

Imperfect Decision-making

Why do focus groups say they want to buy toothpaste A and then don't?

They aren't lying on purpose. It turns out that people don't know what they will do. Not only that, but they also can't tell you after the fact why they did something.

Behavioural economics is the psychology of why people buy and the rules of the brain that help us predict what people will do instead of what we think they **should** do. There are countless rules, concepts and stimuli working together in the brain to shape decision-making.

Nobel Prize-winning behavioural economist Daniel Kahneman talks about the brain as two systems. System One (the "sub-conscious") is the automatic system. It reacts quickly and can handle an incredible amount of information – as much as 11 million bits of information per second. System Two (the "conscious") is much slower and can only handle about 40 bits of information per second.

While we like to think we're in control of our brains and all our decisions are being made after a complex, logical evaluation – it simply isn't the case. The conscious brain can't process enough information to get through the plethora of decisions we need to make.

That is why 99% of the decisions you make (as well as those of your clients) are handled by the sub-conscious brain.

And these two sides of your brain don't speak the same language.

Remember when you learnt to drive? It was slow at first while you actively thought about where to put your hands on the steering wheel, the position of the foot pedals, when to check the rear view mirrors, etc. It was slow because your conscious brain was learning and setting up rules for the process.

Now that the rules are in place, it's much easier. You are still making the same decisions and evaluations when you drive, but your sub-conscious has taken over and is using the established rules of thumb that worked in the past.

Almost everything you do is based on a prediction of what is coming next, which is based on the sub-conscious' understanding of the past. A lot of the time however the sub-conscious is using rules that don't perfectly fit the situation at hand. With 11 million bits of information per second to process, it's no surprise that some decisions are not on point.

If you ever believe that prospects **should** know you are the best option, or they **should** see your value, it's time to stop and take a long, hard look in the mirror. People don't always do what they "should" or what is in their best interests. Even if

they **know** what is best, it doesn't mean they will do it. For example, we all know we will be healthier if we eat better and exercise. But do we do that? Often, we don't.

So it goes for the brain: the conscious knows what to do but can't get the sub-conscious to follow orders. New York University psychologist Jonathan Haidt uses the example of someone riding an elephant to describe what is happening.

The conscious brain is the rider. It can have the best, most logical plan in the world, but if the elephant (sub-conscious brain) is distracted or uninterested ... the rider has no chance. Cajoling the elephant won't help. But the right kind of nudge or encouragement might.

The biggest problem for businesses – whether you are delivering a service, setting pricing strategy, creating marketing messages, or communicating to staff – is that the conscious rider is trying to talk to other riders in their own language when they should be working to entice the elephant first.

Elephants don't understand human logic and the sub-conscious is the same. Start with the elephant – and the rider will help explain why it is a fantastic idea.

The key take-away's for you from this lesson should be:

1. Stop being "logical" or "rational" when pitching for new work – the listener's sub-conscious is imperfectly driving the decision-making.
2. The best way to influence the prospect's decision is to work with the sub-conscious of the prospect and understand the short cuts that it is using when making decisions.