

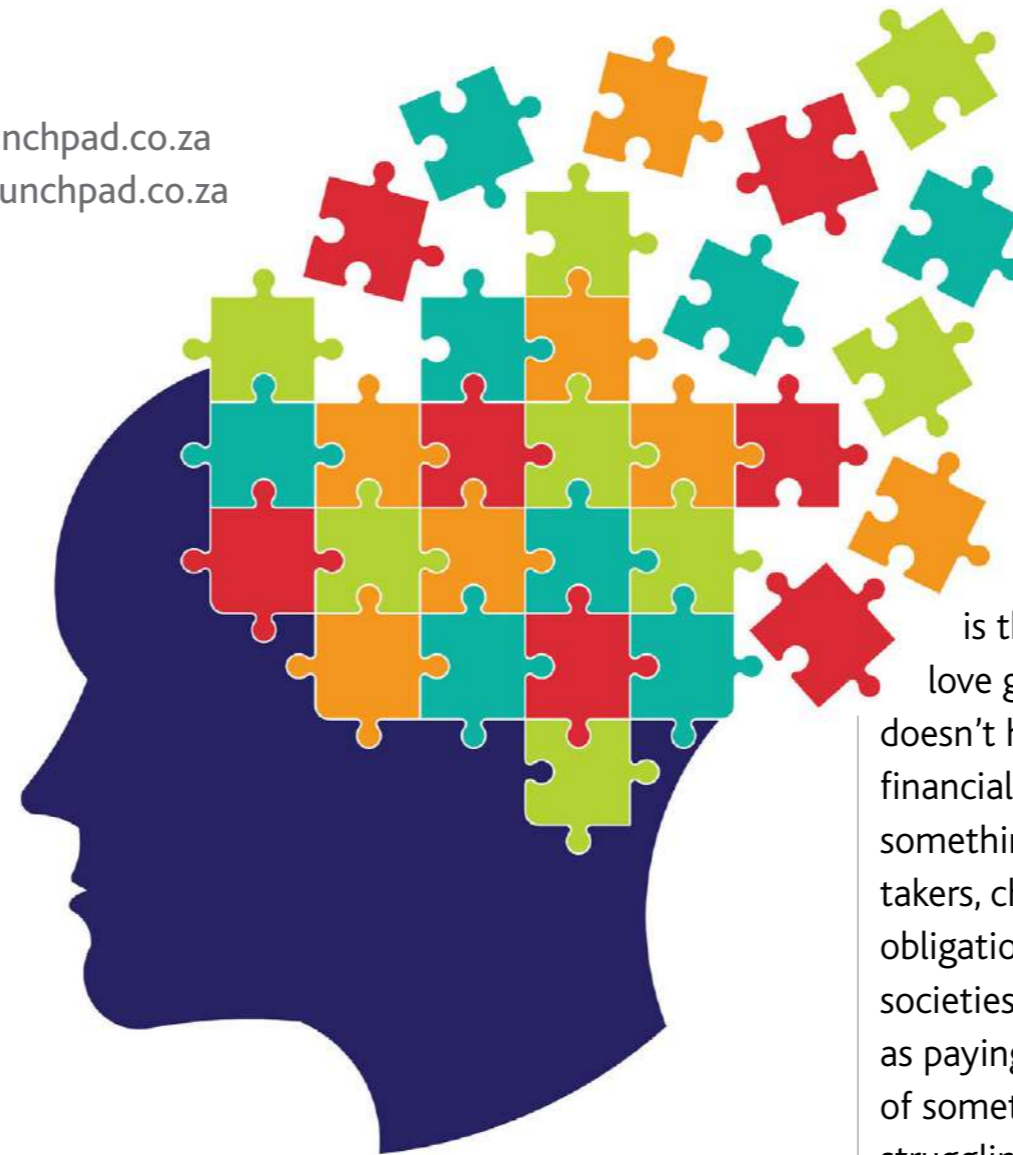
What can make or break your customer experience?

This is the next article in a short series on how behavioural economics and 'being human' affects your business.

Aki Kalliatakis

aki@leadershiplaunchpad.co.za

www.leadershiplaunchpad.co.za



“Customers perceive service in their own unique, idiosyncratic, emotional, irrational, end-of-the-day, and totally human terms. Perception is all there is!”

Tom Peters

This has a massive effect on our behaviour, and you can either be overwhelmed by it ... or you can take advantage of it using what has come to be known as a 'psych hack'.

In this article I'd like to briefly share five powerful options that you can think about and apply in your business. These are reciprocity, social proof, loss aversion, perceived effort, and uncertainty.

The first, and easiest to understand, is the principle of reciprocity: Most people love getting something for nothing, and it doesn't have to even be something that has financial value. But the moment someone does something nice for us, we hate to be seen as takers, cheapskates or freeloaders. We have an obligation to repay the favour. It works in all societies, all over the world. It could be as simple as paying a compliment, or giving a tiny sample of something, or helping someone out who is struggling with something, be it physical ("It's raining outside. Let me to walk you to your car with my umbrella"), or intellectual ("I also struggled to understand this remote when I first saw it. Here, let me show you how it works").

Number two is social proof. As much as we like to think we are unique and independent of what

The faithful old toaster blew up and it was time for a replacement. But my response, even for my reputation as the world's stingiest consumer, surprised even me, because I spent 90 minutes on the internet looking a for a new one – just to save the grand sum of less than R75. Imagine trying to do that face-to-face in a supermarket in the real world or even over the telephone. It would be embarrassing, not to mention that it would be completely impossible!

This type of shopping behaviour allows people to carry out purchases without any social friction, without having to worry about what other people will think of me. And to increase your sales, you need to remember two things: you can either add motivation, or remove friction.

It all sounds awfully scholarly, but it's also a great illustration of the theme of this series of articles – which is about how wrong we are if we expect our customers to be rational and logical.



Oh Crumbs!

Introducing a new range of **top quality** and **great tasting** crumbed products.

Try them, you and your family will love them!



for any queries please contact our
Customer Care Line: 087 940 5100 or visit www.grainfieldchickens.co.za



other people do, the reality is that by far most of the decisions we make go with the flow of what we see other people doing. When we see other people doing something, especially in conditions when there is uncertainty or doubt in our mind, we imitate them. It's a powerful way to get customers to do things that are desirable but is just as powerful as preventing undesirable acts.



“ In one powerful experiment, a university put up posters that showed that more than 90% of students indulged in binge drinking to the point where they passed out and couldn't remember what happened. Instead of reducing drinking, it made it more acceptable, and the campaign had no effect. ”

But in another example, let's say you want customers to buy a more expensive baby seat for their car. You could quote scary statistics and use parent's fears to try to convince them to pay more.



Or you could state "93% of new parents bought this baby seat."

Problem solved, no more confusion in my mind.

The third influencer of human behaviour is loss aversion. It refers to "a phenomenon where a real or potential loss is perceived by individuals as psychologically or emotionally more severe than an equivalent gain." (Investopedia.) So for most of us, the pain of losing R100 is often far greater than the joy gained in finding the same amount. That's why statements like, "only while stocks last," are so powerful. "If I lose this now, who knows when I'll find it again?"

It's all about FOMO, or the fear of missing out. There are many ways you can use loss aversion, but if we can continue with the example of the baby

car seat, imagine parents who already have children, and are seemingly happy to use the hand-me-down seat that they have used before. So they will feel reluctant to lose what they already have – even though there is a superior option. Your strategy here must be to point out the disadvantages of what they currently use, and make sure that they see the far greater advantages of changing, and part of that will be to get a commitment from them to the idea that their child's safety is their greatest priority in life. Paint a picture in their mind of them already owning the seat.

In previous columns I've discussed the issue of perceived effort, and one of your biggest priorities in creating loyal customers must be to make their lives easy and effortless. Customers don't want to jump through hoops to give you their money, and there are massive opportunities in most industries to reduce effort.

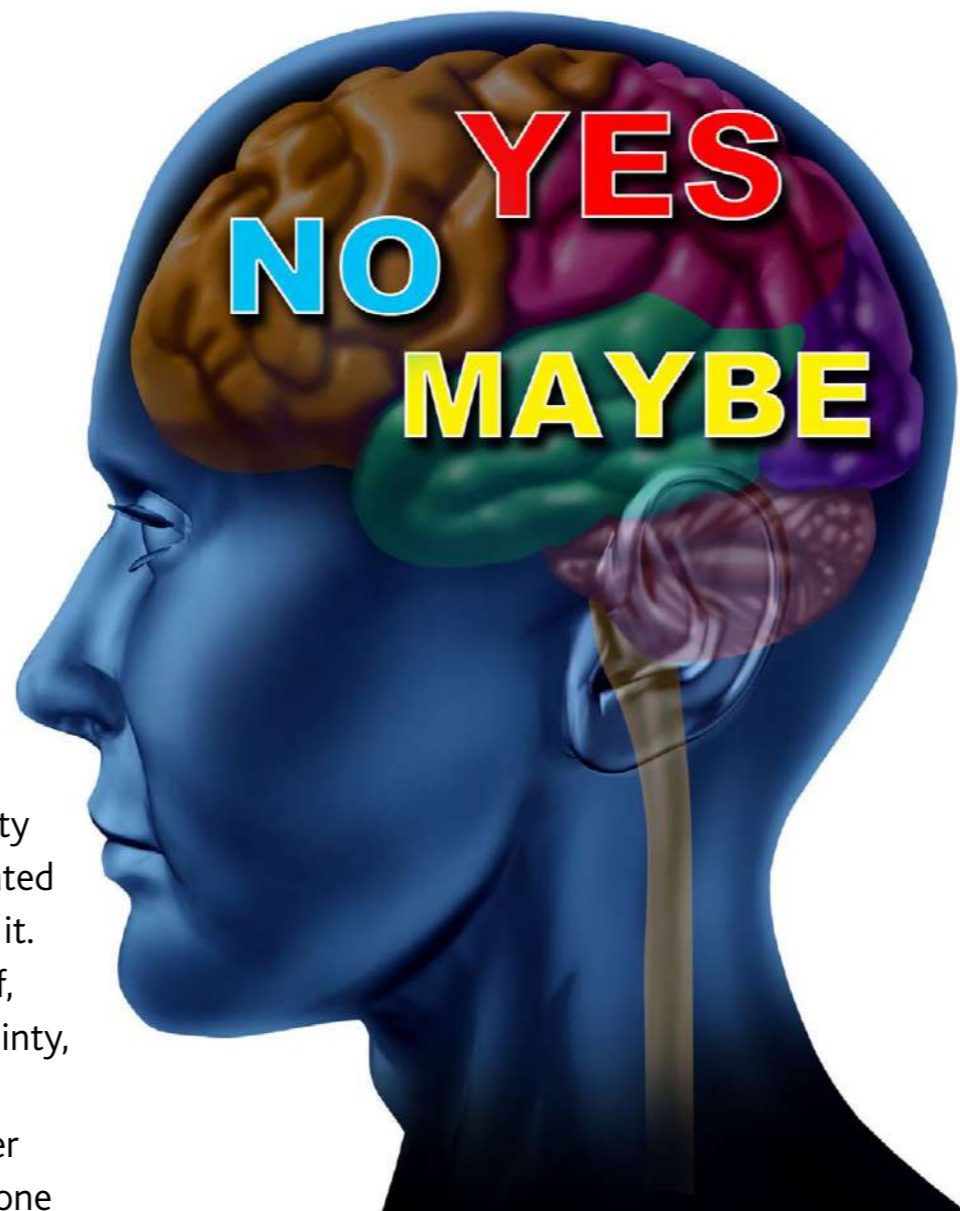
Why do great new products get ignored and ultimately fail? Often it's something like the loss aversion we looked at above, but inevitably customers' their perception is that it's just too hard and too risky to start learning and using this again. That may not be true, and it is your job to point it out to them.

Keeping it simple can have a big impact on your business. Want proof? Ask Apple. But a great example that you are probably familiar with is that of 'too many choices'.

“ There’s enough research to prove that when customers are given too many choices, it confuses them – and they walk away. And you can help by limiting these or even making suggestions, as waiters do at restaurants. ”

And finally, uncertainty. I had the opportunity to use self-checkout at a grocery store situated near my hotel in London. I shied away from it. Why? I didn’t want to make a fool of myself, and delay other customers with my uncertainty, and even though waiting for a cashier took far longer, I preferred that option. If you offer a shopping app, it had better be as easy as ‘one click buying’ from Amazon, ordering an UBER, or signing up with Netflix. It needs to be transparent and reassuring. I do own a few apps on my phone from the major retailers. I have yet to use them because nobody took five minutes to explain them to me. What a wasted opportunity.

To summarise: people are never as logical and rational as we’d like them to be, and there are literally hundreds of examples of how human being default to seemingly irrational choices – choices that are imbedded in our DNA over thousand



of years of survival. We looked at five, but there are many more.

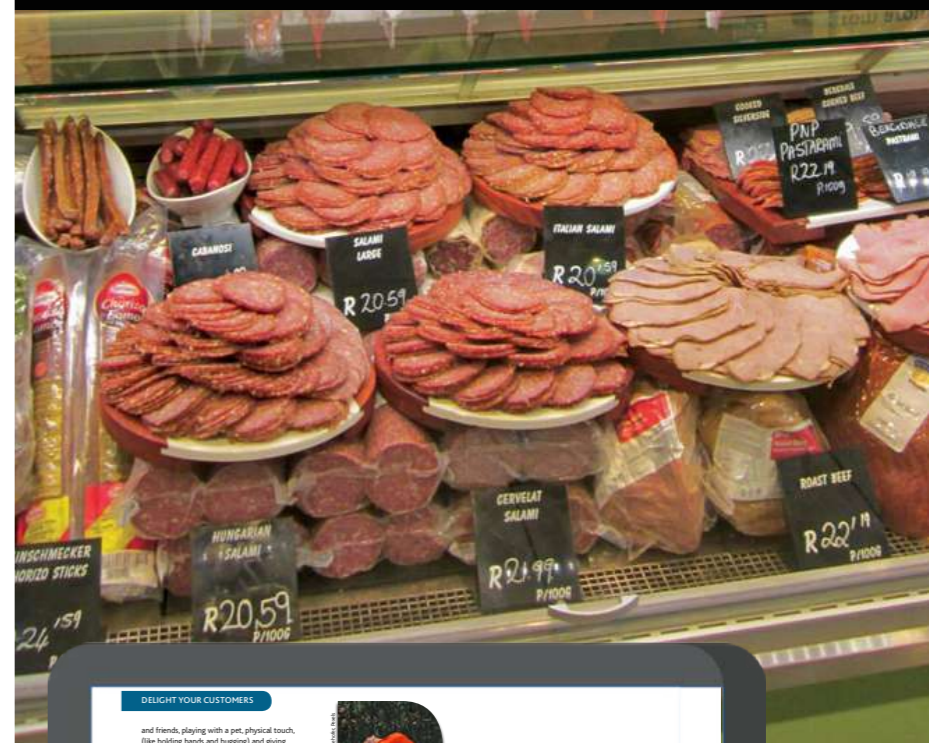
Businesses that understand these and use these insights will always win. **SR**



Aki Kalliatakis is the managing partner of The Leadership LaunchPad, a company dedicated to helping clients become more customer driven. He can be contacted at (011) 640 3958, or via the website at www.leadershiplaunchpad.co.za



SUPERMARKET & RETAILER



Advertising opportunities are available to you in Supermarket & Retailer’s digital publications. Can you afford to miss out?



Business software that just works.

That means more time to focus on nurturing and growing your business.

IT Works™

- Point of Sale Software & Hardware
- HR Support & Payroll
- Business Finance Suite
- CRM (Customer Relationship Management)

- Internet Connectivity
- Networking
- Telephony
- CCTV, Access Control & Alarms

