creation.

This is inclined to happen in any organisation with an expensive sales function, since sales will tend to dominate marketing. Sales will principally judge marketing as a source of leads, especially in the short term. This is by no means an unimportant function of marketing, but it is a narrow activity, not a state of mind. By narrowing the remit of marketers down to a single purpose or metric, you will end up trying to optimise the wrong thing.

Or, equally, by demanding that marketing expenditure is wholly accountable, and maximally efficient, you may confine your communications to low impact, highly-targeted media which fail to deliver any of the wider benefits of fame, and which fail to reach influencers (IEUs) and other colleagues who may still be involved in ratifying the final decision.

As I mentioned at the start of this article, marketing is probabilistic, not deterministic. You cannot define its effects fully in advance, nor measure them fully in retrospect. It is valuable for a business to be famous in all kinds of ways – because fame vastly increases a business's scope of possible opportunity. At a simple level people cannot buy from you if they do not know you exist. But they cannot buy confidently from you if they have never heard of you before. As fame increases, other possibilities will present themselves that you could not possibly have predicted. Suddenly people return your CEO's phone calls. You attract investment. Your stock value rises. Other businesses approach you, suggesting partnerships. People bring you new ideas. Better candidates demand less money to work for you to enhance their resumés (and LinkedIn profiles). They work for you for longer. You win more bids. Your employees feel 20% cooler at parties. In none of these cases can the ends be predetermined or the full value quantified. Does that mean you should make no attempt to be more widely known? I don't think so.

What is interesting here is that individuals, when it comes to their own brands, understand the probabilistic nature of opportunities instinctively. They spend hours polishing their LinkedIn profiles with no specific audience in mind and attend as many networking events and industry functions as they can – without performing a cost-benefit analysis in advance. Yet when businesses perform these functions, they proceed on the convenient fiction that everything is knowable, and success must always be the kind you plan for in advance.

But wider fame often works better than narrow focus.

Take a big idea from B2B: American Express's "Small Business Saturdays."

This is an idea whose principal focus is to build relationships with many small retailers and restaurants. But to measure it exclusively by its success in acquiring and maintaining the footprint of smaller stores which accept the card would be to undervalue it. It has resonance far beyond the intended audience, and may contribute as much value in driving Cardmember loyalty as it does in creating Card acceptance from merchants.

This provides a glimpse of what B2B marketing could do if it were to consider a broader remit for marketing ideas.

A simple first step to putting this right.

A marketer at board level, armed with the right amount of behavioural science could challenge these assumptions,and could point-out the risks of decision-making biases in all manner of internal decisions.

But above all, the injection of a marketing mentality into a senior position in a B2B company could help that company innovate and grow, by suggesting new psychological forms of differentiation, and by pointing out that not everything that is costly is necessarily a cost. This would challenge the mindset typically deployed in board meetings – where, as Professor Jules Goddard explains, *"a balance sheet containing seven cost lines and one revenue line leads to costs and earnings being discussed in that same ratio."*

What might be an important first step to obtaining this? For one, in all organisations, especially in B2B, at least one non-Executive Director should be sought from a marketing, media or psychology background. This will help the cognitive diversity of decision-making.

We also need to use behavioural science to update the language of marketing in terms which are more board friendly, and more science friendly. The language and vocabulary of Behavioural Economics, sharing much terminology with the language of Finance, can only help here. The recent publication of the B2B Institute's whitepaper 'Marketing to the CFO' is a useful addition to any marketer's reading list.

Our long-standing pretence that psychological effects shouldn't count does wonders for making us look rational and scientific. But it costs us very dear - in money and in health.

In Summary...

1 **There's another map**

It's a convenient fiction that business decision-making is aligned with conventional economic axions. Behavioural science offers a valuable counterpoint to this logical or quantifiable view of business, providing marketers with an entirely new experimental space in which to play. Remember, if you can understand what others assume to be true but actually isn't, you've already found a means to differentiate yourself.

2 **Marketing is a 'mindset'**

It's a convenient fiction that it's always better to win on product and price. The reality is that there's power in the psychological monopoly unlocked by embracing a marketing mindset. There are potentially billions of pounds of unrealised economic value waiting to be discovered if marketing were used more often, creatively and wisely. Remember, while a technological advantage can be copied in months, the injection of a marketing mentality (particularly outside the marketing departments) can help companies to innovate and grow by suggesting new psychological forms of differentiation.

3 **We don't rationalise or calculate, we avoid blame**

It's a convenient fiction that procurement decisions are made rationally and logically for the benefit of the business. In reality, they are heavily influenced by a second consideration, "what decision has the least worst-case consequences for me personally?" Blame avoidance is a deep-set, instinctive corporate behaviour. To lessen its sting, we should continue to explore innovative approaches to price and risk-sharing. By helping to make a smaller commitment before a larger one, we can do much to reduce fear in the B2B buyer.

*The report identifies **five key principles***

4 **Playing the long game is key, particularly in B2B**

It's a convenient fiction that the importance of marketing is proportional to the media budget. Yet, unless you have a powerful marketing presence somewhere in your organisation, the natural tendency of most is to pursue short-term sales, and incremental, objective improvements. The reality is that short-term interventions work, but only in the short-term. With the right mentality, greatly heightened by the development of behavioural science, a single marketer can provide spectacular value in unexpected places.

5 **If you want growth, avoid reductionism**

It's a convenient fiction that everything is knowable and quantifiable through objective terms like speed, time, weight and cost. It's fiction too that success must always be the kind you plan for in advance. Perhaps counterintuitively, it is the very messiness of marketing which makes it one of the first places any B2B company should look to for enduring growth. You cannot define its effects fully in advance, nor measure them fully in retrospect. It is probabilistic, not deterministic. Because of this, brand fame vastly increases a business's success by presenting opportunities that would otherwise have been impossible to predict. By narrowing the remit of marketers to a single metric, you will end up trying to optimise the wrong thing.

Behavioural Science Principles Profiled

Defensive Decision Making

Through the lens of defensive decision making, an employee might believe 'Option A' is best for their company, but instead settle for a safer option – not one that advances the company's interests, but minimises the risk of blame for themselves as an individual. This line of reasoning often takes place subconsciously.

Implication

To leverage defensive decision making for your benefit, keep in mind your target customer's professional ambitions in positioning a partnership opportunity.

Gigerenzer, G. (2014). Risk savvy: How to make good decisions.

Correlated Error

When individuals make evaluations under uncertain conditions, hearing the perspectives of others will skew the accuracy of their judgement. Similar to the outcomes of the childhood game "telephone", where the first opinion given influences those of the listener, which then influences the next person involved in discussion. Conversely, when multiple people are asked to make a judgement independently, the accuracy of those estimates rises when averaged.

Implication

Create space for team members to develop their opinions independently to preserve the value of individual contributors. If everyone copies their neighbour's guess in procurement decisions, outcomes will suffer.

Surowiecki, J. (2005). The Wisdom of Crowds.

Abilene Paradox

Abilene Paradox: The Abilene Paradox describes a group dynamic whereby each member mistakenly believes their preferences are out of step with the rest of the group. Subsequently, under the misguided assumption that the other group members prefer it, they collectively agree to a decision that no one individual thinks is a good idea.

Implication

To counter the influence of social conformity, encourage team members or customers to push back on their assumptions by creating a feedback "safe word". In this way, playing devil's advocate can actually become a constructive norm.

Harvey, J. B. (1974). "The Abilene paradox: the management of agreement". Organizational Dynamics. 3: 63–80.

Principal Agent Problem

When there's an asymmetry of information between the decision maker (the Agent) and the person they're making choices on the behalf of (the Principal), we find ourselves with a moral hazard: the Principal is liable to make a decision that benefits their personal interests more than would benefit the Agent.

Anchoring

Anchoring is a particular form of priming whereby initial exposure to a number serves as a reference point and influences subsequent judgements about value.

In a classic study, after writing down the last two digits of their randomly generated social security number, participants were asked to specify the maximum amount they would pay for a rare bottle of wine. Those with the highest digits, bid an average of $37.55, whilst those with the lowest digits bid an average of $11.73.

In the context of B2B, the implications for pricing are immense.

Ariely D., Loewenstein, G., & Prelec, D. (2003) "Coherent arbitrariness": Stable demand curves without stable preferences. The Quarterly Journal of Economics, 118(1), 73-105.

Framing

"Framing" information is a verbal and psychological device that changes people's perspective, understanding and then behaviour according to the way that information has been presented.

The way in which an outcome is framed can effect our subsequent choice. For example, it has been found that doctors can increase the number of people that willingly agree to surgery by framing the survival rate as 90% chance of success rather than 10% of mortality. This framing causes us to focus on the "survival" and discount the "mortality", giving a potentially lifesaving intervention closer consideration.

Implication

In a B2B context, framing can be useful in helping customers to balance the potential risks and benefits of a product.

Kahneman, D. & Tversky, A., (1981). The framing of decisions and the psychology of choice. Science, 211(4481), 453-458

Kahneman, D. & Tversky, A., (1981). The framing of decisions and the psychology of choice. Science, 211(4481), 453-458.

Behavioural Science Principles Profiled

Loss Aversion:

The psychological pain of losing is twice as powerful as the pleasure of gain. That is to say, we'd far prefer to not lose £5 than to find £5 in the street. Consequently, loss aversion impacts our risk taking behaviour as well as the way we respond to incentives.

Following these implications, be quicker to highlight what clients risk missing out on, and instead of incentivising customers with a discount, potentially offer them the chance to dodge a surcharge.

Kahneman, D., & Tversky, A. (1979). Prospect theory: An analysis of decision under risk. Econometrica, 47, 263-291.

Social Proof

In situations of uncertainty, we look to the actions of others to help guide our decisions. This phenomenon is evolutionarily hard-wired and rooted in the evolved assumption that the people around us have a better understanding of the current situation than we do. Social proof has particular applications to e-commerce, where we see customers routinely looking to review websites like TripAdvisor or Yelp to see what other people have decided when faced with similar choices.

Implication

In many ways, fame operates as a form of social proof, and can be leveraged as such for a B2B audience.

Cialdini, Robert B. Influence: Science and Practice. New York: Harper Collins College Publishers, 1993.

Amblee, N., & Bui, T. (2011). Harnessing the influence of social proof in online shopping: The effect of electronic word of mouth on sales of digital microproducts. International Journal of Electronic Commerce, 16(2), 91-114.

Defaults

When at risk of decision fatigue, we have a tendency to go with the flow when presented with pre-set options. Opt-in / opt-out choices are perfect examples of this. For example, a large national railroad in Europe changed its website to automatically include seat reservations with ticket purchases (at an additional cost of £1-£2), unless the customer actively unchecked a box on the online booking form. The proportion of tickets including reservations jumped from 9% to 47%, earning the railroad an additional $40 million annually.

Implication

Think carefully when positioning options related to your service offering. Their ordering will (disproportionately) influence your customer's decision.

Goldstein, D.G., Johnson, E.J., Herrmann, A., & Heitmann, M. (2008). Nudge Your Customers Toward Better Choice, Harvard Business Review, December 2008 Issue.

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