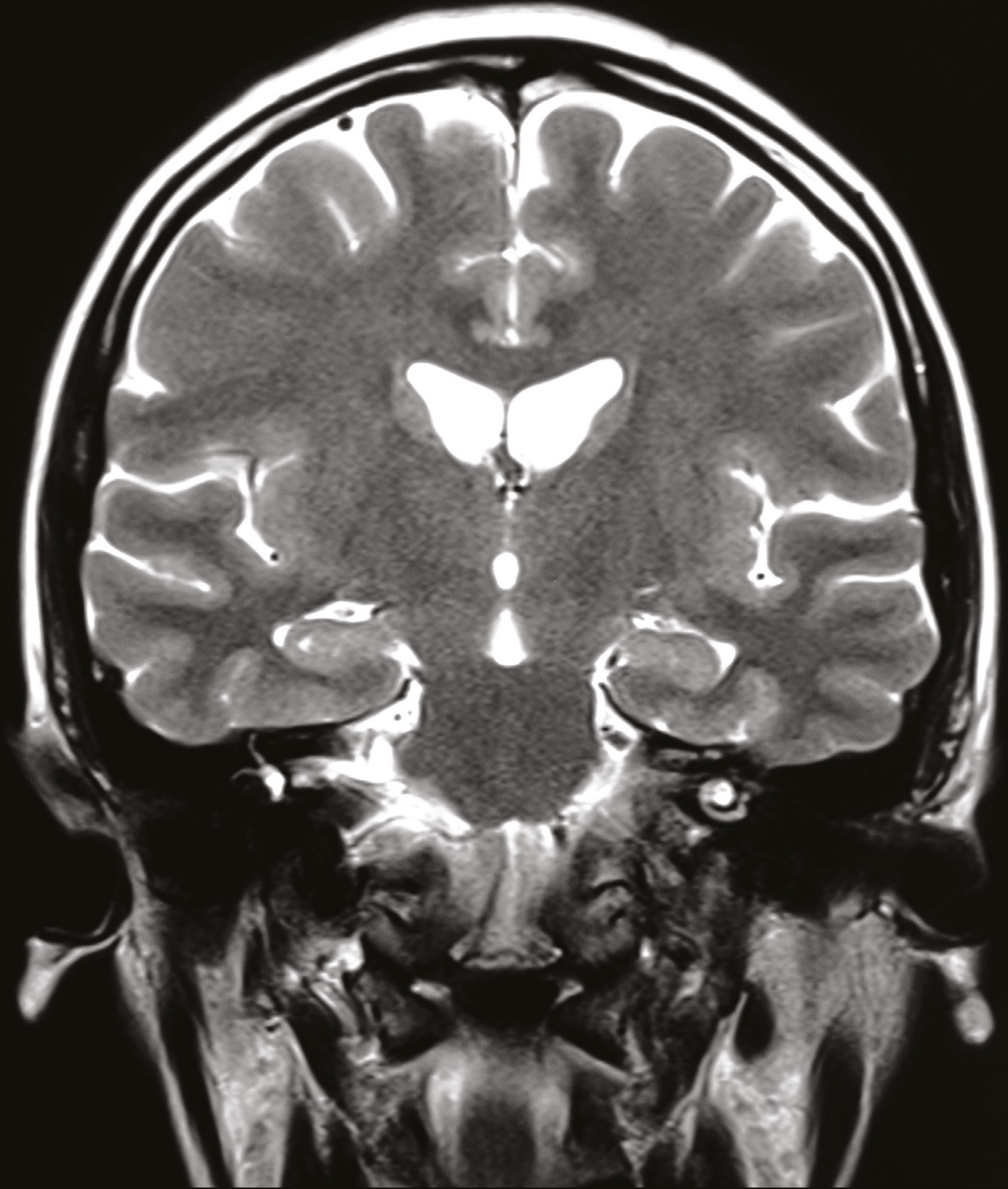
Behavioural science:

What does it mean for B2B marketers?

Research by
The Marketing Practice



Introduction

68%

of people say they are more rational at work. We think they are wrong, and we are setting out to prove it.

What does it mean for B2B marketers?

B2B purchases are often far more driven by emotion than we give them credit for – after all, you stand to lose your job if it goes wrong, or to gain a major career boost if it goes well.

This is understood in consumer marketing and public policy, where behavioural psychology has been widely applied to understand and influence decision making, but it has yet to be systematically applied in B2B marketing. We think it is especially relevant in B2B – and there is a huge opportunity to take advantage of it.

To prove our hypothesis – that B2B decision makers are just as susceptible to unconscious biases as consumers – we turned to leading behavioural psychology expert, Richard Shotton, to conduct some research. Richard's book The Choice Factory, applies behavioural economics principles to the world of advertising, has been lauded by leading marketing thinkers including Mark Ritson, Les Binet, Dave Trott and Rory Sutherland, and was hailed in a 2018 survey as the greatest advertising book ever written.

The rest of this booklet shows the results of our research, as well as some real-life examples, practical ideas, and guidance on how the findings can be applied in B2B marketing.

David van Schaick
CMO & CDO
The Marketing Practice

False consensus

The research

We tend to overestimate the extent to which other people are like us, and it's a dangerous mistake for marketers.

For example, in our survey, readers of The Economist estimated that half of people in their industry read The Economist, almost double the estimate of non-readers.

Economist readers' estimate:

50%

Non-readers' estimate:

27%[1]

Implications

Marketers seem peculiarly susceptible to this bias.

We often project our own lifestyles onto our audiences, assuming that they fit into a similar cultural background, or that they use the same technology and platforms as us.

Basing your marketing decisions on what you think people do rather than what you know they do, opens you up to mistakes:

- Focusing on channels and tactics that the audience don't use
- Allowing the global marketing team to dictate field marketing campaigns, without allowing for cultural nuances
- Running ads that assume an interest in the category
- Creating and targeting inaccurate personas
- Making marketing plans that appeal to us and our interests/preferences

False consensus

> “The first rule of marketing is that you are not the market.”
>
> **– Mark Ritson, 2018**

Testing propositions and messaging to avoid these pitfalls is critical. For example, we’re increasingly seeing the use of short, sharp pulse surveys to test campaign messaging, or ethnographic research to test and develop B2B content.

How can we apply this?

On the plus side, we can also recognise this bias in our target markets and use it to our advantage.

Making prospects feel that others in their industry are making a decision is likely to encourage them to make it too.

This might mean:

Suggesting that the target's competitors are getting ahead of them

- Using statistics to show that your product/service is the industry standard – e.g. "no-one ever got fired for buying IBM"
- Using influencer marketing or campaigns with prominent case studies

Case study:

Microsoft Lumia

Few businesses were considering Microsoft's Lumia smartphone range in 2014. Its market share was well short of Apple and Samsung.

Independent research showed that when people used Lumia for work, 80% would recommend it to other businesses.

But Microsoft had one simple insight which changed the complexion of the marketing strategy: the main reason people didn't buy Lumia was because they didn't think anyone else was using it.

That led to a strategy of encouraging people to believe that others were moving to Lumia phones. Microsoft also had the insight that putting the phones into people's hands increased consideration for the product, so the campaign included a VIP trial box. This contributed to a feeling that more people were using the phones too.

Overall, this led to Microsoft increasing their market share for business phones from 12% to 26% in less than a year.

Microsoft

Overconfidence

The research

84% of marketers said that they were **better at their job than their peers**

79% of marketers said **their company was better** than their **competitors**

And in each case, **45%** say they're <u>much better</u> than average[2]

Most of us have a tendency to overestimate our own abilities. Overconfidence is rife, with well over half of the marketers in our survey rating themselves 'better than average'.

And this leads to poor estimation of likely success. 75% said their company had a better-than-chance likelihood of winning[3].

Men and woman experience slightly different levels of overconfidence in different areas; men are more confident in themselves and women are more confident in their companies.

Implications

This is more than just an abstract issue.

Overestimation of business success may lead to failure to prepare and consequently poorer performance in the long run. Our previous survey findings echo this vendor complacency[4].

What can marketers do? While you can't guarantee success in every sales pitch, you can increase your chances and reduce wasted investment by focusing on the opportunities which you are most likely to close. Modern data analytics, intent tracking and smart ABM planning can segment your accounts and help you to get more bang for your marketing buck.

> "Some [vendors] are excellent – they tend to be the smaller ones, they tend to be more flexible because they want the business, and then there's the bigger ones that don't care if you take it or not."

IT Director, legal sector, <1000 employees

Overconfidence

How can we apply this?

The overconfidence bias also has implications for how we market to prospects and clients.

If the people you target believe they are better than their competitors, how does that affect your messaging?

You might, for example, use your audience's belief in their own products to your advantage.

- Run an award scheme for customers
- Gamify your partner marketing programme
- Use wording that suggest pride and achievement – "your company deserves the best", "industry-leading companies use X product" etc.

Case study:

Salesforce Trailblazer

Salesforce have always cast themselves as the CRM system for forward thinkers – from the 'anti-software protest' publicity stunt in the early 2000s, to the narrative of environmentalism from Marc Benioff.

The latest iteration of this is the 'Trailblazer' branding, which casts Salesforce customers as pioneers, innovators, and leaders in their industries.

If the persona of a Salesforce buyer is someone wanting to improve efficiency and drive change in their company, or (implicitly) someone who wants to advance their own career, then the Trailblazer branding plays on their self-confidence and ambition.

salesforce

Extremeness aversion

The research

When provided with a range of options, we tend to pick the "middle" choice. We asked our survey audience:

"Imagine that your company is looking to hire a cleaning service. There are different options available depending on how often you want them to come.

Which option do you pick?"

Extremeness aversion

The survey respondents were given one of two option sets.

One half were shown these options
(in this condition "every weekday" is high):

1. Cleaner comes once a week
(4hrs per day) – **£1,872** (+VAT) per year

2. Cleaner comes 3 days a week
(4hrs per day) – **£5,616** (+VAT) per year

3. Cleaner comes every weekday
(4hrs per day) – **£9,360** (+VAT) per year

And half were shown these options
(in this condition "every weekday" is middle):

1. Cleaner comes 3 days a week
(4hrs per day) – **£5,616** (+VAT) per year

2. Cleaner comes every weekday
(4hrs per day) – **£9,360** (+VAT) per year

3. Cleaner comes for the full day every weekday
(7hrs per day) – **£16,384** (+VAT) per year

The number of people choosing "every weekday" more than doubled when it was presented as the middle option

from
18% to 37%

Extremeness aversion

Implications

Extremeness aversion is simple and effective for building consensus, especially with risk-averse stakeholders in the business.

When pitching ideas to your CMO or other P&L holders, you can make use of this technique to make your preferred option seem like the most reasonable.

You should also interrogate your own decisions. Are you being influenced by this bias in your marketing planning, and stifling innovation which pushes the boundaries of your current activity?

One way to counter this is by having a structured approach to budgeting for innovation, such as a 70:20:10 model.

How can we apply this?

As well as pricing, this has implications for web and UX design – how you present choices online and service interactions.

It also has implications for positioning: consider where your competitors are pitching their products – are they offering a premium option, or are they undercutting you on price?

It's possible to pitch your brand as a 'Goldilocks' option, offering a reasonable price without compromising on service quality or customer experience.

Case study:

Xerox

Xerox wanted to sell managed print services and document analytics into the C-suite, but they were up against expensive consultancies like PwC and Accenture with a reputation for large transformation programmes. At the same time, they were being undercut by smaller companies offering basic print analytics.

Rather than go toe-to-toe with either of those groups on their own terms, Xerox launched a pilot campaign which is a perfect example of using the audience's extremeness aversion.

They painted Xerox as the reasonable middle ground option: the only ones who had the practical experience and heritage in print to seem credible, as well as the scale and consultative approach to compete with the big consultancies.

The pilot campaign delivered multi-million dollar pipeline and opportunities with top-priority new logos in Financial Services.

Appeal to novelty

The research

There is a tendency to favour things that are new. We introduced people to the 'Pratfall Effect', telling them it was first observed either 2 years ago, or 52 years ago.

Novelty led people to feel that the theory was more believable when more recent, but marginally less interesting.

76%

said they were **interested or extremely interested** when the research was from **1966**

vs

73%

when it was from **2016**

Appeal to novelty

60%

said the research was **believable or extremely believable** when it was conducted in **1966**

VS

67%

when it was from **2016**

Another example of the 'Appeal to Novelty' fallacy is the fact that stock markets respond significantly better to the appointment of external CEOs rather than internal promotions7, despite the fact that external candidates are more likely to be dismissed due to a lack of necessary skills8.

Appeal to novelty

Implications

Marketers are notorious magpies for the latest shiny toys.

The fact that so many marketers prematurely invest in new technologies is part of the reason for the 'peak of inflated expectations' on the Gartner hype curve (and is linked to the False Consensus bias).

Focusing too heavily on novelty leads to problems like:

- Budget wastage on new technologies which don't contribute towards KPIs
- Marketing plans too weighted towards new tactics at the expense of what's working
- Overreliance on novelty as a messaging headline – when perhaps audiences are looking for consistency, track record or trustworthiness

Our advice is to avoid making impulse decisions on 'new' marketing techniques – start with a clear, thorough marketing strategy.

Weigh up traditional and new tactics equally.

Research what will be most effective for reaching your audience and achieving your marketing objectives before jumping into decisions too quickly.

How can we apply this?

Positioning your products as innovative, new or 'game-changing' is, ironically, nothing new.

Almost every industry niche is saturated with this kind of messaging. While it can be effective, we'd recommend a market and competitor scan before centring a campaign on 'novelty', to make sure you're differentiated from competitors.

If you do follow this route though, there are other small changes you can make to reinforce this message throughout your marketing mix:

- Prioritising research and statistics from the last few years
- Removing dates from content that you expect to use for many years, so it doesn't become anachronistic
- Keeping an updated stock of case studies, rather than relying on the strongest ones for decades

Eloqua

It can be an effective strategy for challenger brands to cast the incumbents as old-fashioned, slow-moving, or out of date. Think of disruptors in the consumer world like Uber and Netflix, or commercial industry newcomers like Xero or Workday.

Perhaps one of the best examples in B2B is the championing of the term 'modern marketing' by Eloqua (now Oracle Marketing Cloud).

Modern marketing is usually used to describe multichannel, digital, inbound marketing, usually coordinated by marketing automation.

While this 'modern' approach is not necessarily a bad aspiration, it has been a coup for the companies like Eloqua who have propagated it, and who sell the martech that underpins it.

Under-estimating the effect of biases

The research

The last part of our research focused on how much B2B marketers thought they were influenced by unconscious biases. The results were stark – business decision makers tend to think they behave rationally at work, despite this not being the case.

68%

of decision makers think they are more rational at work

73%

of decision makers think people are more likely to make rational decisions in a work environment compared to at home[9]

Underestimating effect of biases

Most people think that they aren't affected by behavioural biases as much while they are at work, but our investigation suggests this isn't the case.

The human brain is exceptionally talented at post-rationalisation – i.e., we are very good at convincing ourselves that decisions we make are based on fact and logic. But we do not become different people when we step through the office doors; we are affected by the same biases at work as we are in our day-to-day life – perhaps even more so.

The research

We tend to overestimate the extent to which other people are like us, and it's a dangerous mistake for marketers.

For example, in our survey, readers of The Economist estimated that half of people in their industry read The Economist, almost double the estimate of non-readers.

Confirmation bias

One of the better-known cognitive biases, this describes our tendency to seek out content which confirms our existing beliefs, and disregard or discredit information which proves us wrong.

Research shows that writing and sharing reviews can increase the customer's perception of product value by up to 37%10, as the act of writing the reviews reinforces their belief in the product. Equally, confirmation bias has implications for segmentation and targeting: is it financially viable or even possible to convert prospects with a negative perception of your brand, since they are likely to be entrenched in their beliefs?

Availability bias

The tendency to overestimate the likelihood of events with greater "availability" in memory, which can be influenced by how recent the memories are or how unusual or emotionally charged they may be.

For marketers, we can think about how frequency of touchpoints and share of voice affect our prospects' likelihood of buying. IPA research, for example, shows that a 10% increase in share of voice leads to a 1.3% increase in market share on average[11].

Underestimating effect of biases

Priming/Anchoring

The tendency to rely too heavily, or "anchor", on one trait or piece of information when making decisions (usually the first piece of information acquired on that subject).

This means that the order of information we give to our target audiences is vital. Think about how you construct call scripts for telemarketing and sales, your bid theatre in RFP pitches, and the slide order in presentations. This applies particularly in new categories, where the audience has no pre-existing point of reference to compare your solution against.

Survivorship bias

Concentrating on the people or things that "survived" some process and inadvertently overlooking those that didn't because of their lack of visibility. In short, making a decision based on past successes, while ignoring past failures.

Think about this in context of event speakers and case studies: just because something worked in one case, doesn't mean it is always successful. Make decisions based on data, not anecdotes.

Principal-agent problem

This problem occurs when the interests of an individual employee run counter to the interests of the larger organisation they represent. For instance, a company might publicly express their commitment to staff development. Yet in order to hit cost reduction targets, a manager might cut back their development and training budget.

As marketers, we need to understand the real motivations of the people making the buying decisions, not the stated aims of the business.

Underestimating effect of biases

Remembering these everyday biases can help us create better marketing campaigns, and can also help us pause, and re-evaluate our own decisions to try and behave more rationally.

About the research

This research was carried out by Manning Gottlieb OMD on behalf of The Marketing Practice (TMP).

Methodology

- Quantitative research using an online survey
- Among 213 business decision makers working in Tech, Media or Telecoms
- Used question “blocking” and other implicit research approaches to avoid over-relying on claimed data

References

[1] What percentage of people in your industry do you think read The Economist?

Base: Economist readers (those who have read the Economist in the past 3 months) (N= 94); Non-Readers of the Economist (those who have never read, or last read over a year ago). Readership was asked at the end of the survey so as not to impact estimates.

[2] How good would you say you are at your job compared to your peers? And how good would you say that your company is compared to competitors within your industry? Please rate on a scale from 1-4, where 1 is much worse than average and 4 is much better than average. Base: N=213

[3] Imagine your company is up for a new piece of business vs its 2 closest rivals? How likely do you think your company would be to win? Base: N=213 – "Above chance" classed as those who gave their company an over 33% chance of winning

[4] https://themarketingpractice.com/download-b2b-proposition-research/

[5] Imagine that your company is looking to hire a cleaning service. There are different options available depending on how often you want them to come. Which option below do you pick? Base: N=213. Condition 1 "C is high" (n=112), Condition 2 "C is middle" (n=100)

[6] How interested are you in this theory? Base: Told 1966 (N=99), Told 2016 (N=114). Note: the Pratfall effect was originally described in 1966

[7] https://phys.org/news/2016-01-ceos-stock-prices.html

[8] https://www.sciencedaily.com/releases/2008/09/080904151627.htm

[9] How much do you agree with each of the statements below? "I think more rationally at work than in my personal time", "People are more likely to make rational decisions in a work environment than at home" Base: N=213

[10] Smart Insights

[11] IPA