Achieving Competitive **Advantage** Through Behavioral Design

behavioral
science
lab

Tomorrow's thinking.™

BEHAVIORAL DESIGN CAN RELIABLY DELIVER COMPETITIVE ADVANTAGE BY IMPROVING –

- **Product or service market share** by gaining preference over competitors

- **Ability to recruit top-level talent** by improving the attractiveness of the organization

- **Workforce performance** by enhancing motivated effort and engagement

WHY USE BEHAVIORAL DESIGN?

Behavioral Design is the most efficient approach to achieve behavioral or attitudinal change since the intervention is constructed on the basis of the **Motivational System** which actually causes the attitude or behavior to occur or not.

Behavioral Design is not "expert opinion" or "basic research" about whether intervention is needed or what the nature of the intervention should be, but a data-driven understanding of what causes the behavior or attitude to occur so that it can be modified effectively and consistently.

WHAT IS BEHAVIORAL DESIGN?

Process by which the occurrence of a **desired key behavior** or **strength of a belief** is increased with an **intervention** <u>engineered</u> from the **motivational system** which drives the belief or behavior.

MOTIVATIONAL SYSTEM → INTERVENTION → INCREASE IN DESIRED KEY BEHAVIOR
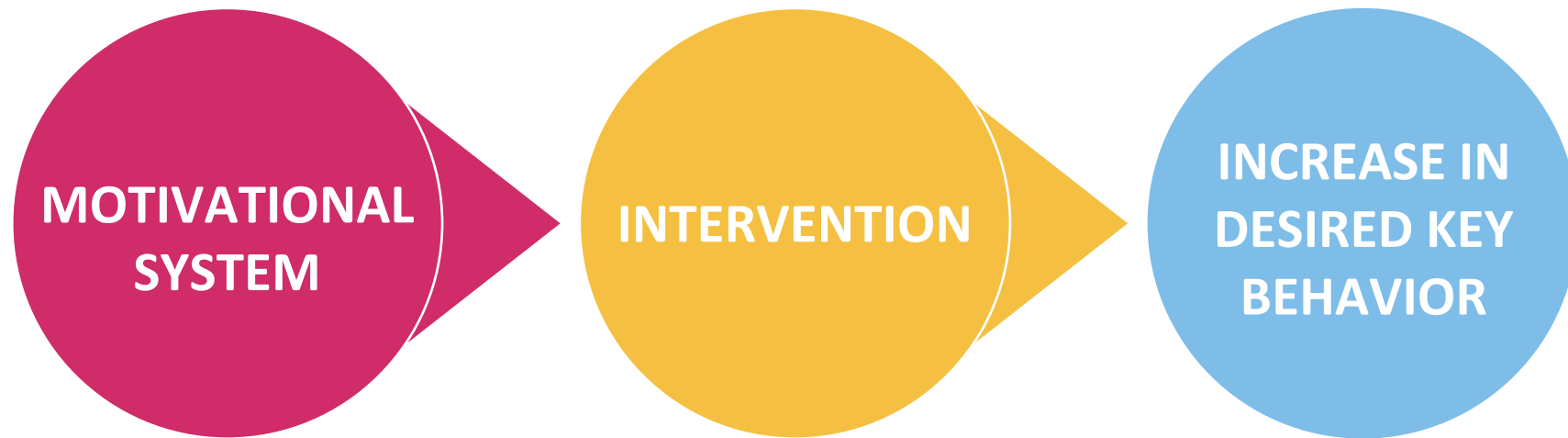
WHAT IS A MOTIVATIONAL SYSTEM?

Motivational System is a set of factors which interact with each other to make the desired behavior more or less likely to occur or the targeted belief more or less likely to be strengthened.

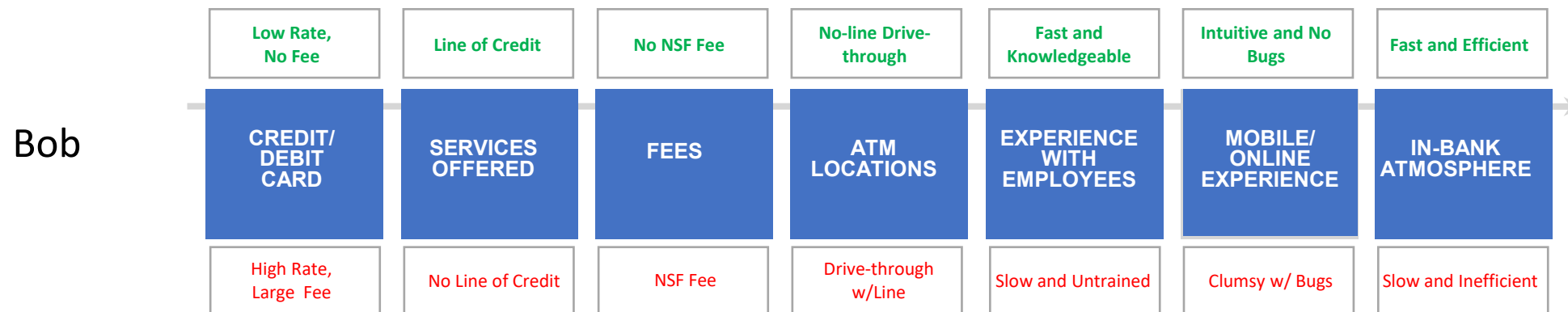Preference for a financial institution among millennials is determined by these seven factors -

Fees	Services Offered	Credit/ Debit Card	Mobile/ Online Experience
ATM Locations	Experience with Employees	In-bank Atmosphere	

HOW IS A SYSTEM OF MOTIVATIONAL FACTORS USED?

Motivational factors are ordered by what is most impactful for each individual in motivating a change in behavior, e.g. switching to a new bank.
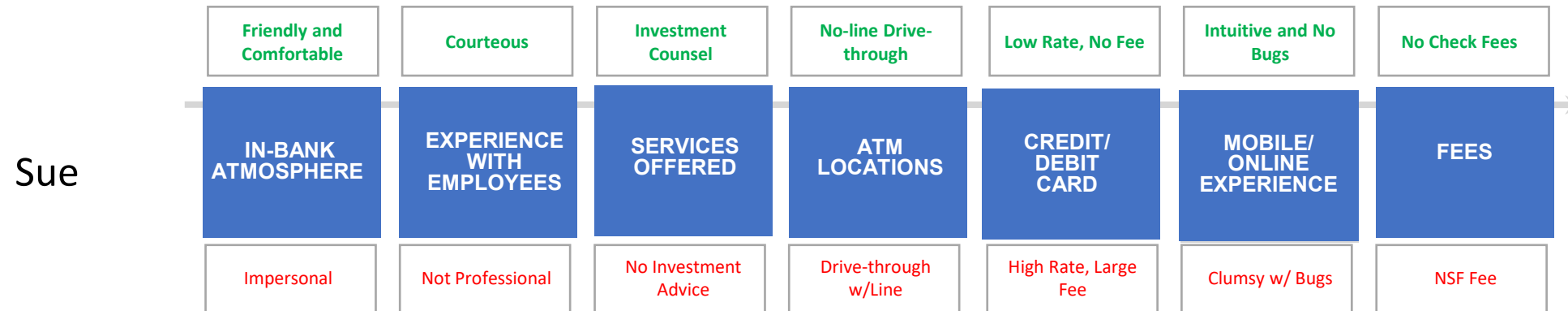
For example, when Bob is thinks about his bank, he first evaluates whether he gets a credit card with both a low interest rate and no fee, then by whether there is an available line of credit and no NSF fees. Bob is motivated to prefer and switch to the bank which gives him what he is "looking for" in this order of priority.

Low Rate, No Fee	Line of Credit	No NSF Fee	No-line Drive-through	Fast and Knowledgeable	Intuitive and No Bugs	Fast and Efficient
CREDIT/ DEBIT CARD	**SERVICES OFFERED**	**FEES**	**ATM LOCATIONS**	**EXPERIENCE WITH EMPLOYEES**	**MOBILE/ ONLINE EXPERIENCE**	**IN-BANK ATMOSPHERE**
High Rate, Large Fee	No Line of Credit	NSF Fee	Drive-through w/Line	Slow and Untrained	Clumsy w/ Bugs	Slow and Inefficient

Bob

If Bob gave a bank all **Green** Factor Scores, he would be <u>compelled</u> to choose your bank because no other bank could motivate him more. Your bank would then achieve a perfect **BrandEmbrace®** score of 100. If your bank received all **Red** **Factor Scores** it would produce a **BrandEmbrace®** score of −100 and Bob would be immediately motivated to switch banks.
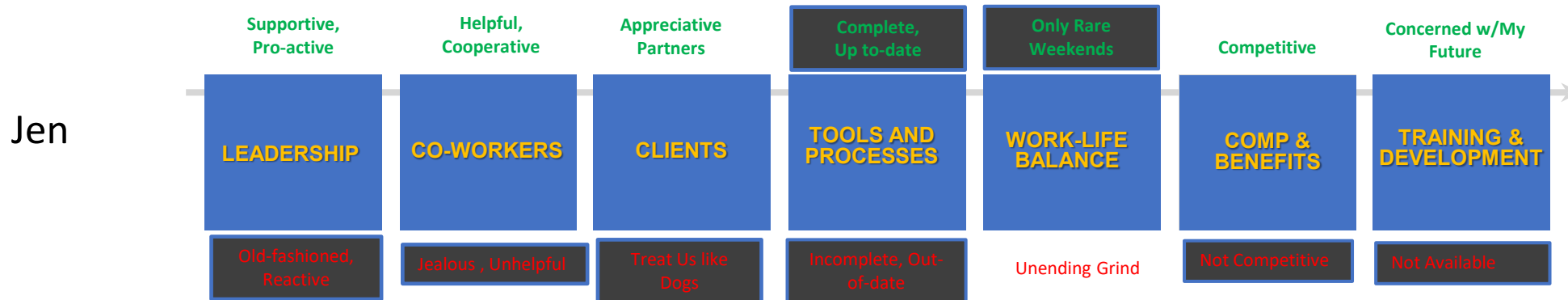
HOW DO THE MOTIVATIONAL FACTORS FORM A SYSTEM?

Sue has a different motivational system than Bob. She is first motivated with a friendly and comfortable in-bank atmosphere, courteous employees and available investment counsel. Sue will switch to your bank when she knows that your bank will give her what she is "looking for" when others do not.

	Friendly and Comfortable	Courteous	Investment Counsel	No-line Drive-through	Low Rate, No Fee	Intuitive and No Bugs	No Check Fees
Sue	**IN-BANK ATMOSPHERE**	**EXPERIENCE WITH EMPLOYEES**	**SERVICES OFFERED**	**ATM LOCATIONS**	**CREDIT/ DEBIT CARD**	**MOBILE/ ONLINE EXPERIENCE**	**FEES**
	Impersonal	Not Professional	No Investment Advice	Drive-through w/Line	High Rate, Large Fee	Clumsy w/ Bugs	NSF Fee

If Sue gave your bank all **Green** Factor Scores, she, like Bob, would be compelled to choose your bank but for different reasons than Bob. Your bank would then achieve a perfect **BrandEmbrace®** score of 100. If your bank received any **Red** Factor Scores from Sue, her **BrandEmbrace®** score would fall below 100 and she would be susceptible to switching away from your bank without corrective intervention.
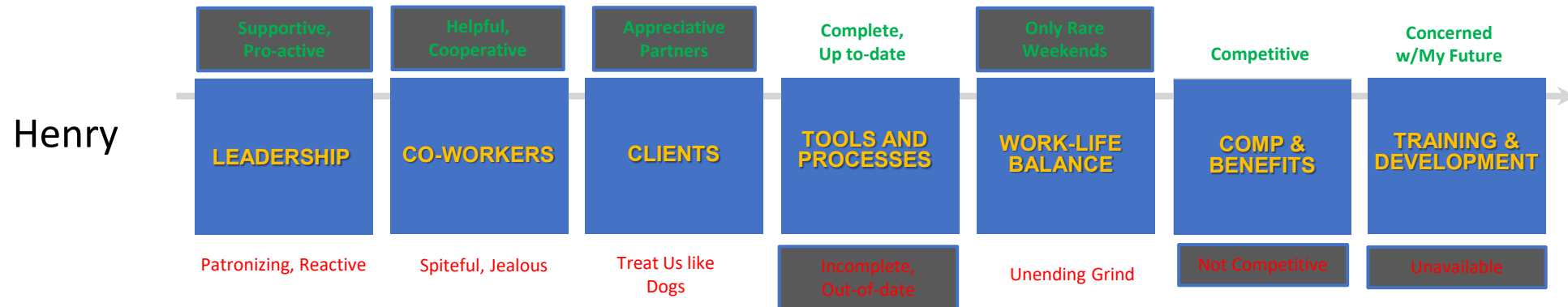
CAN BEHAVIORAL DESIGN BE APPLIED TO ORGANIZATIONS?

Jen is motivated to leave your company since her top three Factor Scores are **Red**. Her **Experience Index**[SM] (similar to **BrandEmbrace®**) is 55 because it is likely she can find a new employer where these Factors are **Green**.

	Supportive, Pro-active	Helpful, Cooperative	Appreciative Partners	Complete, Up to-date	Only Rare Weekends	Competitive	Concerned w/My Future
Jen	LEADERSHIP	CO-WORKERS	CLIENTS	TOOLS AND PROCESSES	WORK-LIFE BALANCE	COMP & BENEFITS	TRAINING & DEVELOPMENT
	Old-fashioned, Reactive	Jealous , Unhelpful	Treat Us like Dogs	Incomplete, Out-of-date	Unending Grind	Not Competitive	Not Available

To keep Jen from leaving your company and to keep her motivated, her perceptions of an old-fashioned Management, jealous/unhelpful Co-workers and Clients which treat employees "like dogs" must change. Jen's **Experience Index**[SM] is sufficiently low to make it likely she can find a new employer where they are **Green** and where her Experience Index is much higher.

CAN BEHAVIORAL DESIGN BE APPLIED TO ORGANIZATIONS?

Henry has a different Motivational System from Jen. He is motivated to stay with the company and not leave His **Experience Index**[SM] (similar to **BrandEmbrace®**) is 85 because his top three factors are **Green**.

Henry

| Supportive, Pro-active | Helpful, Cooperative | Appreciative Partners | Complete, Up to-date | Only Rare Weekends | Competitive | Concerned w/My Future |
| LEADERSHIP | CO-WORKERS | CLIENTS | TOOLS AND PROCESSES | WORK-LIFE BALANCE | COMP & BENEFITS | TRAINING & DEVELOPMENT |
| Patronizing, Reactive | Spiteful, Jealous | Treat Us like Dogs | Incomplete, Out-of-date | Unending Grind | Not Competitive | Unavailable |

Although Henry is motivated to stay with the company, to ensure his long-term loyalty his **Red** Factor Scores (Incomplete Tools & Processes, Non-competitive Comp & Benefits and Unavailable Training & Development should be improved even though his top three Factors all have Green Scores.
This will make it very unlikely that he will find a company with a higher Experience Index to which to switch.

WHAT SHOULD THE INTERVENTION CONSIST OF?

Since the motivational system describes both the <u>priority</u> and the <u>specifics</u> for improvement, it is easy to identify the optimal "things to change" and their order of importance.

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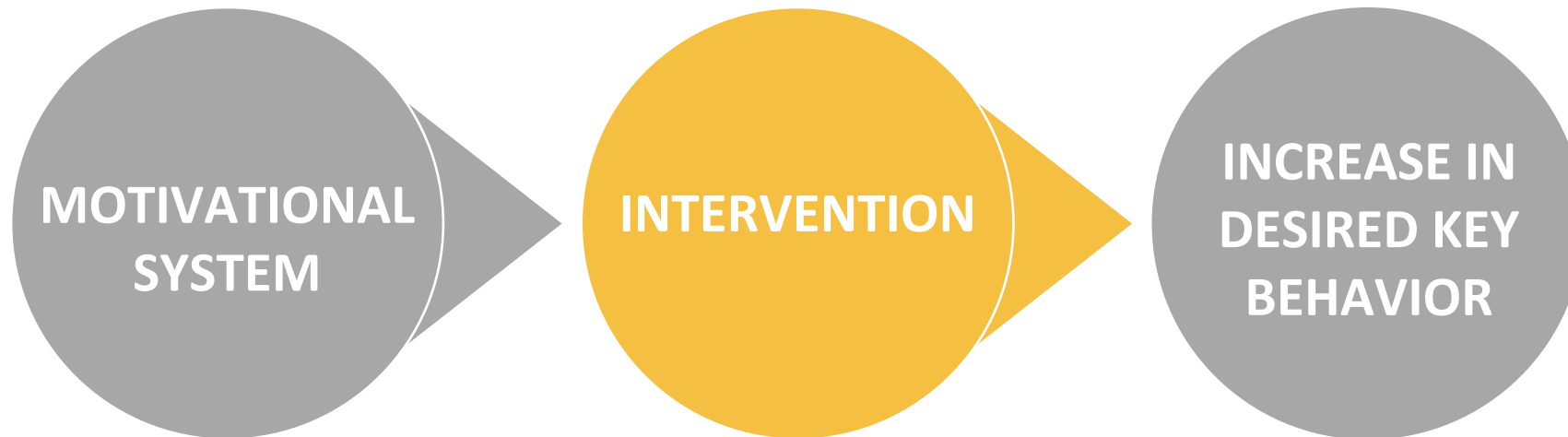
HOW LIKELY IS IT THAT THE INTERVENTION WILL "WORK"?

The intervention ensures that the desired key behavior or strength of a belief is obtained as expected because it is "built" on the motivational system which drives it. This is the real payoff of Behavioral Design from Behavioral Science Lab, the assurance that an intervention investment will pay off as expected.

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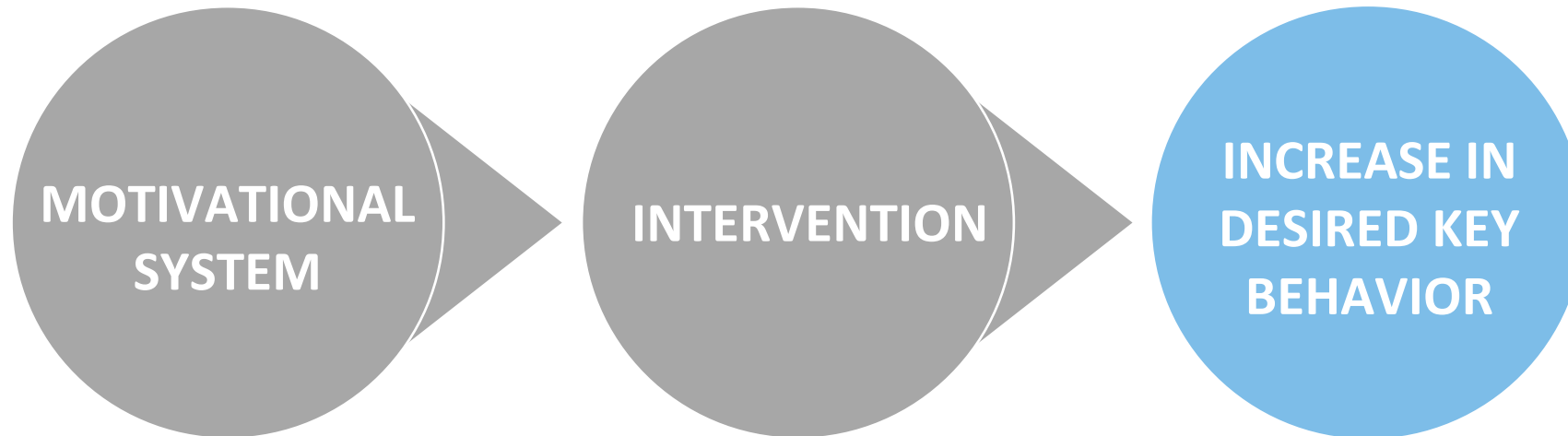
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Appendix

How we do it?

We created a certified valid and reproducible methodology based on four disciplines:

Phenomenology

Study of mental constructs based on first-person experiences.

Hermeneutics

Interpretation of any text or communication from the vantage point of the author.

Decision Theory

Science of understanding and predicting human decisions.

Systems Theory

Study of multiple variables and interaction leading to an outcome.

Marketing Accountability Standards Board (MASB) Certified

"The MASB MMAP audit is the only independent, completely objective assessment for the validity of a marketing metric. BrandEmbrace®, by successfully addressing the MMAP set of empirical evaluation protocols, has entered an elite group of metrics with proven ties to financial outcomes."

Frank Findley, MASB Executive Director and Chief Advisor to the MMAP Center

"BrandEmbrace® is the first metric assessed that has a qualitative component explaining brand preferences. This is a potentially valuable new option for marketers to understand their categories and discover motivating selling propositions."

Tony Pace, MASB President and CEO

Other MASB MMAP Assessed Organizations and Techniques: (1) Kantar Millward Brown: Link Copy Test (2017), (2) Nielsen: BASES (2016), (3) MSW•ARS: Brand Preference/Choice in Tracking (2016), (4) Customer Equity (& Customer Lifetime Value) applied to CPG (2012), (5) Corebrand Equity Construct (2011), (6) ARS: APM Facts (2007 & 2009)