Curb Marketing Misspends

Behavioral Science and Agile Development
Today’s Speakers

Dr. Raj Sandhu
PhD Cognitive Neuropsychology
Fresh Squeezed Ideas

John McGarr
Chief Impact Officer
Alpha Impact Marketing
Learning Objectives

1. Understand how the “battle for the mind” model of marketing is obsolete and what needs to be retooled

2. Learn how Behavioral Science + Agile Marketing spends less and creates more impact

3. Learn how to source superior creative content at scale and at a fraction of the cost

4. Learn how high impact campaigns must “earn their way” to justify robust media spends

5. Receive a Change Map for organizations to mobilize retooling efforts
Why You Should Be Here

We hope to provide some new insight into a topic that often frustrates investors, CEOs, CFOs and CMOs alike.
The Gist of Today's Webinar

1. Systemic flaws in the way marketing work is done are causing misspends and inhibiting financial results

2. We will introduce you to Behavioral Science and show how it can be an effectiveness driver

3. We will demonstrate how to combine Behavioral Science with Agile Development processes borrowed from the software development sector and applied to Marketing
   > More impact
   > In less time
   > For less cost

4. We will suggest how the marketing function needs to be retooled to become a strategic investment vehicle to drive enterprise value; rather than be only an expense that must be minimized

This is going to be good.

So turn off your phone.
Close your door.
Listen closely.

Prepare for impact.
BSci + Agile =

More Impact
In Less Time
For Less Cost
And lots of room for creativity

CREATIVE SPRINT
MICRO TARGET SPRINT
BASELINE SPRINT
AGILE DEVELOPMENT CYCLE

SCOPE
DIVERGENT IDEATION
CONVERGENT EXPERIMENTS
INVEST
CONTINUOUS IMPROVEMENT

BSci + Agile = More Impact In Less Time For Less Cost And lots of room for creativity
The Origin of Marketing Misspends

- Obsolete Processes
- Invalid, Unreliable Inputs
Very Low Chance of Success
Failure is Normal

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The human brain is the greatest content filter ever created
The Worst-Case Scenario

80% of all new products fail within the first year

25% Definitely would
75% Probably would buy
Mind the Gap

PEOPLE ARE NOT GOOD AT PREDICTING THEIR OWN FUTURE BEHAVIORS

CLAIMED

ACTUAL

I recycle

80%

54%

I buy Fair Trade

32%

2%
The Worst-Case Scenario

7th product in the 5th class of drugs. Proven to be of marginal benefit, beyond a reasonable doubt.
Too Much Choice is Negative (even for MDs)
The Worst-Case Scenario

Well received in pre-testing, but didn’t drive sign ups
Social Norms are Powerful

Can’t make people abandon them in just one ad
- even with Queen Latifah
Change Behavior; not Minds

*Attainability* evokes behavior more powerfully than persuasion.
Change Behavior; not Minds

The Theory of Planned Behavior suggests *intention* is the key to purchase. Now being reinterpreted in light of Cognitive and Behavioral Sciences.
Disrupting Marketing’s Bad Habits

- Human Sciences
- Redefining Business Problems
- New Tools of Influence
- Evidence-based Marketing
Every business challenge is first and foremost, a **human challenge**.

The **Applied Sciences of Cognitive & Behavioral Neuropsychology and Cultural Anthropology** make sense of and solve such puzzles.

When combined with an **Agile Digital Marketing** methodology impact is accelerated by **connecting to customers at scale**

- more impact, faster and for less investment.
Who won the 2002 Nobel Prize in economics?
Thaler won the 2017 Nobel Prize in economics.
3 of top 20 TED Talks are on BE

36 Countries

The next revolution is psychological, not technological.

- Rory Sutherland, Ogilvy Group
Psychology questions traditional economic assumptions

Assumes,

- People know their preferences
- People are completely self-interested
- People make ‘rational’ decisions

Everyone knows these are not true
Psychology questions traditional marketing assumptions

Assumes,

- Decisions are context neutral
- True motivations are accessible
- We’re not motivated by the actions of others

Businesses are learning these aren’t true either
Subconscious drivers of behavior
TWO DECISION MAKING SYSTEMS

- **Senses**
- **Experiences**
- **Emotions**

We sense then We rationalize

**Autopilot System 1**
- Intuitive

**Pilot System 2**
- Rational

Decisions and behaviors are influenced by implicit beliefs and cognitive shortcuts
1. Future projections are not reliable

2. Memories are skewed

3. Change is hard

4. Choices are based on relative not absolute evaluations

5. Context matters

6. Social Norms

7. We are not good at valuation
Behavioral Science in Action: Nespresso Uses Anchoring
Behavioral Science in Action: Fluency, Memorability

Their customers never forget who is doing all the dirty work.
The impact of negativity on rationality

Rock-Paper-Scissors is a game of chance, so it is irrational to apply a strategy.

Research showed when playing this game, people were more likely to apply a strategy after a loss than after a win

(Dyson, Wilbiks, Sandhu et al., 2016)
People are more likely to engage in irrational decision making when in a negative state (i.e. facing scare tactics).
Leveraging positive states

We recommended an ad campaign based on humor rather than fear or rational arguments (patient education).

+100% GROWTH
Prone to Fail

Unreliable, invalid inputs allowing poor business decisions

Behavioral Sciences can influence behavior more easily than persuasion tactics

3. And the development processes are slow, costly and also prone to failure.
Retool Obsolete Processes

- Agile Development
- Integrated with Behavioral Sciences
The Worst-Case Scenario

Pepsi pulls Kendall Jenner ad ridiculed for co-opting protest movements

Company admits it ‘missed the mark’ after ad was mocked on social media and by civil rights activists including Martin Luther King Jr’s daughter

Est. Production: $2-5MM, Media: $100MM
Linear Planning: Slow, obsolete processes with high costs

**Library of Intelligence**
- **Hunch**

**Exploratory Research**
- **An “insight”**

**Brief the Agency**
- **Filter**
  - **“Big Idea”**

**Global Creative Development**
- **3-4 concepts**
- **3-4 variants**

**Final testing**
- **More variants**
  - **More approvals**
  - **Production**

**Launch**
- **Spend to budget**

**Reliable? Valid?**

**As good as the input**

**Bias & Constrained**

**Bias & Constrained**

**Pray**
Rebooting the Development Process
Agile Development

Linear Planning

Succeed?
Fail?

Agile Method

Ideate  MVP  Learn  Apply  MVP  Learn  Apply  MVP  Learn

$  $  $  $  $  $  $  $  $
BSci + Agile =

More Impact
In Less Time
For Less Cost

And lots of room for creativity
Define business objectives and goals.
Analyze demographics, psychology, behaviors and subculture of the target audience.
Analyze the competitive landscape to reveal norms, references.
Define tech stack to meet the needs of the project.
Scope: Obesity Medication Launch

- Gastric Surgery
- Diet & Exercise
Goal: Create many prototypes
BSci and CAnth driven ideation: Cultural values, tensions, shifts. Cognitive neuropsych influences on behavior.
Digital Analytics: Behavioral profiling
Validation: Implicit testing
Output: Minimally Viable Prototypes
BSci for Structured Divergent Ideation

We use the **MINDSPACE** framework as a guide to develop **tactics that will elicit the desired behavior**.
AGILE DEVELOPMENT CYCLE

A series of disciplined iterative in-market experiments to develop Minimally Viable Prototypes into validated high impact solutions; all with nominal levels of investment.
Starting with client’s core buyer persona and Minimally Viable Prototypes in primary channels (i.e. Facebook, Google Display Network, LinkedIn) or offline in research simulations to gain learning early learning

- Validation: Real-time, in-market
- Output: Early winners/losers validated
Divergent experiments with message and creative using BSci and CAnth techniques.

- Validation: Real-time, in-market
- Output: Conversion & Engagement winners
Creative Sprint

Why would anyone bother to watch your advertisements? Seriously.

Marketing in the social era demands brand comms be as interesting as the internet – it must have value for the viewer.
Creative Sprint: Creative at Scale

How do you get great creative at scale?

Remember the poor odds?

1. Don’t believe the myth of “legendary” creative directors – the few are legends for a reason. The rest are mere mortals.

2. Don’t rely on a small team. The smaller your team the worse your odds of success. Its math. This is the Platform Economy – curate your resources continually.

3. User Generated Content often more relevant and engaging than brand owned creative. There is room for amateurs – and they are affordable.

Testing specific message/creative variants within increasingly narrow audiences. Cut/proceed decisions by microtarget.

- Validation: Real-time, in-market
- Output: Winners by microtarget
Micro-Target Sprint: Segmentation is Obsolete

BACKGROUND
- 30 years old
- Married
- Lives in Greenville, South Carolina
- Earning degree in Psychology, which she used as a school counselor before deciding to stay home with her kids, now ages 2 and 1

FINANCES
- Household income of $120,000
- Makes most of the purchasing decisions, and does most of the buying
- Misses the discretionary income she had before becoming a stay at home mom

SOCIAL MEDIA PROFILE
- Facebook is her life line, especially the 3 private groups
- Active on Twitter, Instagram, and Pinterest
- LinkedIn profile hasn't been updated since she left the workforce

TECHNOLOGY
- Accesses the internet from her smartphone, which never leaves her side
- Uses video chat and social media to stay connected with friends and family

Category buyers; not Brand buyers

Rarely based on reliable evidence

New Yorkers have seen everything
Micro-Target Sprint: Network Effects

WHO’S OPEN?

Let the idea get spread

Awareness  Interest  Desire  Action  Renewal
CONTINUOUS IMPROVEMENT

SCOPE

DIVERGENT IDEATION

AGILE DEVELOPMENT CYCLE

CREATIVE SPRINT

MICRO TARGET SPRINT

BASELINE SPRINT

CONVERGENT EXPERIMENTS

INVEST

Scientific validation to mitigate any lingering risks using BSc methods.

> Validation: Implicit feedback for maximum credibility.
> Output: Scientific evidence before investment
Convergent Experiments: Priming + Implicit Association

**PRIMING STAGE**

<table>
<thead>
<tr>
<th>Control Group</th>
<th>No prime</th>
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<tbody>
<tr>
<td>Group 1</td>
<td>Primed with communication A</td>
</tr>
<tr>
<td>Group 2</td>
<td>Primed with communication B</td>
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**TESTING STAGE (IMPLICIT ASSOCIATION TASK)**

Implicit Association Test (IAT)

| Premium Brand A | Cheap Brand B |

**ANALYSIS**

Control | Group 1 | Group 2

Strength of Association with Cheap
The wisdom of the crowds

Phone a friend: 65% Correct Answers
Ask the crowd: 91% Correct Answers
Predictive Market

Rather than using measures of intention which we know are not reliable, we leverage the wisdom of crowds to select the winning idea.
Output Matrix

Rather than using measures of intention which we know are not reliable, we leverage the wisdom of crowds to select the winning idea.
NEW PRODUCT DEVELOPMENT

3 Attempts
3 Wins
Budgets allocated to achieve business objectives based on KPIs derived from cumulative experimental learning

Output: Evidence-based budget and plan
Evaluation of niche channels, creative refresh, adapt to changing market conditions

> Validation: Results evaluated against established KPIs
> Output: Evidence-based budget and plan

CONTINUOUS IMPROVEMENT

- SCOPE
- DIVERGENT IDEATION
- CONVERGENT EXPERIMENTS
- INVEST
- CONTINUOUS IMPROVEMENT

AGILE DEVELOPMENT CYCLE

- MICRO TARGET SPRINT
- BASELINE SPRINT
- CREATIVE SPRINT
Evidence-based Marketing

The 6 Laws of Alpha Impact Marketing based in the latest cognitive science to grow brands while mitigating risk

1. Be Unforgettable
2. Build Subconscious Associations
3. Optimize Availability
4. Emotionally Intelligent Communications
5. Execute with Evidence
6. Agile Development

- Brand identity
- Triggers
- Online/offline
- Real engagement
- Optimization
- Do more with less
Retooling the Marketing Function

- Skills
- Talent
- Processes
Very Low Chance of Success
Applies to Talent

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Very Low Chance of Success
Applies to Talent

There is no one that is a fit for every assignment

The best chance of success comes from a wide experienced talent pool

Networked resources have already disrupted the creative industry

Room for both amateurs and professionals

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<td>Creative Director</td>
<td>3,486,538</td>
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<tr>
<td>Graphic Designer</td>
<td>2,557,730</td>
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<tr>
<td>Director of Photography</td>
<td>1,005,248</td>
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<tr>
<td>Copywriter</td>
<td>490,403</td>
</tr>
<tr>
<td>Animator</td>
<td>237,722</td>
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Source: LinkedIn
Marketing is a Science of Human Behavior

Hire for the right skill set

**Insight**
- Subconscious
- Implicit
- Irrational
- Culture

**Strategy**
- Decision oriented
- Evidence-based
- Validated

**Activation**
- Network resourced
- Designed experiments
- Optimized at Scale
Retooling the Marketing Function

1. Leadership
   > Delegate authority to teams
   > Manage distributed talent
   > Shift from linear planning to agile experimentation
   > Understand the Human Science of Marketing
   > Aware of cognitive biases that inhibit effective decision making

2. Talent
   > Specialists
   > Integrators
   > VUCA tolerant
   > Boutiques or freelancers
   > Human Intelligence
   > Agile
   > Marketing Scientists
Our Team

We bring together our multi-disciplinary team with backgrounds ranging from:

- Behavioral Psychology
- Medical Anthropology
- Cultural Anthropology
- Organizational Psychology
- Design Thinking
- Digital Marketing
- Digital Tech
- Analytics
- Strategic Design
- Bioethics
- Public Health
- Curated Partner Network
Free Bonus Offer

Free Lunch n Learn with your portfolio C-Suites

Behavioral Science reading list

John McGarr
JMCGrAlphalmpact.Marketing

Chicago | Toronto
Alphalmpact.Marketing