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**POV: PREDICTABLE IRRATIONALITY:
BEHAVIORAL ECONOMICS IN PHARMA**

OCTOBER 2015



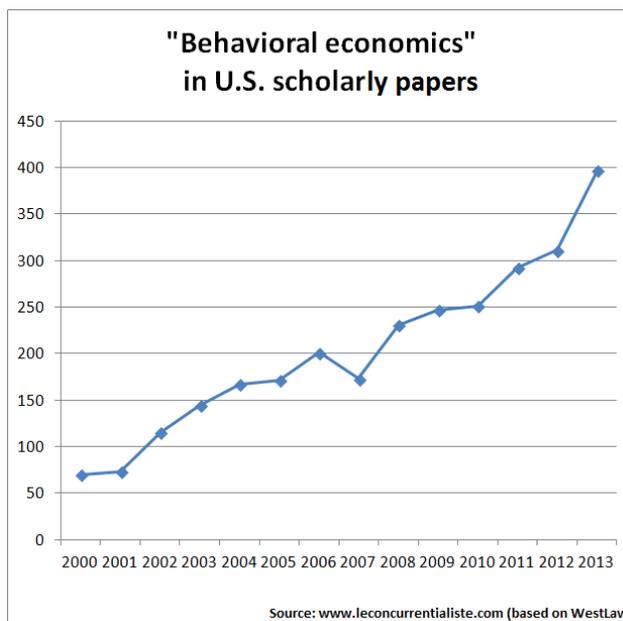
PREDICTABLE IRRATIONALITY: BEHAVIORAL ECONOMICS IN PHARMA

EXECUTIVE SUMMARY

People are notable for making lots of bad decisions. Even the smartest among us will often make choices that seem quirky, unexpected or just plain silly. We interpret information in biased ways. We procrastinate. We go to great lengths to avoid loss, despite the fact that letting go of a bad choice early is usually the best course of action. We rush into choices that, upon reflection, are poor ones. Indeed, the propensity to make irrational choices is now being seen as a defining trait of human behavior.

But there is some good news about the bad choices we make. The biases that underlie people's irrational actions can be better explained thanks to an increasingly popular field of inquiry: behavioral science, also known as behavioral economics.

When we accept the fact that seemingly irrational choices shape human behavior, we can apply this knowledge as marketers, illuminating our work and triggering the right motivations at the right times to nudge people in the right direction. When these behavioral theories are applied to a healthcare setting, what we often see are improved outcomes.



This in-depth POV will explore some of the concepts in behavioral economics, including how to look at what really drives people's decisions and some of the common reasons behind illogical choices.



BACKGROUND

If you've been in marketing for any length of time, you've confronted a basic truth: your customers aren't motivated by a deep desire to know more about your brand. Patients, payers, healthcare professionals — they don't actually wake up each day yearning to know your key messages. It would be nice, but it's just not true.

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What does drive us, then? The growing field of behavioral economics is built around this question. Its goal can perhaps be seen as making sense of how our decisions don't make sense. What researchers are finding is that, while we are irrational, our irrationality is predictable. There are patterns and triggers behind our choices.

COMMON BIASES

Another way to conceive of the drivers of human motivation is to look at some of the common tendencies. Behavioral economics has discovered that people exhibit many predictable biases. Here are some of the main ones:

Hyperbolic discounting — Smaller payoffs now are preferable over larger payoffs later
Cognitive miser bias — Answering hard questions is avoided
Center-stage effect — Items positioned in the middle of a set are preferred
Decision fatigue — Having too many options leads to indecision
Anchoring bias — The first information seen is often disproportionately relied on
Default bias — When a difficult decision has been made already, it tends to be

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accepted
Social default bias — The likelihood of copying others' choices when an informed decision seems difficult
Value bias — Less expensive choices feel inferior
Negativity bias — Unpleasant information is easier to remember than positive
Peak-end rule — Experiences are judged by their high points and their finish
Zeigarnik effect — Tasks left incomplete stick in your mind
Goal gradient bias — If the work is begun for us, we jump in faster
Scarcity bias — A limited supply creates a sense of urgency
Loss-aversion bias — Losing one quantity is worse than gaining a quantity of equal value
Fear of regret — Making the wrong decision is to be avoided
Decoy effect — A third choice can be added between two options in such a way as to predictably alter which way the decision will be made
Choice bias — Choices are remembered as better than they actually were

Knowing these tendencies allows us to develop strategies to help patients, caregivers and healthcare professionals — strategies that contrive to make the most of these biases or, at least, not be undermined by them.

IMPLICATIONS FOR PHARMA MARKETERS

Understanding the fundamentals of behavioral economics makes it possible to interact with audiences more powerfully.

Applying concepts like biases can make it possible to create messaging, tools, programs and campaigns that speak to people in the most effective way. For instance:

- + Designing opt-in enrollments
- + Choosing the right wording for a call-to-action



- + Designing programs that incorporate concepts like “habit loops” and “temptation bundling”

Behavioral economics can help you target marketing efforts; choose communication channels; identify new services, products, and audiences; and design messaging.

EXAMPLE: ANLENE™

Anlene is the leading brand of high-calcium milk powder for adults across Asia, used to supplement diets that lack calcium. Three years after launch, it had market leadership in China with more than 30 percent share. However, fewer than 10 percent drank the correct dosage of two glasses a day.



The Anlene brand saw that their habit-reward-cue loop was weak. This is a behavioral-economics concept in which an external cue triggers a habitual behavior, which is reinforced by a positive result. There was no strong external cue to regularly prompt women to drink Anlene, rewarding them with better bone health. However, caring for aging parents was important for many Chinese in their thirties, given the single-child phenomenon and the poor healthcare system.

So they piloted messaging that described a new habit loop. The cue was seeing one's parents, the habit became drinking two glasses of Anlene daily with them, and the reward was the proud feeling of being a good caregiver.

This was piloted to 3,000 families, who were provided with samples and coupons, a habit-tracking chart, and wristbands to wear as reminders. Results were extremely positive: 78 percent purchased Anlene again, those drinking Anlene as indicated went from 10 to 43 percent, and users per family rose from 1.1 to 2.6.

EXAMPLE: OCTALYSIS GAMIFICATION FRAMEWORK

Intouch has been applying behavioral economic principles to increase learning and improve adherence and outcomes through gamification techniques and concepts emanating from that field known as “human-focused design.”

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Octalysis: The Framework of Human-Focused Design

Basic fundamental motivations have been parsed into 8 Core Drives by gamification pioneer Yu-kai Chou. A leader in the field, he teaches that almost anything can be understood in terms of which Core Drives it motivates and/or is motivated by. He describes this paradigm as human-focused design.

Below are the Core Drives, with a short phrase that might help exemplify each:

Epic meaning and calling "You're the only one who can!"	Empowerment of creativity and feedback "Create your own!"
Accomplishment and development "Level up!"	Ownership and possession "Collect them all!"
Scarcity and impatience "Hurry!"	Avoidance and loss "Don't miss out!"
Unpredictability and curiosity "Guess what's next!"	Social influence and relatedness "Play your friends!"

From Pokemon to the *Harry Potter* saga, from presidential campaigns to Las Vegas, human-focused design "remembers that people in a system have feelings, insecurities, and reasons why they want or do not want to do certain things, and therefore optimizes for their feelings motivations and engagement. ... There's no one perfect tool and no right combination of motivations. It differs for each situation." ([source](#)) One tool can offer many different motivations; one person can respond to many different types of motivation.

CONCLUSION AND RECOMMENDATIONS

Most marketing is about delivering behavioral change, which has been well studied. However, many marketing practitioners, instead of applying clearly outlined principles as a matter of habit, continue to spend time on the linear funnel, conscious research techniques and communication campaigns around a creative idea. While creativity has strong ROI, it's by no means the only way to tackle a marketing problem.

With behavioral economics experts on board, it's possible to conduct BE exercises from the very first stages of planning and see the brand universe through this model. With an understanding of proprietary



how audiences are motivated — and how the tools and tactics available can motivate — it becomes far easier to match those tools and tactics to their best uses.

Think of behavioral economics like any other facet of marketing — BEO, like SEO. Similar to search engine optimization, behavioral economic optimization is the idea of taking a set of practices and concepts and using them to improve marketing results, from conversions and message recall to patient adherence and outcomes.

SIDEBAR: BEHAVIORAL ECONOMICS RESOURCES

Many resources are available, but the following authors are a wonderful place to begin to learn more about behavioral economics in general and habit formation and gamification specifically.

- + [**Actionable Gamification: Beyond Points, Badges, and Leaderboards**](#) – Yu-kai Chou
- + [**The Power of Habit: Why We Do What We Do in Life and Business**](#) – Charles Duhigg
- + [**Predictably Irrational: The Hidden Forces That Shape Our Decisions**](#) – Dan Ariely
- + [**The Upside of Irrationality: The Unexpected Benefits of Defying Logic**](#) – Dan Ariely
- + [**Nudge: Improving Decisions About Health, Wealth, and Happiness**](#) – Richard H. Thaler and Cass R. Sunstein
- + [**Thinking, Fast and Slow**](#) – Daniel Kahneman
- + [**Irrationality in Health Care: What Behavioral Economics Reveals About What We Do and Why**](#) – Douglas Hough
- + [**The Willpower Instinct: How Self-Control Works, Why It Matters, and What You Can Do to Get More of It**](#) – Kelly McGonigal
- + [**Better Than Before: Mastering the Habits of Our Everyday Lives**](#) – Gretchen Rubin

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