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Understanding Cognitive Biases for Better CX

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Our minds are constantly processing and interpreting the world around us.

We make decisions every minute about what is safe or dangerous, what is a priority and what is unimportant, what is interesting or ugly, and so on. We sort, we discard, and we make decisions thousands of times a day as we go through life.

Our brains do all of this for us, but they can only do so much. We wouldn't be able to handle the sheer volume of data our brains sift through without the mental shortcuts they've developed. These cognitive biases guide us through our day. They can sometimes lead to poor decisions, but we still absolutely rely on them.

The savvy marketer must learn how to use cognitive biases to help shape how potential customers make important decisions about products. Understanding psychology in marketing and the decision-making process can help you nudge visitors toward a particular purchase online and can boost your revenue.

Couple that with outstanding customer service, and you've got an undeniably powerful one-two punch for your team.

What tool is perfect for creating marketing automation strategies to provide elite customer service? A customer data platform.



A customer data platform creates a unified customer database that can be accessed by other systems. Data is pulled from sources all over the company and combined to create a single customer view for marketers. This single customer view is then used as a baseline for marketing automation strategies that help recruit and retain customers for business.

Cognitive biases

What do [cognitive biases](#) have to do with customer data platforms? They specifically shape buyer behavior, and customer data platforms are tasked with tracking buyer behavior.

There are three cognitive biases that relate directly to customer data platform usage: social proof, choice overload, and goal gradient effect.

Let's dive into each and see how your company can use cognitive biases to improve its experience with a customer data platform.

Bias #1: Social proof

Social proof is one of the most widely understood cognitive biases and directly relates to customer data platform usage.

Social proof is a psychological phenomenon seen when people copy others' actions to imitate behavior in certain situations. For example, if you see your favorite celebrity wearing a shirt that you also like, you will be more inclined to purchase that shirt because of the celebrity's endorsement.

This bias tells us that we are influenced by the behavior of others and that we take cues from those around us. If there's a loud noise but no one around you seems alarmed, you'll probably stay calmer than you would have otherwise. In the same way, your buyer may be strongly influenced by product reviews or other user-generated content like pictures, links to social media posts, and more on your site. There are a couple of strategies your team can use with your customer data platform to capitalize on the popularity of social proof in today's society.

Personalize your marketing

Social proof is most effective when it feels personal to your buyer. A good customer data platform allows you to make nearly all marketing communications [personalized](#) to the user.

In 2021, this means far more than an email that starts "Dear Nancy" or concludes with "Let us know if you need anything else, Doug!" Customer data platforms have detailed knowledge of shoppers' behavior thanks to the single-customer view and are able to use artificial intelligence to make predictions about the future shopping behavior of previous customers.

Personalizing communications makes your customers feel valued and special and allows them to see products chosen especially for them. A good customer data platform will use AI to optimize what time to send the message, what should be in the message, and to best track the results of the communication. This is essential to truly tapping into the social proof cognitive bias.

Create excitement in your customer base

Display a view count banner, a notification of how many people bought the product in a defined time period such as today or this week.

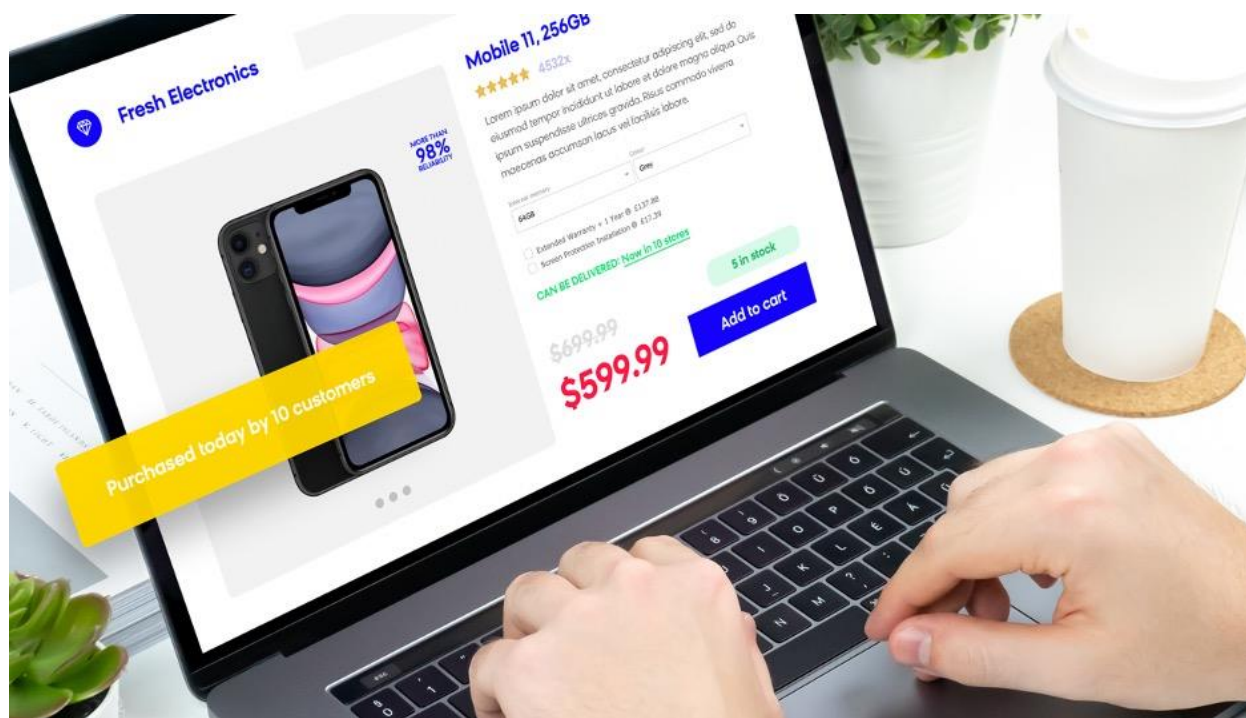


Figure 1: Social proof

This can be done easily with a customer data platform by creating website overlays or banners for certain important pages to communicate a key message to shoppers. “17 sold this week” or “only 4 t-shirts left in stock” will help generate a sense of urgency and excitement among shoppers.

This can lead directly to increased sales and revenue. It communicates the message that this is a popular item that has been purchased by other buyers. An item that is perceived to be a hot ticket item holds a high level of social proof and is more likely to be purchased by additional consumers.

Bias #2: Choice overload

Giving shoppers the correct number of product choices is essential in facilitating the purchasing process. Shoppers are faced with the paradox of choice when the right

number of choices is not presented, particularly in e-commerce. If too many good options are available, consumers can become paralyzed by choice and not know how to proceed. If too few good options are available, customers will be left wanting more.

Because e-commerce sites are not constricted by physical space, they often have too many options to choose from. Many managers or owners think it is best to showcase all their fantastic products, when research shows this is not the case.

Here are two ways you can use your customer data platform to help mitigate paradox of choice issues.

Make recommendations

Use your customers' previous shopper behavior to make product recommendations. The products you present to customers should have some type of relevancy to each shopper.

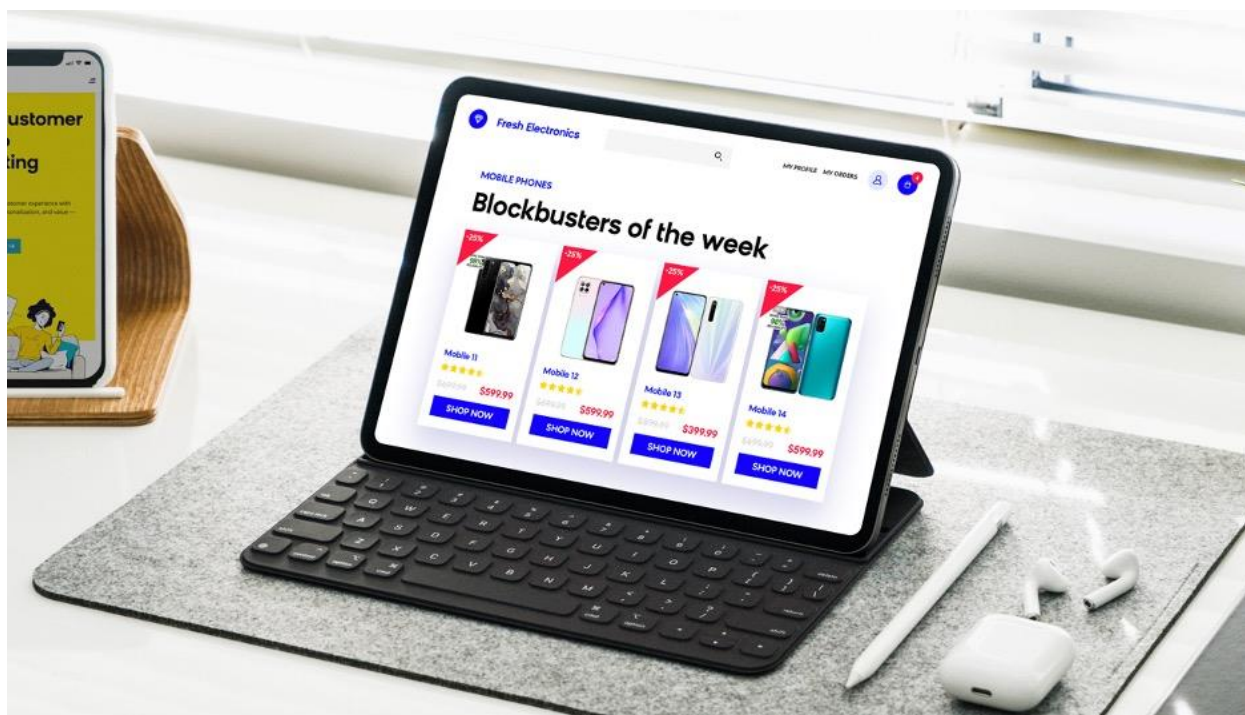


Figure 2: Product recommendation

Because customer data platforms are so advanced, they have the ability to make product recommendations based on compiled shopper data. Use this tool to ensure that you are showcasing products that shoppers will have a vested interest in when they navigate to your website.

Use vouchers

The vouchers tool pushes customers to particular products and allows businesses to track behavior. Your customer data platform has the ability to send vouchers for discounts to particular segments of customers to drive purchases for specific products.

Why not use this tool to target groups of customers who research tells you may be negatively impacted by choice issues? Sending a discount code for a certain product (and tracking it on the back end, as well) will allow you to present the right number of options to shoppers as the discount code will only work for certain products.

Vouchers are an outstanding way to alleviate choice overload issues because they limit the number of products that bargain shoppers see.

Bias #3: Goal gradient effect

The psychology around goal gradient effect says that as we approach a goal, we work harder to reach it.

This is why a [customer loyalty program](#) is a great motivator. Your customer data platform is the perfect tool to help your company create an effective customer loyalty program. If you have a points-based rewards program and encourage customers to reach the next 'level' while also giving them some points to begin with, they will want to progress quickly.



Figure 3: Prefilled loyalty card

There are two strategies that make sense for your team here.

Show your customers the progress they're making and that the next tier is close. You can show customer progress on the payment page, in personalized emails, on receipts, or even as an incentive for new customers to sign up.

This is all very simple with a quality customer data platform. A personalized website banner on the payment page, a monthly email with a loyalty program status update, or one of the many other marketing automation features that a customer data platform offers would be a great option to help showcase loyalty program progress.

As they get closer to the next goal, encourage them. You can send another personalized message showing how close they are, which can motivate their next purchase. Be aware that after your customer reaches a level, their motivation may wane. This is normal, and your team can counter this tendency by offering other incentives to keep the engagement strong and steadily improve overall customer lifetime value.

Conclusion

If you already have a customer data platform, it is obvious that your goal is to provide outstanding customer experience in all aspects of your business.

Understanding these three cognitive biases will help you make better use of your customer-centric martech, such as a customer data platform, and will ensure that your company is doing all it can to serve customers at the highest level possible. The concepts of social proof, choice overload, and goal gradient effect are each very important contributing factors to the bigger picture of progressing consumers along the customer lifecycle.