

Let them stroke it a bit

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

Aki Kalliatakis

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The car salesman shared one of his favourite tips with me a while back. "Most customers will just walk past a car and half-listen to what I say," he said. "But at some point they stop, and then put their hands on the car, and with a little bit of luck, they will even start stroking it. That's when I know it's time to go in for the kill."

It makes sense, doesn't it? If you or I like something, we tend to caress it.

Let's pretend to move another 20 minutes into the future with the salesman and his customer. The time comes when they start to discuss what the trade-in value is for the used car the customer owns. It may be that the customer has owned it for many years, lovingly taken care of it, had it fixed, and understands what that squeaky noise is coming from the boot. He may nostalgically remember back to all the good times he had with his family in the car.

And then when he hears that the trade-in offered is R35 000, he shows his indignant shock. "No way!" he says to himself. "This car must be worth a lot more," and he walks away.

ENDOWMENT effect



The endowment effect

The endowment effect describes a circumstance in which an individual places a higher value on an object that they already own than the value they would place on that same object if they did not own it. This type of behaviour is typically triggered with items that have an emotional or symbolic significance to the individual. However, it can also occur merely because the individual possesses the object in question.

When he gets home, he looks it up ... and discovers that the car salesman was spot on. He shakes his head in disbelief.

This can also be explained by what psychologists call 'The Endowment Effect'. The endowment effect is the emotional bias that causes customers to

value an object they own for much higher, and almost always more irrationally, than its market value, and this is particularly true when that item has an emotional or symbolic significance.

How can you use the endowment effect and try to take advantage of this cognitive

bias? You can reverse engineer it by finding ways to get customers to value something more because it's

'mine'. The moment the car buyer pauses and puts his hand on the car he favours, it shows that ownership.

But what else?

If you have an app that customers can use to do their shopping, it's almost essential to use their name as quickly and as boldly as possible. Amazon does it: as I click into their website, the first thing my eyes do is go to the top right corner to see. "Hello, Aki." In addition, it's an acknowledgement that I'm more than just another 'valuable customer' and is also reassuring knowing that I've come back to the right place.

The same effect happens when you get onto Netflix and some other websites. Sadly, not one of my retail apps on my phone, not even my favourite, actually copies this powerful strategy. The closest is

NOTICE OF THE 2023 ANNUAL GENERAL MEETING

The Wholesale and Retail Sector Education and Training Authority (W&RSETA) hereby gives notice to its constituent organised employers, organised labour, community-based organisations and other key stakeholders within the Wholesale and Retail Sector for the 2023 Annual General Meeting (AGM). The AGM will be convened in accordance with clause 15 (1) (c) (d) of the W&RSETA Constitution.

The AGM will consider and adopt the following mandatory documents:

- Audited Annual Financial Statements of the Accounting Authority for 2022/2023
- Annual Report of the Accounting Authority's affairs for 2022/2023
- Report of the Auditor-General on the Accounting Authority for 2022/2023
- The W&RSETA Strategic Plan (2020/2021 – 2024/2025), Annual Performance Plan and Budget (2023/2024) for recommendation and approval by the Director-General of the Department of Higher Education and Training.

The AGM will be convened as follows:

DATE: 23 November 2023

VENUE: Premier Hotel Midrand
(187 3rd Road, Halfway Gardens, Midrand Gauteng)

TIME: 16H00 for 17H00

REGISTRATION: 16H00

RSVP by 13 November 2023 at events@wrseta.org.za

a statement which says, "deliver to 99 Mystreet address." It's a wasted opportunity.



Images courtesy of www.starbucks.co.za

Starbucks does it by writing your name on a cup. With most other fast-food places where customers have to wait – even

banks, airlines and many

other businesses

– at most you

may get a receipt

number shouted

out, or, even worse,

displayed on a screen.

You may remember

that one of the most

successful Coca Cola

promotions ever was

when they printed Coke

cans with the most

popular first names in

every country. At some

point there were

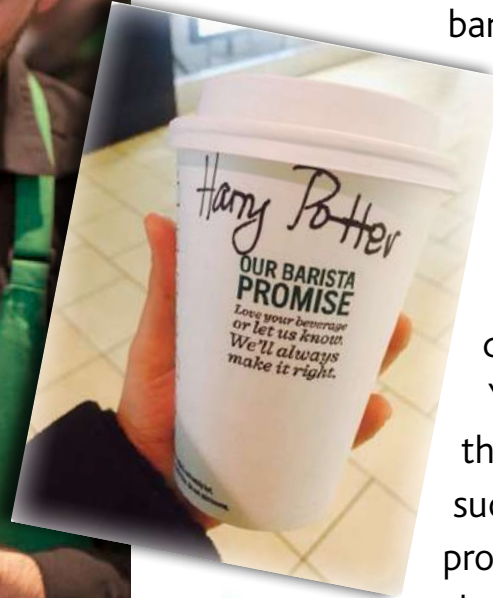
even children's

books that you

could order

printed with

your children's names in them.



Share a Coke with...

Image courtesy of https://cocacolaunited.com

So putting customers' names onto something really appeals to them. Using their names in any context make a real difference ... **Hint:** you can easily find it on their loyalty card or credit card slip.

But there are other more subtle ways of creating that same sense of ownership. Let customers make their mark by being part of the design and/or creation process.

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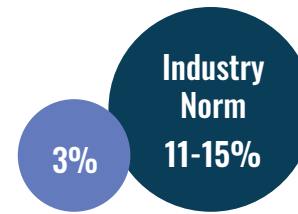
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It's been a few years since I last saw this, but restaurants used to ask customers to put a message and sign their walls. In order to raise funds at my son's school, parents could buy a brick (or many) with their names engraved on each brick. Spotify lets you put your own unique playlist together.

Nike lets you design your own shoe if you want to, and even take it one step further by inviting some customers to 'Nike by You' workshops so they can tell their own stories in shoe designs.

Indeed, any tactics that help customers feel that you have customised the experience just for them (think of a personal trainer, or a doctor, for example) can have a really positive impact.

Another technique used to create ownership by many tech companies is the free-trial strategy in which customers can

test drive a piece of software for a few weeks or a month before they make the decision to buy. That's very powerful, and I do also see some retailers giving away free samples occasionally – although far more rarely today than in the past.

And how well are you using your loyalty programme to ensure that your customers



Image courtesy of www.nike.com/za/nike-by-you

Image courtesy of https://appsero.com



feel part of something bigger? In most businesses, the focus is on points and rewards, but we are missing a huge psychological opportunity to make



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customers feel special. Please don't get me wrong. I love it that my favourite coffee chain in SA gives me free coffee after a few purchases.

But if you use your loyalty programme as a member's club with special and exclusive privileges, sales preview days, events that not everyone qualifies for, and so on, you have already made a good start. And then when you start using the information collected to proactively create true loyalty to your brand, no competitor will ever be able to persuade them to leave.

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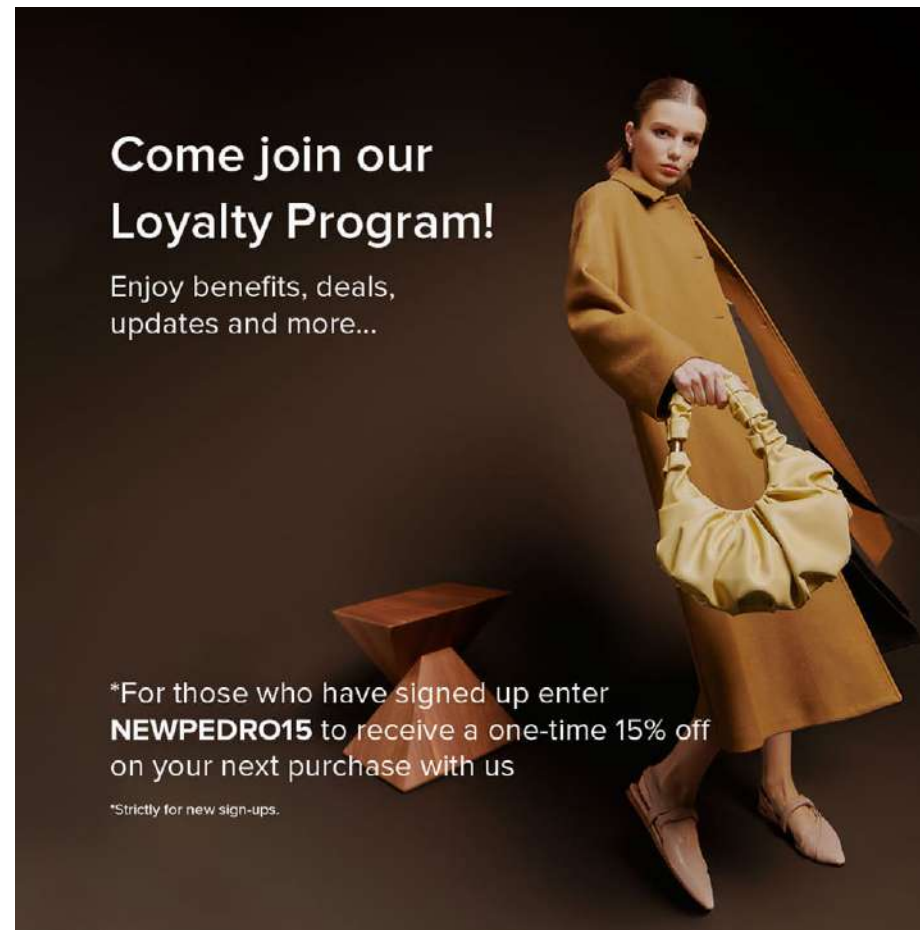


Image courtesy of www.pedroshoes.com

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offer and create loyalty in your customers, help them feel like it's already theirs. Find innovative ways to create a sense of ownership, to leave their mark behind, and to make them feel important.

And if you see them lovingly stroking a product in your store, you better get there as quickly as you can because they are as good as ready to take out their credit cards. **SR**



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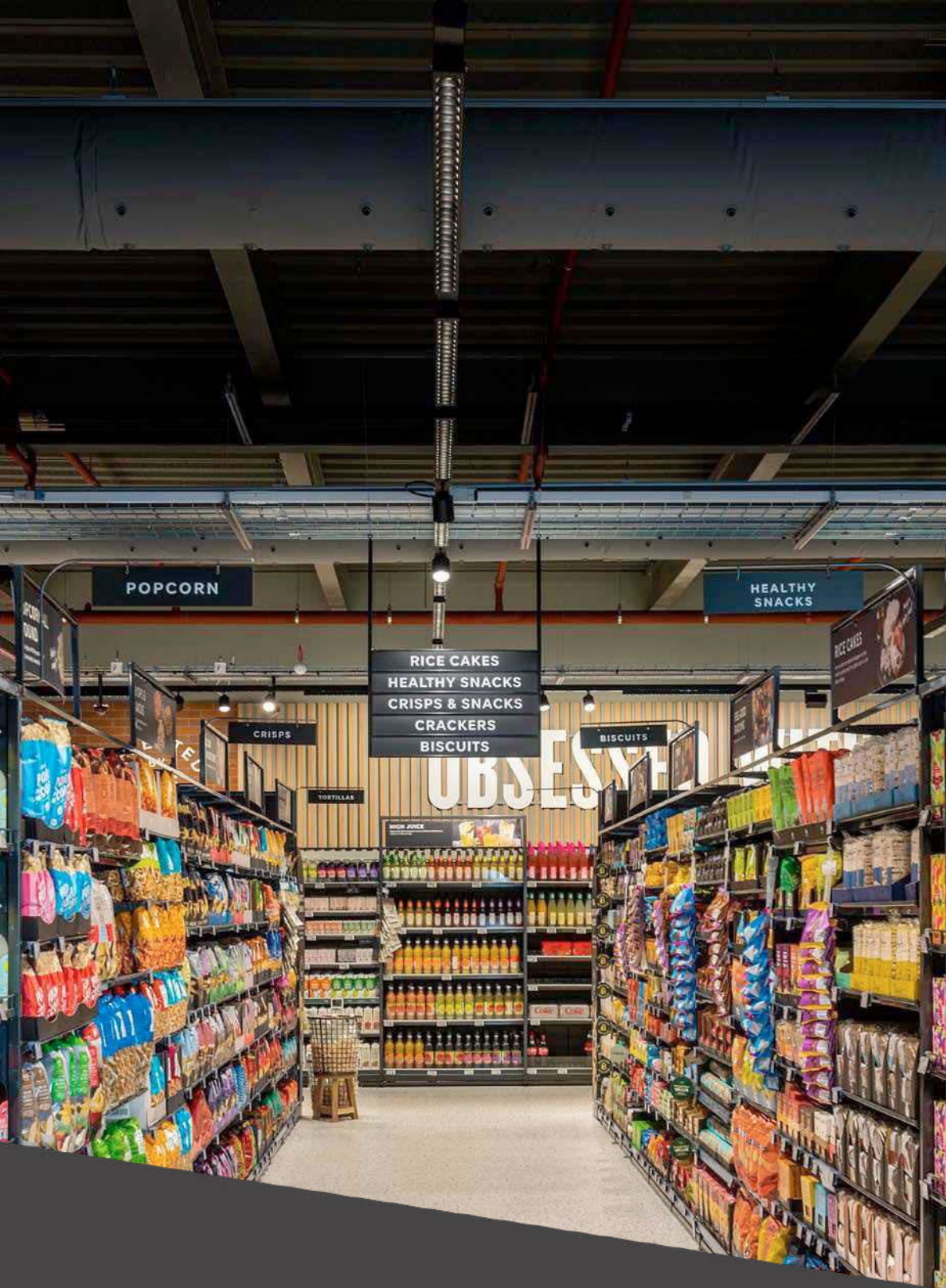


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Introducing *Convision!* Leading-edge luminaires featuring glare free lens technology.

Apart from all the other known advantages, LED lighting can be quite harsh on the eye in terms of glare, especially in retail stores where the focus is on highlighting products without too much concern for the customer's visual comfort.

Convision Lens technology resolves this problem by channeling the light emitted via the LED chip through a special lens creating an almost glare-free visual surface and in some fittings creating a "dark light" effect. It also reduces general light loss out of the fitting, so objects appear brighter with the same amount of lumens emitted. The new *Convision* lenses are available in track spots, downlights, and continuous line (E-Line) with a glare rating in some cases as low as UGR<19.

Take a closer Look...

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