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The marketer's superpower: Why you need to understand behavioural economics

Behavioural economics

Study psychological theory – or the key to your next game-changing campaign?

Spoiler alert: it's the latter. That's why, if you're not familiar with the field of behavioural economics, you need to be.

So grab a cuppa, take a seat and read on.

Behavioural economics delves into the 'how' and 'why' of human decision making, providing marketers with the insights they need to tap into consumers' minds and design more streamlined, targeted and effective campaigns.

We sat down with Dan Morheit, one of Australia's leading Behavioural Science specialists, to find out more.

Behavioural economics: the 411

Let's start with the basics.

Behavioural economics, or behavioural science, is a field of study that helps us understand why people behave the way they do.

'At its core is the idea that we're not the rational decision-makers we'd like to think we are,' says Dan Morheit, presenter, podcaster and CEO of behaviour change agency [Hardhat](#).

'So many of the decisions consumers make are influenced by emotion, internal biases and social factors.'

'Behavioural economists study the common quirks in our thinking that cause us to make decisions that seem irrational – and try to find patterns and names for those behaviours to better understand them.'

Have you ever wondered why people queue outside a full restaurant when nearby eateries have open tables?

It's because of a little thing called social proof.

Or why a full day at a theme park leaves you with exhilarating memories, even though you spent most of the day queuing?

That's the peak-end rule at work.

How behavioural economics can be used in marketing

Understanding consumer behaviour is key to effective marketing.

'If you look back at advertising as long as it's existed – from door-to-door sales scripts to Tupperware parties – you'll see that people have instinctively been using these principles for years,' says Dan.

'But behavioural economists made a science out of it, offering tangible, evidence-based theories based on thousands of peer-reviewed studies that explain why people make the choices they do.'

Marketers can use these theories to tap into their customers' minds, better understand their needs and anticipate how they'll respond to certain strategies.

'Once we understand our audience's behaviour – their internal biases and what's driving them – we can start building products, services, campaigns and businesses around them.'

From social proofing to scarcity bias: which principles can marketers tap into?

So, what are some of the different theories marketers can use to shape their campaigns?

'One of the most common ones that spring to mind is temporal discounting' says Dan.

'As humans, we tend to favour instant gratification over things that will benefit us in the future. The further away and the hazier the benefit, the more willing we are to trade it for something that will make us happy right here, right now.'

Marketers can use this to their advantage in all sorts of ways, from offering immediate benefits like sign-on bonuses to implementing limited-time offers and early-bird discounts.

'Brands like Who Gives a Crap use temporal discounting in a really interesting way,' says Dan.

'Their whole ethos is that they're helping fix a societal problem (that 2 billion people don't have access to a toilet) to create a better world – a hazy future goal.'

'But they offer people the short-term benefit of aesthetically appealing packaging and social kudos. So, customers immediately get a more colourful bathroom and the ability to signal their values to the people around them.'

'These short-term incentives encourage them to buy the product, which keeps them on track for long-term good.'

But marketers can tap into dozens of other behavioural economics principles, from reciprocity bias and loss aversion to effort bias and anchoring.

'I see lots of marketers harnessing the power of effort bias,' says Dan.

'We tend to see effort as a proxy for value: we're more likely to approve of something if we can see the time and effort that's gone into it.'

'If you go to a nice restaurant, for example, and sit at the chef's table, you're inclined to appreciate the food more because you can see the effort that's gone into preparing it.'

'We did a campaign a couple of years ago for Green's Baking that played with this idea.'

'Green's puts a huge amount of effort into recipe development to ensure their pancakes are extra light and fluffy. So we built a campaign around a character, Greenie, who lives in the box and is constantly honing and experimenting, trying hundreds of different recipes until he finds the perfect one.'

Showing your consumer the dedication you've put into developing your product or service can positively influence their perception of its value.

With knowledge comes power: How to use behavioural economics responsibly

It's hard to argue with the science.

The value of behavioural economics in driving consumer behaviour and improving marketing outcomes is the topic of countless books, case studies and research papers.

But there will always be people who argue that using these strategies to try and influence a customer's choices is deceptive, even manipulative.

So, how can we ensure we're using these principles responsibly?

'Manipulation is an interesting word,' muses Dan. 'As marketing professionals, our goal is to drive action. If we weren't trying to influence people, marketing wouldn't exist. But from a moral or ethical perspective, behavioural economics is like any tool – it can be used for good or bad.'

As Dan sees it, behavioural science can improve outcomes for both customers and the brand. You just have to keep consumer welfare front of mind while designing your campaign.

'My litmus test is: if the customer knew what I was doing, how would they feel about it?'

'Let's go back to the Green's Baking example I used earlier. I don't think a customer would mind a company showing them how much effort they've put into developing their product.'

'But if a telecommunications company told their customers they only have 5 iPhones left when, in reality, they have way more, I don't think they'd be okay with that.'

'I always try to toe that line.'

How to leverage behavioural economics in your marketing

So, you're now well-versed in the value of behavioural economics in marketing.

You know how to implement its principles responsibly and you're eager to start using it in your upcoming campaigns.

Dan recommends that you take the following three steps.

1. Read up

First, build your knowledge.

'There are tons of amazing resources out there that will help you get acquainted with the different theories,' says Dan, 'and some great online courses you can use to upskill yourself.'

'Of course, I'd recommend my fortnightly e-newsletter, [The Bits](#), where I answer questions about human behaviour, and my podcast, [Bad Decisions](#).'

And if you're a book lover, Dan recommends:

- Predictably Irrational by Dan Ariely
- Nudge by Richard H. Thaler
- Alchemy by Rory Sutherland

2. Start Now

How do you get going once you're all clued up?

'My best advice would be to just start,' says Dan.

'The great thing about behavioural science is that you can start small. Try changing an email subject line to align with framing principles. Or tweaking your Google Ads copy to include more social proof. Do two different radio ads that tap into different biases.'

'Once you've done one thing, you can monitor your audience's response and go from there.'

3. Run Tests

It's important to experiment and keep track of your results.

'Start implementing what you've learned with a series of little tests,' says Dan.

'If you want people to sign up for a new credit card, for example, you might run a test on your website where you expose visitors to different messages. One may be about it being the most popular credit card, another may be about it being an award-winning credit card certified by a financial services organisation, and another may be centred on a promotion they can take advantage of if they sign up within a certain timeframe.'

'Then monitor which message performs best.'

Use behavioural science principles to perform these quick, effective tests and soon you'll be able to build entire campaigns and strategies around the results.

And the results will speak for themselves.

Want to improve your knowledge of behavioural science – and up your marketing game? ADMA's [Behavioural Economics Certificate](#) offers more than 50 hours of insightful, self-paced content.

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