Smart Persuasion

SAMPLE CHAPTERS

How Elite Marketers Influence Consumers

(and Persuade Them to Take Action)

Philippe AIMÉ &
Jochen GRÜNBECK

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INCLUDED

Actionable Tactics
for each principle

Smart Persuasion

by Philippe AIMÉ & Jochen GRÜNBECK

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Foreword

Foreword

Have you ever wondered why some websites stand out when it comes to turning visitors into customers?

According to a recent study, members of Amazon Prime convert on a remarkable 74% of their sessions...

...and Booking.com's conversion rates are one of their best-kept secrets.

Would you believe that much of their success is rooted in the work of a number of psychologists, behavioural economists and even Nobel Prize winners?

Sometimes, this research dates back a long way. For example, our understanding of the Von Restorff Effect can be traced to a warm summer day in Berlin, 1933. It was here that Hedwig von Restorff, who completed her Ph.D. in psychology at the tender age of 27, submitted the results of her research to the then famous Gestalt journal *Psychologische Forschung*.

She could not have known at the time that her research was going to revolutionize marketing throughout the 20th century. Nor could she have guessed that it would help to shape new forms of commerce in the 21st century.

Today, thanks to her research:

- You can make sure readers remember your brand
- You can increase the click-through rate on an ad or banner by up to 230%
- You can pull your readers' attention to a Call To Action button as if it is magnetic

Other times, this research is quite modern. On an otherwise normal Friday afternoon in 1985, Dan Ariely was exposed to the flame of a magnesium flare (usually used to light battlefields). At the age of 18, he suffered 3rd degree burns on 70% of his body. The situations he encountered during an agonising recovery, in particular the way his nurses attempted to reduce the suffering caused by painful procedures, inspired him to study the origins of human behaviour. Ariely is now one of the most renowned writers and researchers in behavioural economics.

His work helps us understand why we would rather buy a bigger and more expensive cappuccino than a small one:

Ariely encountered a similar situation whilst teaching a class of students at MIT. He came across the following offers in an online ad by *The Economist*:

- Online-only subscription $59 USD / year
- Print-only subscription $125 USD / year
- Print & online subscription $125 USD / year

Who would ever buy the print-only subscription for the same price as the print AND online subscription? Indeed, in a number of experiments conducted on his unsuspecting students, Ariely found that none of his subjects chose the print-only subscription. Despite this, eliminating the option had an unexpected effect on their choices.

When the print-only option was removed, more students chose the cheaper online-only offer and the revenue produced fell by 30%. Ariely's case study demonstrated an important principle that has since been reproduced in countless forms: Decoy Pricing.

Then there is Daniel Kahneman, who received the 2002 Nobel Prize in Economics: the first psychologist to win in that category. Kahneman described the two modes of thinking we use when dealing with different problems: the "Fast" one (System

1) and the "Slow" one (System 2). It is thanks to his work that we know the most important advice for designing a website that visitors will appreciate: **"Don't make them think!"**

Thanks to Kahneman, we know that the perceived pain from losing $100 is roughly twice as strong as the perceived joy of winning $100. What's more, we know how to use this knowledge to improve conversion rates.

There are many other effects that can't be explained with rational models of economics or consumer behaviour. For example:

- Why do the majority of us prefer $50 today instead of $100 in one year?
- Why should you first ask for something small before asking for something bigger?
- Why can too much choice kill your sales, and what should you do instead?

Smart online marketers know to apply these principles to make their website more persuasive.

This book would not exist if it wasn't for the work of people like Hedwig von Restorff, Dan Ariely and Daniel Kahneman. We are indebted to these people and to a great number of other psychologists and behavioural economists, including Amos Tversky, George Lowenstein, Robert Cialdini and Noah Goldstein, to name a few.

Their research has contributed to the success of eCommerce giants such as Amazon. It is thanks to them that even the tiniest hotel in the Chilean desert is ready to pay a whopping 15% of its revenue to Booking.com (and some of the best-known establishments in Paris, London or Rome fork out 25% or more).

Philippe and I took the time to aggregate this research, distilling its principles and producing a collection of proven psychological effects.

Like me, Philippe is obsessed with optimisation. He also has the humility to recognize that, as an expert, you need to learn and to "unlearn" all the time. In a world where everything changes every 3 months (or, even, every 3 weeks) experts should always be ready to question what they believed yesterday.

But, whilst traffic acquisition and social media strategies seem to change from day to day, psychological principles such as reciprocity, salience, motivation or aversion, have been proven to work since the moment they were discovered.

In this book, we will show you how to apply these concepts to increase conversions time and time again. We guarantee that you will soon be converting more of your website visitors into customers.

Jochen Grünbeck (Insead MBA)
Associate Director at Convertize
March 2019

Priming and Framing

How priming and framing can influence your visitors and guide their behaviour

Decoy Effect

(Huber, Payne & Puto, 1982; Dan Ariely, 2008)

Description of the Principle:

The Decoy Effect, first demonstrated in 1982 by Joel Huber at Duke University, explains how, when a customer is hesitating between two options, presenting them with a third "asymmetrically dominated" option (acting as a decoy) will strongly influence their choice. An option can be defined as asymmetrically dominated when it is completely dominated by (i. e. definitely inferior to) one option and only partially dominated (i. e. inferior in some aspects) by the other. The asymmetrically dominated option serves as a decoy which increases preference for the dominating option – the one we really want the consumer to choose.

For example, imagine you own a café and you sell two sizes of your coffee. A small cup costs $1.20, whilst a large costs $2.50. Whilst the large cup provides more coffee, it is also markedly more expensive.

The Decoy Effect will come into play if you introduce a third option. If you introduce a medium coffee and price it at $2.20, it will serve as a decoy. This option is partially inferior to a small coffee, as it is bigger but a whole $1 more

expensive. However it is completely inferior to the large coffee, which provides more coffee and is only marginally more expensive. With these comparisons in mind, the large coffee will stand out as being the best value.

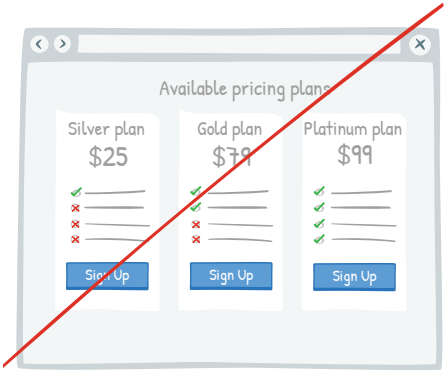
Why this Principle works:

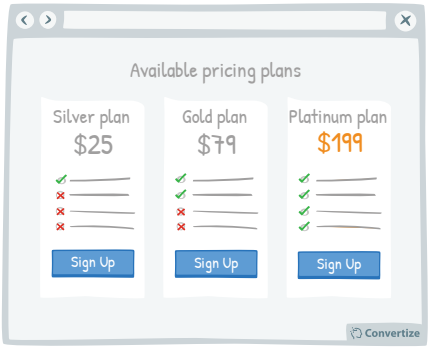
This cognitive bias takes place because our brains prefer to evaluate things based on comparative, rather than absolute, values. When a customer has to choose between just two products, it can make for a difficult decision. In the aforementioned example, the two initial options have nothing in common in terms of price or size, which makes it difficult to draw an effective comparison. The customer can't clearly see which is the "better" choice because they offer totally different benefits: one has a good price, but the other provides more coffee. By introducing the third option, a more relevant point of comparison is offered (even if it is distorted in order to sway the decision making process a certain way). The fact that the third option offers much less coffee for a comparatively small difference in price suddenly makes the large coffee the outstanding option in terms of value for money.

How to use this Principle:

This theory has vast applications in sales and digital marketing, and can be applied to anything from pricing to determining the arrangement and grouping of products.

Concrete Application Example:





Displaying a pricing plan that is disproportionately expensive can be an effective decoy. Supposing you would like your customers to select a particular pricing plan ("Gold"), offering a third option ("Platinum") with similar features but a much higher cost will make your preferred plan seem like a better deal.

People will feel like they are getting better value for money because they are "saving" a lot in comparison to the more expensive third option (the decoy).

Sources and further examples:

Sources:

- Huber, Payne & Puto, 1982
- Dan Ariely, 2008

Further examples on this PRIVATE page:

- www.smart-persuasion.com/decoy-effect

Hobson's +1 Choice Effect

(Huber, Payne & Puto, 1982)

Description of the Principle:

To understand Hobson's +1 Choice Effect, you first need to know what a Hobson's choice is. A Hobson's choice is a situation that involves a single option which you can either accept or refuse. In other words, it's a "take it or leave it" choice. The expression comes from Thomas Hobson who was a wealthy landowner and stable owner in the 17th Century. Despite having a wide range of horses for people to ride, he would only allow his customers to take the horse that was nearest the stable door at the time. He did not want the best horses to get overworked by allowing people to choose for themselves. Hobson's customers could either take the horse nearest the stable door or not go riding at all; the choice was theirs.

Hobson's Choice has therefore become a widely-used expression for offering people a single option to either accept or refuse. Leading on from this, a Hobson's +1 Choice is when you offer somebody two options to choose from instead.

Why this Principle works:

Psychologist Barry Schwartz developed the concept of the Paradox of Choice in 2004, which shows how people become overwhelmed when they have too many options. However, Schwartz noticed that this effect only comes into play after 3 or more choices. In fact, it is usually better to offer people two options rather than only one. Research has shown that, when confronted with a true Hobson's Choice, we are more likely to go for the "leave it" than the "take it" option.

If a second alternative is added, we feel more inclined to opt for one of the choices offered to us. This cognitive bias can be explained as follows: when we are faced with a "take it or leave it" choice, we use all our mental energy deciding whether

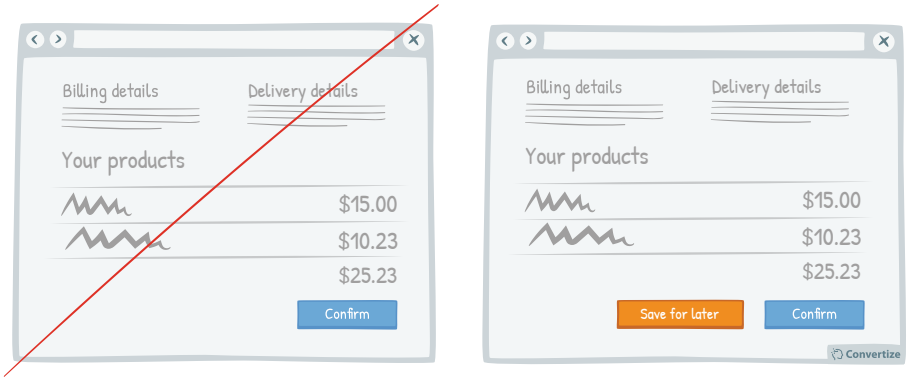
to buy a product or not to buy it. However, when we are given two options, we use the same mental energy to compare these offers instead of considering the "leave it" option. This makes it much more likely that at least one of the "active" choices will be made.

How to use this Principle:

Hobson's +1 Choice Effect has many applications in business and marketing in terms of the sales strategies used when proposing offers and products to your customers.

For example, in online sales, it is often best to give your customers the opportunity to choose between two options with your Call To Action buttons, rather than putting them in the position of "taking or leaving" just one option.

Concrete Application Example:



Your customers will appreciate having the choice between making their purchase immediately or saving their items in order to complete the purchase later.

People like to feel as though they are in control of their shopping experience, and giving them the option to save a basket for later will help to enhance their sense of autonomy. The more that a customer feels they are in control of the situation, the more positive they will feel about eventually making the purchase.

Sources and further examples:

Sources:

- Tversky & Kahneman, 1981
- Huber, Payne & Puto, 1982
- O'Keefe & Jensen, 2008

Further examples on this PRIVATE page:

www.smart-persuasion.com/hobsons-1-choice-effect

Anchoring Effect

(Tversky & Kahneman, 1974)

Description of the Principle:

The Anchoring Effect, first studied by Tversky & Kahneman (1974), is a cognitive bias that causes people to rely on the first piece of information they receive as a point of reference. The human mind does not consider the value of something based on its intrinsic value but rather compares multiple things, using these comparative values to make decisions. Anchoring occurs when an individual uses an initial reference point to make judgments about subsequent information.

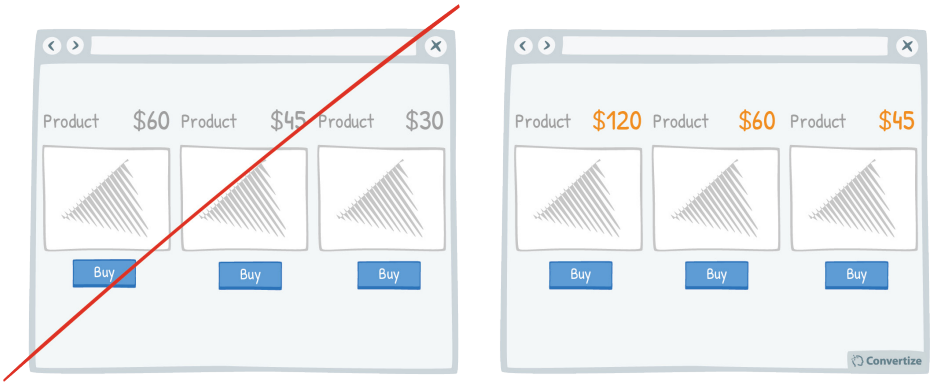
Why this Principle works:

The Anchoring Effect influences our negotiations, the prices we consider to be acceptable and the value we attribute to things. Many experiments have shown that it is difficult to avoid the Anchoring Effect, as it affects our thinking even when we're aware of it. In one study, two groups of students were asked to guess at what age Mahatma Gandhi died. The first group were asked whether they thought he died before or after age 9, and the second group before or after age 140 (both anchors far removed from reality, as Gandhi actually died at 87 years old). The experiment showed that the two groups gave significantly different answers – of 50 and 67 respectively – precisely because they had been influenced by the anchoring values initially given.

How to use this Principle:

Numerous examples of the Anchoring Effect can be found in the commercial sector: during sales, it is common practice to show the original price crossed out with a sale price right below it. This gives customers the anchor point of the higher original price and makes the new one seem like a comparatively good deal.

Concrete Application Example:



Exposing website visitors to high numbers before displaying a product's price can be very effective in influencing their perception of the product's value.

Studies have shown that people use the first piece of information they receive as an anchoring point by which to judge subsequent information. Showing high numbers to your visitors will ensure that, by comparison, your prices seem lower than they otherwise would.

Any large number will work, with no link to pricing necessarily required. The anchor you provide could be based on the number of members you have, the number of satisfied customers, or the number of visitors you receive per month.

Sources and further examples:

Sources:

- Tversky & Kahneman, 1974; 1981
- O'Keefe & Jensen, 2008

Further examples on this PRIVATE page:

www.smart-persuasion.com/anchoring-effect

Framing Effect

(Tversky & Kahneman, 1981; O'Keefe & Jensen, 2008)

Description of the Principle:

The Framing Effect is a cognitive bias that explains how we react differently to things depending on how they are presented to us. Being aware of, and altering, the way information is presented can influence how it is received. Framing something in a certain way – through the use of images, words and context – will shape people's interpretations of it.

Why this Principle works:

Generally, positive framing will spur people into action and encourage possible risk-taking, whereas negative framing will lead people to inaction or the cessation of activity. Framing information negatively (loss-framed messaging) is widely used to try and scare people into better behaviour or into not doing something. The government and media use it regularly to shock us into not doing certain things: smoking, drink driving, voting for an opponent, etc..

It has widely been thought to be more motivating than positive framing because of the simple fact that it does shock and scare, meaning the message should stay with you for longer. However, recent studies conducted by O'Keefe & Jensen (2008) have shown that we actually react better to positive framing. Positive framing can lead to happier thoughts, more motivated actions and a greater synergy with the message provider.

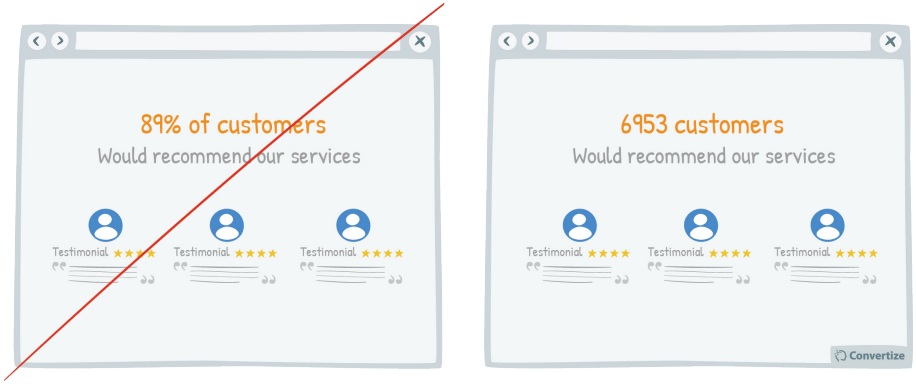
We don't like to be chastised, bullied and told what we should or shouldn't do by governments. But perhaps if they highlighted all the positive outcomes of making a certain decision (for example, telling people how much healthier they would become if they gave up smoking, rather than concentrating on the horror of lung cancer) then they might receive a more positive reaction.

How to use this Principle:

In advertising and marketing especially, it is important to frame your messages in the correct way. Generally, it's better to use positive framing, as you want your brand to be associated with positive, motivational feelings that lead people to act (buy your product, give to your charity, subscribe to your newsletter). Framing your messages in a positive light – pointing out all the benefits that could be gained – should help to encourage people to buy into the lifestyle you're selling and also to give them positive thoughts associated with your brand. For example, in a study by Levin & Gaeth (1988), customers gave better reviews of ground beef labelled 75% lean than the same product labelled as 25% fat.

However, there may be instances where negative framing will have a better effect. For example, a charity seeking donations during a humanitarian crisis may get a better reaction from detailing all the horrors of the crisis than the benefits of a small donation. It is important to ensure that the framing is carefully tailored to the situation.

Concrete Application Example:



Your visitors will perceive the same information in different ways depending on how you present it to them. It is important, therefore, to ensure you present information using appropriate framing so that it is interpreted in the most positive way possible. When giving information related to people (number of members, subscribers, customers, etc.), using a percentage is quite impersonal and takes away from the effect of this information; it is preferable to reinforce the tangible human dimension by presenting your statistics in numbers instead.

Customers are more likely to connect and identify with the information when it is presented in this way. They will see the real individuals behind the statistic and attach an emotional human response to them, giving more weight to their opinions than they would to an abstract percentage.

Sources and further examples:

Sources:

- Tversky & Kahneman, 1981
- Levin, Schneider and Gaeth (1998)
- O'Keefe & Jensen, 2008

Further examples on this PRIVATE page:

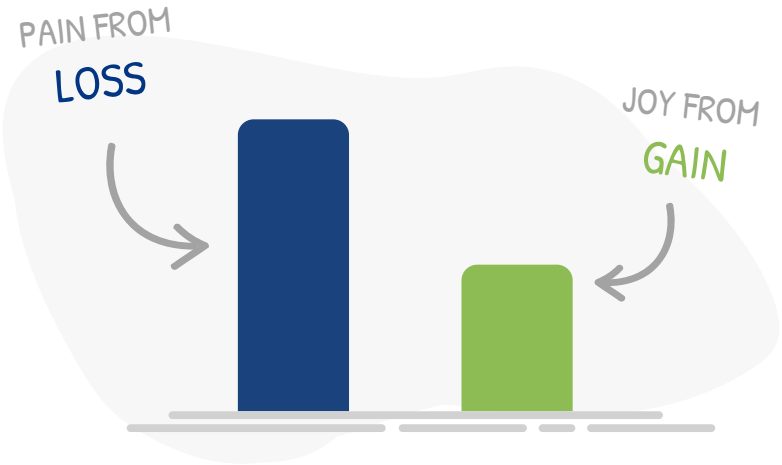
www.smart-persuasion.com/framing-effect

Loss Aversion

(Tversky & Kahneman, 1979)

Description of the Principle:

Loss Aversion was first discussed by Amos Tversky and Daniel Kahneman in 1979. This principle refers to the fact that the negative emotions experienced when losing something are psychologically about twice as powerful as the positive emotions experienced from the pleasure of gaining something.



In other words, the idea of losing or giving something up provokes a stronger reaction in us than the possibility of gaining something. The avoidance of loss is therefore a strong motivator for us, and can lead us to act in certain, sometimes irrational, ways in order to avoid losing out on something.

Why this Principle works:

This desire to avoid the negative feelings associated with loss explains other cognitive biases that also influence our behaviour, such as the Sunk Cost Effect (Principle 42), which describes the way in which we prefer to continue on with something as a result of previously invested resources of time, money or effort, even if we are no longer satisfied with it. The Endowment Effect (Principle 57) is also closely linked. It explains the way in which we place higher value on

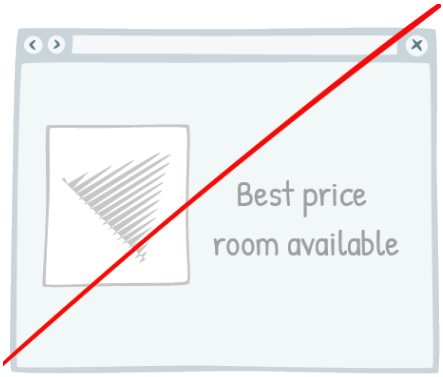
something we already own than something that isn't in our possession.

One example of Loss Aversion we can all relate to is when you sit through the entirety of an awful movie in the cinema, simply because you've already paid for the ticket. After investing time and money, we feel we would be losing out if we left half-way through. In reality, that money has already gone and you won't be getting your time back either way, so the rational decision would be to leave and cut your losses. The pain of losing makes us act irrationally, as we would rather retain our initial investment than gain more pleasurable time. We make this biased decision because the brain is telling us that not losing out on something is better than gaining something.

How to Use this Principle:

Loss Aversion is utilised in sales and marketing to influence and motivate consumers' buying decisions. If you are able to make your customers feel as though they are going to "lose out" on an offer, this is likely to motivate them to complete their purchase. This strategy is often seen in online marketing through the use of motivational phrasing such as "offer not to be missed" or "only 2 rooms still left," etc.

Concrete Application Example:



Loss Aversion is the scientific term for the pain we feel when we lose something. It is about twice as powerful, psychologically, as the pleasure of gaining something.

In general, people will be more motivated to act if they think they are going to lose out on something than if they only concentrate on what they might gain.

Therefore, pointing out that your customer may miss out on a deal or lose out financially by shopping elsewhere will provoke the powerful emotions associated with Loss Aversion. They will then be more likely to make a purchase than if you merely point out what they will gain.

Sources and further examples:

Sources:

- Tversky & Kahneman, 1979; 1981
- O'Keefe & Jensen, 2008

Further examples on this PRIVATE page:

www.smart-persuasion.com/loss-aversion

About This Book

Conversions begin in the brain. Every purchase starts with a decision, and every decision is shaped by consumer psychology. This book explains how cognitive biases affect your customers and shows you how to be more persuasive online.

Smart Persuasion compiles a century of research in consumer psychology and behavioural economics. Drawing from hundreds of scientific studies, it lists proven psychological principles such as Anchoring and the Halo Effect. Each one is illustrated with case-studies, examples and ideas that you can apply to your website.

Philippe Aimé and Jochen Grünbeck are conversion rate optimisation and consumer psychology enthusiasts with over 30 years of digital marketing and consulting experience. Smart Persuasion draws from their knowledge of persuasive techniques and website optimisation strategies. Applying the principles outlined in this book will allow you to unlock your website's full potential.

www.convertize.com/smart-persuasion

★★★★★

A fascinating and practical guide to psychology and consumer behaviour. This book will make digital marketers think more carefully.

David Batey

CEO – Nickelled

★★★★★

This book skilfully demonstrates the principles that shape our decisions, with applications you can use when you are optimising a website.

Olivier Mouroux

CEO – Asiance

Reasons to be excited about Smart Persuasion

- ✓ **Understand consumer behaviour**
- ✓ **Turn visitors into customers**
- ✓ **Increase your revenue**
- ♥ **All Profits Go To Charity**

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