

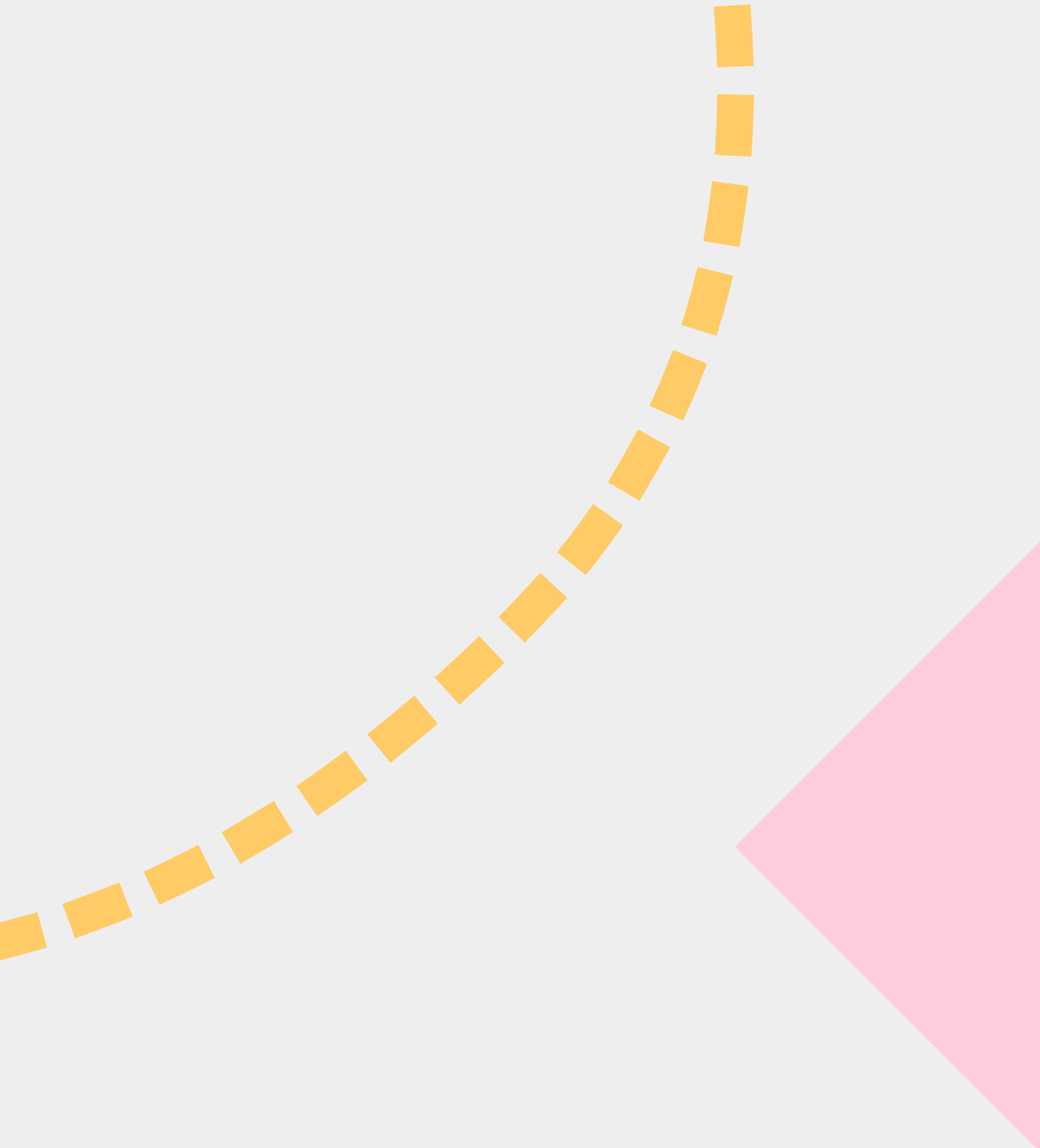


Data-Driven Nudge Marketing For Retail

How to understand, build, and nurture
customer relationships

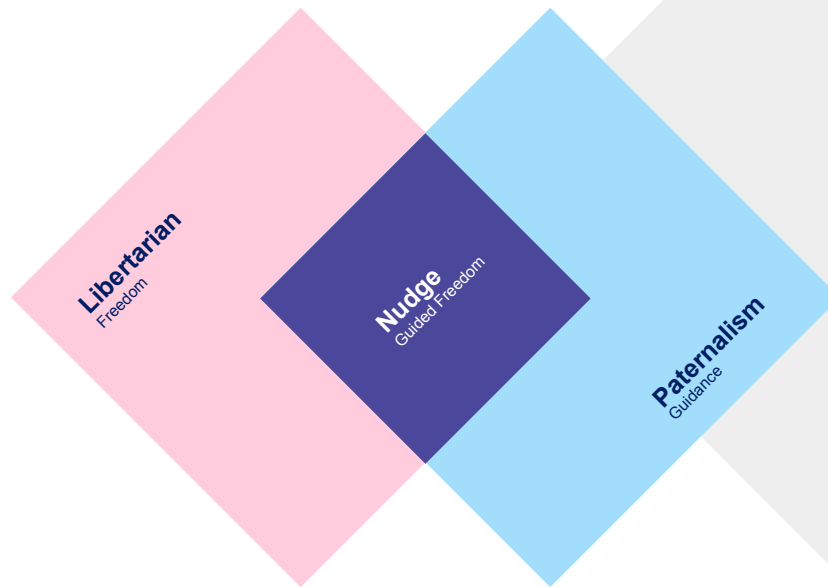


Enjoy **Chapter I. The Big Theory Behind the Small Nudge**. Keep in mind, this is just a preview of a 80+ page ebook on data-driven Nudge Marketing.



I. The Big Theory Behind The Small Nudge

The Big Theory Behind The Small Nudge



What's in a Nudge?

Nudges are tiny changes to the environment that help you make better choices. They are micro-modifications in design to the “choice architecture”. In other words, nudges modify the information you have in front of you in order to make choosing feel more natural.

For eCommerce, these tiny changes have a big impact. If you're reading this, you want to implement nudge theory into your webshop to create a seamless buying journey. This ebook will help mold you into a “choice architect” to help you do just that.

Being a choice architect, you will learn how to:

- Frame options so shopping is less stressful
- Organize the context in which people make decisions
- Conserve the mental energy for your shoppers
- Increase conversions using nudges

Well, what's in a name? A lot, it turns out. If we called a nudge by any other name, we wouldn't have such a sweet eCommerce strategy. That's because, theoretically, nudges have been called by another name. One that was quick to be replaced...

Choice architects can make major improvements to the lives of others by designing user-friendly environments.

Richard Thaler & Cass Sunstein, *Nudge*

Libertarian Paternalism

The term “Nudge” actually comes from the theory of “Libertarian Paternalism”. Bit of a mouthful. The fathers of the nudge theory, Thaler and Sunstein, agreed. So they tweaked the term to what we use now: Nudge. Much, much cuter.

To quickly break down the rationale behind the original term:

Libertarian means people should be free to choose.

Paternalism attempts to guide people to perform a certain action, behave a certain way, or choose a certain product, that's in line with their own good.

When these two things come together - freedom and guidance - you get the founding philosophy of the nudge theory.



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Nudge Theory

“Nudge Theory” was popularized by behavioral economist Richard Thaler and law scholar Cass Sunstein in their 2008 book, *Nudge: Improving Decisions About Health, Wealth, and Happiness*. Thaler has since won the Nobel Memorial Prize in Economic Sciences for his “instrumental role in the new and rapidly expanding field of behavioral science”.

Their book *Nudge* discusses subtle environmental adjustments, tweaks, cues, or modifications, as small interventions that have a big impact.

To sum up the main dialectic of the book:

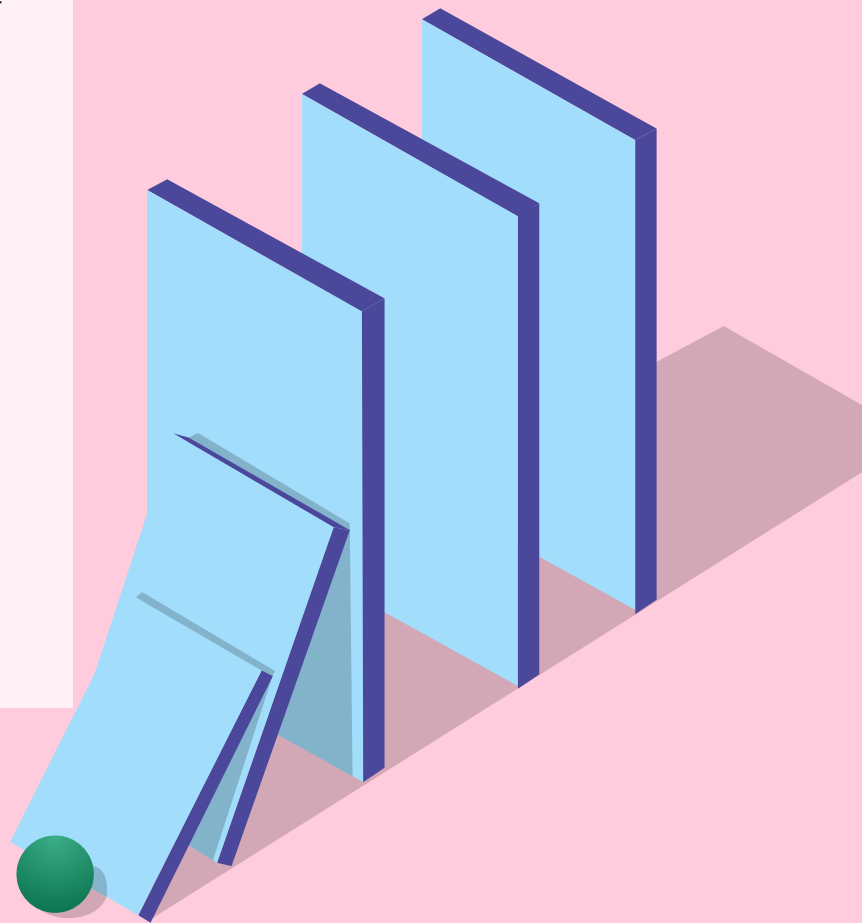
Nudges should come across as an encouraging voice. Helping us achieve our goals and make choices through positive reinforcement.

Nudges are not forceful.

They DON'T SHOUT.

Nudges can only be nudges if they are low-cost and non-intrusive.

Nudge theory looks for long-term, steady changes, rather than try to force a direct behavioral change.



[Nudges are] a function of the choice architecture that alters people’s behavior in a predictable way that is called for because of cognitive boundaries, biases, routines, and habits in individual and social decision-making.

”

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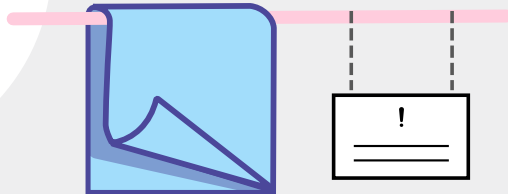
Nudges are everywhere you look

With nudge theory in mind, you can begin to spot nudges everywhere you look. Outside of eCommerce, people often nudge in order to reinforce positive behavior, change or influence decisions, and overall make things generally easier for people every day.

Towel nudge:

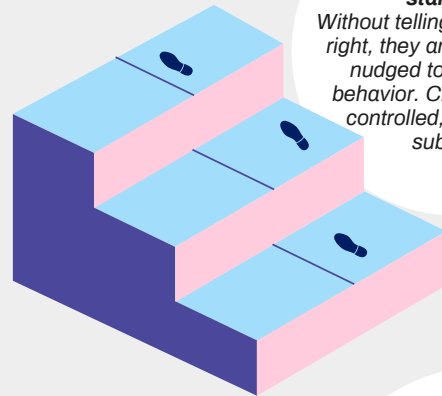
"85% of people who stayed in this room reused their towel. Help us save the planet." Have you seen this on hotel towels before?

This experiment was designed to show hotel guests the behavior of others. As a result, many guests chose to reuse their towels having been influenced by Social Proof.



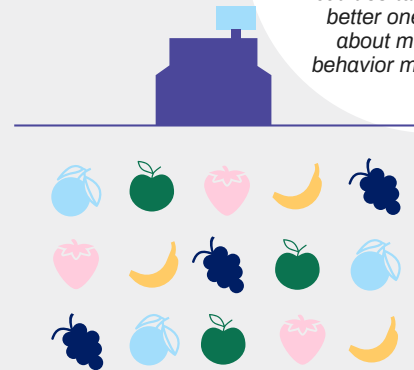
Feet on right side of staircase:

Without telling people to keep right, they are automatically nudged to perform this behavior. Crowds are thus controlled, especially in subways.



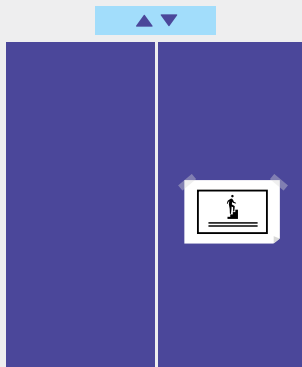
Placing fruit at checkout:

Nudging people towards healthier choices at checkout. Some retailers also place candy bars at checkout, which may not seem like the healthy choice, but it certainly may be the better one! Nudges are about making certain behavior more accessible.



Elevator sign:

Signs on elevators that show people taking the stairs is a nudge because it promotes healthy behavior, saves electricity, and makes a suggestion rather than forces behavior.



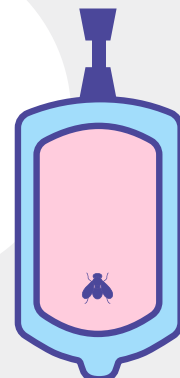
Basketball recycling bins:

If you can make recycling more interactive - then more people will perform this desired behavior! This is true of basketball bins: the more engaging a behavior, the more desirable it will be to perform.

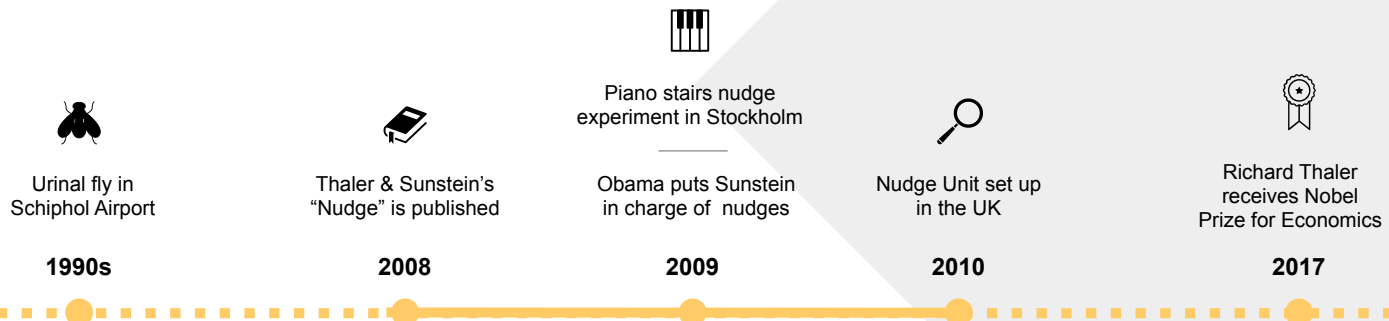


Urinal Fly:

This famous nudge placed a sticker of a fly in a men's urinal at Schiphol airport. Spillages reduced by 80%! Take aim - fire!



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Nudge Theory Today

Since the urinal fly sticker saw a [decrease of spillage by 80%](#), the evolution of nudge theory has been on the rise. More famous nudges that followed include the piano stairs in Stockholm, which had more people taking the stairs instead of escalators as the stairs were musical.

Nudge theory today is embedded in governments, schools, and everyday life. It's no surprise that they work just as well in an eCommerce context. Why is this the case?

The reason why you should nudge your consumers as an online retailer is simple: nudge theory is legitimized by **consumer psychology** and research in the field of **behavioral economics**. Since nudge theory was popularized in 2008, governments have been creating "nudge units" to inform policy making and implement behavioral changes on a societal level. Obama did it in 2009. The UK government followed a year later.

Marketers will have a lot to gain from understanding these concepts.

Secondly, consumer psychology proposes that consumers are irrational. We've learned this by debunking the idea of the homo-economicus (i.e., the "rational consumer") and incorporating "the emerging science of choice" into day-to-day retail marketing. [Read here for more.](#)

This investment in understanding consumer behavior and deciding how to facilitate decision-making is at the core of marketing to a customer-centric world. Let us give you a quick lesson on behavioral psychology to refresh your brain.

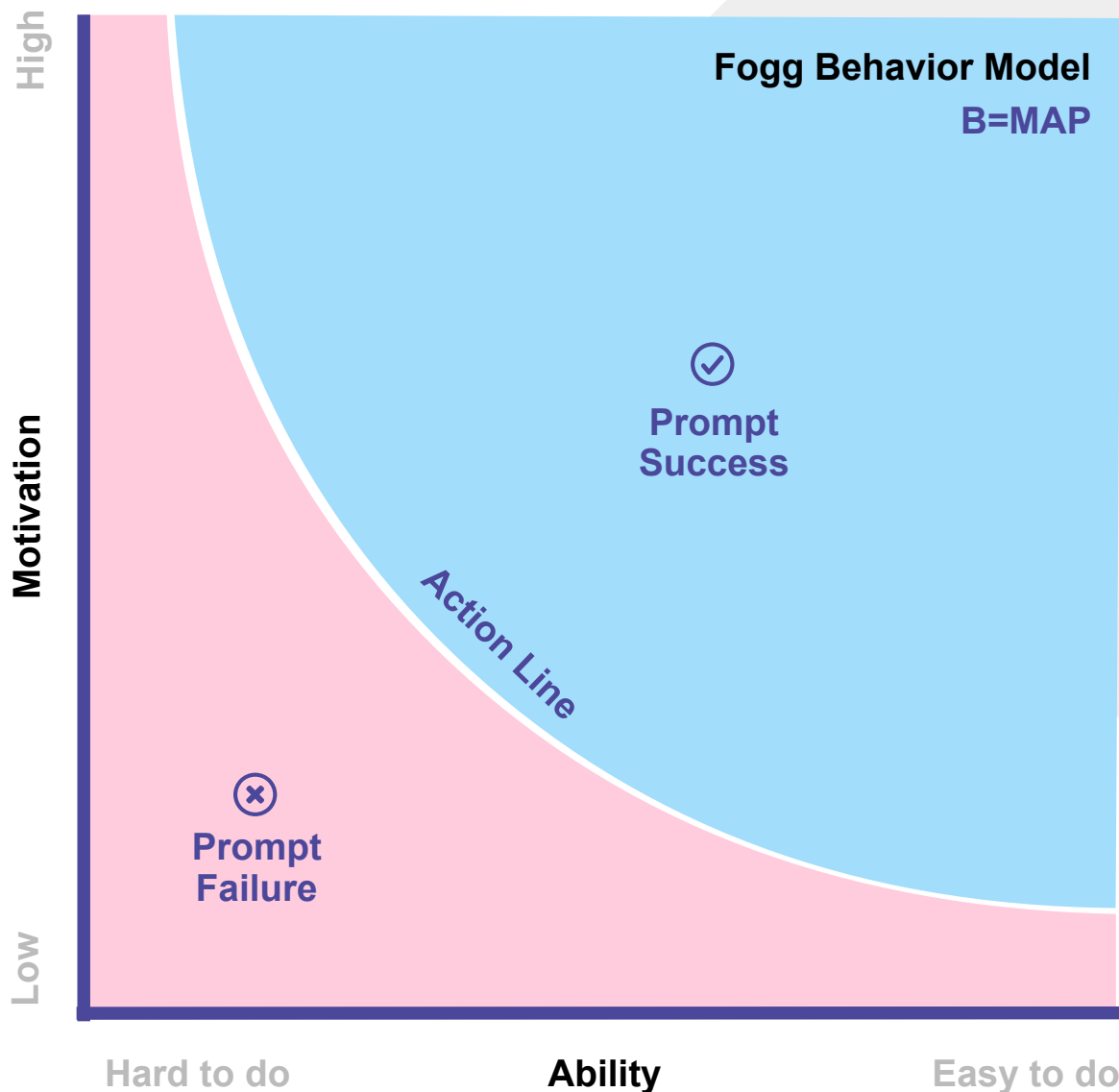


In the economy of action, effort is a cost, and the acquisition of skill is driven by the balance of benefits and costs. Laziness is built deep into our nature.

Daniel Kahneman, Thinking, Fast and Slow



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BJ Fogg's Behavioral Model (FBM)

BJ Fogg's behavior model (FBM) proposes that successful behavioral change can only work if an individual is able to complete the task, is motivated to do so, and there is a prompt to cue initiating the behavior.

In BJ Fogg's graph, the behavior will occur when someone is able and has the motivation to do it. When a behavior does not occur, one of these three elements (motivation, ability, prompt) is missing.

The FBM helps eCommerce professionals to identify the problem causing factors to create effective persuasive designs. Nudges work because they fall within **the optimal prompt point (Prompt Success)**.

For nudges to drive behavior, therefore, you need to understand what motivates people, and then make this behavior easy to carry out.

So how do you understand the nuances that govern human behavior? Next to the FBM, nudges are the perfect triggers because they appeal to our System 1 way of thinking that is automatic, effortless, and unconscious.

But what is System 1 thinking?



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How we make decisions: two systems



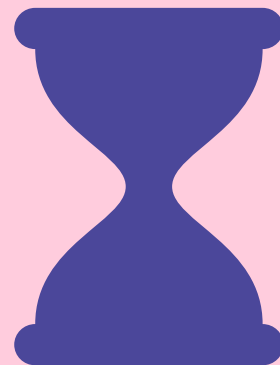
**System
1**

System 1:

This side of the mind is intuitive, instinctive, and represents the quick decision-making brain. It's usually an automatic response that feels effortless and uncontrolled.

Examples:

- Ducking when a ball is thrown at you
- Smiling when you see a cute puppy
- Jumping up when someone says "boo"
- Continuing to throw money at a failing investment (sunk cost fallacy, read [this blog about the crypto craze](#) and the cognitive biases surrounding that)
- Looking for your phone when you hear it vibrate
- Touching your face
- Judging a whole event by its best (or worst) point (peak-end-rule).



**System
2**

System 2:

This side of the brain is reflective and controlled. It's the side of the brain that does all the thinking and is usually deductive and self-aware.

Examples:

- Speaking a second language
- Solving the riddles, like: "What can you hear, but not see or touch, even though you control it?"*
- Solving a the math equation, for example: "How many handshakes are there with six people in a room who all shake hands?"**

There are many reasons why nudges are so impactful. The bottom line is that they understand people's subconscious decision making. They are able to capitalize on the quick reaction times of System 1 in non-intrusive ways. These quick responses of our System 1 way of thinking are grounded in cognitive biases.



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Consumers are irrational: Cognitive biases

If something has the social proof of many people, we are more inclined to find it endearing. The more we are familiar with something, the more we like it. We choose the path of least resistance. We trust our gut feeling. We remember the best thing about the experience and judge the whole experience accordingly. We are drawn to details that confirm our own existing beliefs. We stereotype. Judge books by their cover. We simplify. Think ahead. Plan. Jump to conclusions. Save time. You could say that all the biases that impact our decision-making are, in fact, what makes us human.

Nudges are shaped by these cognitive biases. They make being human easier by influencing behavior through automatic modes of thinking. They work because they don't engage our reflective thinking (which takes longer - humans are also incredibly lazy).

Nudges predict errors and reinforce quick decision-making. They take advantage of our heuristics (mental shortcuts) that help us act fast, find meaning, understand information, and remember things better.

To recap this quick lesson in consumer behavior...

FBM: Nudges are prompts that capitalize on the exact point of behavior where customers have high ability and high motivation.

System 1: Nudges are subtle changes to the choice architecture that help consumers make decisions by automatically tapping into the unconscious parts of our brains.

Cognitive biases: Nudges respond to and (sometimes) help correct our innate and subconscious biases from System 1.

Because of the research and psychology behind these small behavioral cues, and their **low cost compared to relative impact**, they have become fashionable in changing behavior.

For eCommerce, nudges will level the playing field for smaller retailers and brands to get closer to the competition.



Comment on this post with your email or send a message to marketing@crobox.com to get notified when we publish the full version of **Data-Driven Nudge Marketing For Retail: How to understand, build, and nurture customer relationships** available for free download.