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Could you nudge your brand to success using behavioural economic theory?

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With behavioural economics theory becoming more widely adopted, especially within the market research sector, terms such as 'nudging' have started to enter our vocabulary.

Thaler and Sunstein coined the term "nudge" in their 2008 book of the same name. They defined it as 'any aspect of the choice architecture that alters people's behaviour in a predictable way without forbidding any options or significantly changing their economic incentives. To count as a mere nudge, the intervention must be relatively easy to avoid, if required. Nudges are not mandates.

For example, we know that, for a whole range of reasons, people don't always choose 'healthy' food. One reason could be that healthy food occupies poor real estate in the store compared with more profitable or desirable, but unhealthy products like confectionary. To "nudge" people towards making better choices, healthy foods could be placed at eye level on the shelves, so that they can be seen more easily. Alternatively, they could be positioned at the tills, where people make impulse purchases. Banning junk food would not be defined as a nudge, as to do so removes choice and would therefore constitute a mandate to eat healthily.

There are many examples of nudges that have been employed in the public health environment to good effect. For example, the 'traffic light system', which appears on packaging to provide information on the level of salt, fat and carbohydrates in the food product, encourages people to make healthier meal choices. The introduction of hand sanitisers on entry to all hospital wards has been credited as one of a number of nudges designed to encourage patients and practitioners to adopt better hygiene, helping to contribute to a decline in hospital-acquired infections.

However, in order to be able to promote a desired behaviour, we need to first understand their 'choice architecture' - the biases, boundaries and habits that go into decision-making. Market research is the ideal tool to help understand consumers' choice architecture, especially in the context of a particular environment or situation. Using our understanding of how people make choices, marketers can identify ways to 'nudge' people in that direction.

Nudging in pharma and med-tech

Basic economic theory assumes that humans make rational decisions. We assume this is especially true in healthcare. Surely doctors select the 'best' treatment option for a patient based on the evidence to support each treatment, right? Not entirely true. If it were, decisions would be made completely objectively, and there would be little difference in the decisions made by each individual. We know that this is not the case, and that other issues do come into play. It is our job as market researchers to uncover and use the insights of what these issues are, in order to affect a desired outcome. In instances where clinical data doesn't necessarily yield a strong competitive advantage, 'nudging' provides an opportunity for brands to provide cheaper, less invasive and potentially highly effective ways to move customers from one brand to another.

In a recent study we conducted in wound care, we noticed that physicians, nurses and hospital administrators are all very clearly able to identify differences between various wound dressings, in terms of efficacy, ease of use, cost and applicability for various wound types and locations. However, when we examined the 'choice architecture' more closely, we found that a number of other factors influenced what was actually used in practice – such as what was readily available in the facility at that time (a range from different manufacturers are typically stocked), patient insurance, as well as what was physically closest to hand at the time of treatment.

These insights support the argument that clinical data isn't necessarily the key driver of choice, and that nudges can be created to promote one product over the other. For example, in this scenario:

- Manufacturers could work with Nurses and Materials Managers to ensure that their brand is always optimally positioned in the store cupboard – front and centre - and is easily accessible rather than hidden at the back, which is likely to preclude the dressing being selected on impulse.
- Secondly, they could work with the supply chain to ensure that their brand is always available when required.

'Nudging' like many of the principles of behavioural economics, often present simple, yet highly effective, options for influencing behaviour. However, exposing these opportunities requires a deep and comprehensive understanding of the real influences on behaviour.

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About Research Partnership

We are the largest independent healthcare market research and consulting agency in the world. We collaborate with clients from the global pharmaceutical, medtech and biotech industries, providing research intelligence and strategic recommendations that elevate healthcare brands and power their success.