# FS-24-2058_Zoom_V3

[00:00:00] Welcome back to behavioral science for brands, a podcast where we connect academic insights and practical marketing to help you grow your brand and your business. Every other week, Richard and I sit down and look at some of the country's best brands and the behavioral science that powers them. I'm MichaelAaron Flicker.

**RS:** And I'm Richard Shotton.

And today we're looking at Zoom, one of the companies that has most grown throughout the pandemic period. And specifically, we're going to look at some of the behavioral science they've used to lead to their success. Let's get into it. So Richard, Zoom. Is a company that has become synonymous with video conferencing and telepresence.

Uh, it's not every day that a company name becomes a verb like Google. Uh, and it's just an amazing accomplishment. But what many might not know is that the founder, Eric Wan. Originally concepted video conferencing like this on [00:01:00] 10 hour train trips between where he was living and seeing his girlfriend as all good story plots go.

It starts with a love story. So, um, so we originally came to wanted to doing an episode on zoom, not because of Eric's love story, but actually because questions come regularly to us of whether or not Our ideas in behavioral science apply to B2B marketing. And so what we thought was, let's take a entire episode and start to break down how maybe there's not as many differences between B2B and B2C as might be classically thought of, and then dive into Zoom as a case study to to help highlight this.

So the ANA, which is an American group called the Association of National Advertisers, this is the brand side organization, uh, in America, uh, has a concept that they've been advancing over the last four years, that it's not, [00:02:00] no longer B2B or B2C, it's B2H. And B to H means brands to humans. The concept being that at the end of the day, decision makers, whether they be a consumer making a decision to buy something that they're going to use regularly, or of a human making a decision for a brand purchase that they need to make, regardless of that situation.

It's humans at the center of the decision making process. You and I will talk later in this episode about how it's those very humans that will carry with them

their biases and the same proclivities that affect their consumable decision making will affect their business purchase decision making. Um, but I went looking in the ANA for examples of where a brand had B2B strategy.

To a B to H strategy and what the outcomes were. And the ANA has a great case study, uh, with zero [00:03:00] X E R O, which is a cloud based accounting software provider in America, and they showed that they changed from a B to B. Strategy that was all about technical focus, the technical, uh, reasons to buy their software.

And then they moved to what they would consider a B2H strategy, which is really more about the personal benefits of their software, reducing stress, freeing up time. And in that switch, they saw a 40 percent increase in trial signups and a 30 percent reduction in churn rates in the year after they implemented this new campaign.

So There's some hard data that we can link to in the show notes about zeros experience and the larger message you and I are going to make today is, let's think broadly about how humans are at the center of decision making and how we can learn from zoom, what we might use, uh, what we might do for others, um, just as we like to do to give a little bit of the [00:04:00] size and shape of zoom.

So Eric won the creator of zoom. Yeah. It was actually an engineer at Cisco, Cisco Webex for over a decade. He leaves Cisco Webex in 2010 as a VP of engineering, and he comes over and create Zoom in 2011. And when he does that, he has a massive market. There's a lot of software competition. On telepresence on video presence.

And he does something very smart that we'll talk about later in the episode. He chooses a very narrow market. He says, instead of offering video conferencing to everybody, what if I focus only on institutions of higher education and his. First big client is Stanford university. And instead of charging nine 99, a license, he drops it to 99 cents and he wins in higher education, which he'll then use as a platform for a lot of other companies as he moves forward.

Uh, Started in 2011 by 2013. Zoom is fully [00:05:00] launched publicly. And by May of that year, they already had a million users doing 400, 000 meetings by 2019. They become a public company, but it's in 2020 when the pandemic hits that they see it. 30 X growth in their users and participants because of the pandemic.

Currently zoom hosts 300 million daily meetings and this past financial year they did 3. 5 billion in profit. Um, so what we want to look at is. The way that zoom was set up to take advantage of what was almost an unthinkable moment when the pandemic hit and how they, and how they were best positioned to, to, to advance from there.

So let's start by, uh, taking a step back and let's look at. What zoom did to corner a market and then we'll talk more about other behavioral science that they did So I give a little bit of an [00:06:00] outline about going after Stanford first But do you want to talk a little bit more about about that strategy?

Yeah. One thing that seems to be consistent in the zoom messaging is social proof. So they often talk about the popularity of the product. So if you see a zoom ad now, we'll often say a million businesses use zoom or 10 million businesses use zoom. That's a consistent. Approach they've had, but you often have a dilemma as a business that when you first launch by definition, you don't have many customers.

So how do you harness this idea of social proof? Right. So I think what was so clever about segmenting the market and going off to universities was quite quickly, they could talk about being the most popular. Video conferencing software amongst universities because the competition was focused on other areas.

So they, they, they, they use universities almost as a, like a wedge as a beachhead generate [00:07:00] popularity in that one small area and then expand outwards. Now we've talked repeatedly about studies by people like. Childini or Fang, which show that members of the public are influenced by social proof. So social proof being the idea that if you stress your popularity, your product becomes more appealing.

People are more likely to buy it. That is a repeated and consistent and effective tactic for beta C branch, but the evidence suggests it's just as influential for beta B. So there's a lovely study from 2018 which looks at professionals and it was a study done by the Australian government and they wanted to get doctors to give out fewer antibiotics.

So it's a massive problem over prescription of antibiotics. There's long term resistance, uh, as an issue. So the Australian government sent out more than 6, 000 letters to Uh, various different doctors and some of those letters [00:08:00] said, uh, an educational message. You know, here's the danger. Don't do it. Stop giving out so many antibiotics.

And when they did that, there was a 3. 2 percent reduction in prescription rates. So some success, but pretty trivial. Other doctors got exactly the same educational message, but they added a single line harnessing social proof. It said, you are giving out more antibiotics than 85 percent of your peers. So they drew attention to how the doctor's behavior was different from the vast majority.

How it deviated. And in that setting, there was a 9. 3%. reduction in prescription rates. So even amongst a group of professionals who define themselves as evidence based, rational, sensible decision makers, even amongst doctors, social proof is a very powerful tactic. So. The consumer world of marketing has adopted behavioral [00:09:00] science and some of these principles reasonably quickly.

B2B lags behind. And I think much of that is because people labor under a misassumption that professional decision makers are wildly different. These human biases don't affect them. But that is not what the evidence suggests. Most of the evidence of most studies shows that biases affect people.

What comes to mind for me is when you look at some of these, uh, websites that compare B2B softwares, trust radius is a big one in the U S but there's many in the past, it used to be very technical quadrants, a magic quadrant where you score on different areas, but now when you go to these B2B software comparison sites, it's The second line almost always is user reviews and, and other people who use it, their opinions of the [00:10:00] software, does that help underscore this idea that social proof and experience of others directly affects the way that B2B buyers look at things?

Yeah. Cause if you were a. B2B buy, especially saying like Zoom, most of your purchases are not video conferencing specialists. You may only choose it once every five years or once every year. So they know they don't know, and they will be faced with lots of information. And if Zoom claim that they're amazing.

The reaction from a B2B buyer will be, well, you would say that when you course zoom are going to claim to be amazing. You have a lot to benefit from saying that. If zoom can credibly show that lots of independent decision makers have decided that zoom is the best option for them and they've put their money where their mouth is, or that has greater weight because surely.

All these other businesses are just trying to maximize their own benefit from the situation. So their neutral, impartial [00:11:00] decision to pick Zoom is more credible than whatever Zoom says. Social proof might not be a perfect way to

make a decision, but if you follow what done, you're probably going to avoid a catastrophically bad decision and avoiding a really bad decision often powers an awful lot of, um, approaches.

Yeah. And we've done work, uh, at some of our agencies in the financial services sector, and when you talk to CIOs who are often making complex business decisions, and you ask them, Where did they get their private research before they're in front of a vendor before? So they know what to ask when they're in front of vendors.

They often say peer groups. They talk to other CIOs. They talk to other people that are in similar jobs as them because they're looking for what knowledge can they amass from the crowd. So in the same way that executives will do that in private groups. [00:12:00] B2B buyers can do that in public spaces. Yes. And interestingly, you mentioned similar jobs.

There are certainly experiments that suggest people do not treat others equally, and we are most influenced by people like ourselves. So again, this is what Zoom did brilliantly. By focusing on higher education to begin with, they could go to universities and say, well, Stanford and Harvard and MIT users that is hugely appealing to Arizona State University or Duke Arizona State University Dukes IT department be most influenced by what other academic IT departments have done so the more you can tailor your message of popularity to the audience the better so.

If you're selling business services across the UK, and you can honestly tell Londoners that you're super popular in London, and people in Birmingham that you're super popular in Birmingham, that tailored message is more powerful than a [00:13:00] blanket message of popularity across the UK. The more you tailor social proof messages, the more powerful they become.

So let's put that on the one side of the issue, which makes sense. If I can narrow my total addressable market, if I can, Be a bigger fish in a smaller pond. I have a greater likelihood to convince others that I'm the dominant choice. So look at one side. The other thing which we have not discussed before is choosing universities as the narrower market.

To me, it feels like it had a practical knock on effect on other businesses. Take a hypothetical that they went after. Only pet food store owners, you might say to yourself, what do pet food store owners know about choosing video conferencing, but educators that naturally will have a need to connect with

students and in a highly engaged way feels like a very smart narrowing of social proof that they did.

[00:14:00] Yeah, there's two ways you could do it. You can pick maybe a niche. To become the number one player in and hope that that niche is respected and therefore has credibility beyond the scale beyond maybe the pet food store is more influenced by knowing what educators do than the educators would be by the pet food.

But the other way of thinking about it is, well, once you've got real dominance in a category like education, you can stop saying. We have 10, 000 academic customers and you can start saying we have 10, 000 customers. You've, you've already got to a scale that starts to have credibility. So you could use it as a.

a short term way of getting meaningful scale that has power as a general number. Or as you say, you could, you could pick a niche to work in, which maybe has a kudos that other niches don't. So let's head to a break. And when we come back, let's look at what other behavioral science tactics have been [00:15:00] known to affect professional buyers.

Behavioral Science for Brands is brought to you by Function Growth, AdAge's 2023 Newcomer Agency of the Year. Your DTC business isn't broken, you're just doing it wrong. By fusing advanced technology and behavioral science, Function Growth solves the biggest problems faced by today's DTC brands. Visit us at www.

functiongrowth. co to learn more. Welcome back to Behavioral Science for Brands. A podcast where we look at academic insights and connect it to practical marketing to help build your business and your brand. Richard, we started today looking at zoom as our case study and talking about how social proof has really been very effective at moving professional buyers.

But let's go on to talk about what other behavioral science biases exist that affect buyers, professional buyers specifically. So a number of [00:16:00] biases have been proven to work amongst professionals. One of the other studies that I really like is around the principle of make it easy. So there's often a belief that if you want to change behavior, you motivate people.

to want your product. And of course that can have an impact, but behavioral scientists often argue that what's more effective is to remove small barriers, little bits of friction that are getting in the way of people buying or using your

product. So there's a 2018 study and it's from. David Olshan at the Penn Medical Unit and he was interested in, uh, what medicine doctors prescribe.

So for a three year period, he monitored prescription rates at a nearby university and at the beginning of the study, if a doctor wanted to prescribe a drug, they'd go to their computer, uh, they'd put in their symptoms, they'd identify the disease they were dealing with and there would be a drop down [00:17:00] menu of the drugs that could be prescribed.

And to begin with, it was the branded drugs at the top, generics at the bottom. So pharmacologically basically the same, but they're now off patent, the generics. Yep. There's no brand name attached to them. So a hospital would generally like you to recommend those as a doctor, because they are cheaper, they're more cost effective and.

In this setup, 75% of the drugs prescribed were generics. Then sometime in 2017, old Shannon and his team alter. The software. So now when the doctor goes to the prescription page, there's still the dropdown menu, but now you have the generics at the top, branded drugs at the bottom. Okay. So really small change.

It now takes a couple more seconds effort to get down to the branded drugs. And when they make that tiny change, when they add that tiny bit of friction in. To [00:18:00] buy a branded drug. You see generics go up from 75 percent of the prescriptions to 98%. Wow. So again, we're looking at doctors because there's an awful lot of research into doctors as a profession.

The state is very interested in what they do, but this group who are. Educated, rational decision makers. Even they are affected by what are frankly trivial bits of friction. If you want to encourage your behavior, remove small barriers, if you want to discourage. And the connection from this study to our listeners here is that doctors are well regarded as professional buyers of the prescription drugs they're recommending.

They should be highly regarded as having thought through and know the differences in what they're choosing. And even this [00:19:00] small increase or decrease of friction has a massive outcome on what they do. Another way of saying to B2B is we're targeting professionals. Now, of course, there is variation.

Between professionals, you could be an accountant, a lawyer, a doctor, uh, I don't know, uh, a trade buyer for Unilever and yes, there's variation, but just as

there is within the B2C market, what we're seeing here is one of those professions being deeply influenced by small bits of friction in their decision making.

behavior. Now, you could certainly argue, well, isn't this a statement of the obvious? You make something harder, people do it less often. That's true, but that's not just the behavioral science argument. The behavioral science argument is small barriers have an outsized effect. Everyone recognizes extra effort will dissuade a behavior.

But people tend to think a small second or two on a drop down menu [00:20:00] will make a tiny, tiny change. Now that was a 31 percent change, uh, that Olshan found, 75 percent to 98%. Small bits of friction tend to have an outsized effect. And the interesting bit is most people underestimate the impact of these small bits of friction.

And therefore companies, state or private, Put too little emphasis on removing friction. They put too much emphasis on trying to motivate people to want to change. Another study comes to mind that we've covered in the past. Maybe you could do a summary of it and we can put the chart down in the show notes.

But there was a study of, uh, of teachers and the effect that, uh, signups would have. But importantly, it was their perception of what the effect was. Can you review that for everyone? That was a 2017 study by Todd Rogers, who we've interviewed and he's a research partner, I think it's Peter Bergman. And they were interested [00:21:00] in a new service that Washington, D.

C. Education Department were launching so you as a parent could sign up and you would be texted information about how to encourage your kids to work harder, and they had loads of evidence from pilot studies that this really improved grades. The academics persuaded the Washington, D. C. Education Department to launch the service in one of three ways.

A standard way where they texted parents details of the service and said, if you want to sign up, click on this link, the link took you to a webpage and it was about 30 seconds of effort to fill in your name, address and details. In that setup, 1 percent of people enrolled. Next group of parents, they did a slightly simplified version.

They sent you the text message with all the reasons to believe, but at the bottom there was no web link to click on. It just said, if you want to enroll, text back the

word start. So it removed about 20 seconds of [00:22:00] effort, and that small barrier being removed led to an eightfold increase in sign up rates.

So 8 percent of people now, and then the final super simple, no friction at all approach was the auto enrollment one. So another group of parents. Texted the information about the service. And at the bottom, it said, you are enrolled if you don't want to be text back the word stop. And then 97 percent of people enrolled.

So just as with the Olshan study. You remove small bits of friction and you get this 96 percentage point change in behavior. Just as with the Olson study, remove bits of friction, you have a large impact. But then as you mentioned, the clever bit of that study was the follow up. They then went out and got experts in education.

They told them about the experimental setup and they asked them [00:23:00] to estimate what the sign up rates would be in each different scenario. Experts knew friction would put people off, so they got direction of change right, but they were wildly wrong in terms of the scope. Of the change, the impact of the change.

So I think it was 35, they estimate 35 percent of people would sign up in the standard route, 44 in the simplified 66 in the auto enrollment. So what's that? They thought there'd be a 29 ish percentage point change. Whereas in reality, it was a 96. percentage point change. The point here is experts consistently underestimate the impact of these small barriers.

And if experts in your company are underestimating the impact of small barriers, they won't by definition be putting enough investment to remove them. So what you really want to do is an audit of the friction on your customer's signup journey and identify even the trivial bits of. Friction and then put more effort into resolving.

They all tend to [00:24:00] have a bigger than expected effect. And to me, uh, that is the critical takeaway on removal of friction. And the larger message I think we are trying to deliver to our listeners is doctors have fallen prey to this. Teachers have fallen prey to it. This is not only consumers who buy durable and non durable goods at home.

This affects all professional buyers that their biases are going to be outsized are going to always be at play and even outsize when it's a less regular buying

occurrence. Yeah, I think your point about it being a less regular buying currency is interesting. Well, that's a, a theme across multiple B2B categories.

The, often you're not purchasing a commodity. You're not going to the shop and buy a can of Coke that is interchangeable with another can of Coke. What you're doing is often buying a bespoke. package that a consultant or third party has put together for you. And because it's bespoke, it [00:25:00] means that you have a degree of uncertainty about what that's going to deliver.

You're doing it less regularly. Therefore there's uncertainty. And the theme of behavioral science is that the more uncertainty, the more powerful these biases are. So if you have a degree of uncertainty, what others have done, social proof becomes more powerful than if you know what the results of your Purchase is going to be.

So I think you're right. If anything, you'd expect these biases to be more powerful in a B2B market than a B2C one. So why do you think? We've gotten this question so much. Why do you think B2B marketers have questioned whether or not these apply? I think it comes down to the fact that there is a misunderstanding of human nature and it's more extreme in B2B.

Cross B2B and B2C. There is a belief that humans are rational, sensible, calculating machines that they weigh up all the information they [00:26:00] come to a sensible cost benefit analysis. What we've called system two thinking before. Yeah, absolutely. And yes, that over emphasis on our rational side occurs across both B2B and B2C.

But I think it's more extreme in B2B. Because as a buyer of cans of coke or Bags of crisps. We could probably accept that. We might make an irrational decision. It wouldn't threaten our identity. But if we're a professional buyer or a doctor or a teacher, it's really hard to admit that in your profession, the thing that you do day in, day out, you are affected by these biases.

So this belief in rational decision making I think is stronger in more expensive purchasing areas and areas where it relates to our identity. Super interesting and gives us all a lot to think about. [00:27:00] Let's recap our biggest insights from today's episode, and then we'll come to a close. So I think we've discussed three big areas.

The first broad theme is B2B and B2C are more similar. Then we think that the biases that affect consumer decisions generally affect B2B decisions, but they're underexploited, uh, amongst B2B marketers. We then looked at specific

examples of that. So we looked at the, um, Australian government. study with doctors and it showed that if you tell doctors what most other doctors are prescribing, it's more effective than focusing on a rational educational message.

Social proof is shown to be effective amongst professionals. We then follow that up with another set of studies, the Olshan study amongst doctors at, um, Penn Medical Unit. And what that showed was that doctors, just like consumers, are influenced as much by [00:28:00] friction as by motivation. So ever category you're in, be very, very wary about the human tendency to think that decisions are driven by motivation and that people will push through barriers and hurdles.

The behavioral science studies suggest that a small bits of friction will have an outsized effect. B2B or B2C. Very cool. Thanks for that summary. So as we come to a close, let's think about the types of decisions that we make on a regular basis. And maybe we can each share one of the biases we know affect us or what, when we go to make a infrequent decision as business owners, as professional buyers that we know we're susceptible to.

And we can hear. if it connects with our listeners at home? That's a great question. So I [00:29:00] certainly know it's been being affected by behavioral science biases when I'm buying insurance, for example. There's a well known series of studies by Babashev where you serve people the same wine, but sometimes you say it's an expensive wine from a 45 bottle.

Sometimes you tell people it's from a cheap 5 bottle. And People will drink exactly the same wine. And if they think it's come from an expensive bowl, they rate it, I think in his study, 70 percent higher than if they think it comes from a cheap bowl. So people tend to use price as a badge of quality, to the extent that exactly the same products will be rated higher if people think it's expensive.

Now, I've written about that, I've run experiments on that, I'm very well aware of the findings, yet when I'm buying insurance, I tend to go on a comparison site and actively avoid the cheapest ones. And I will assume that something. You [00:30:00] know, if they're ordered from cheap to expensive, something three or four down is probably the sweet spot.

I'm saving money from just renewing, but I'm not going for the cheapest. I've not looked at the terms and conditions. I've not looked at the pros and cons. I'm not weighing this up in a rational way. I'm using a behavioral science principle, which is, you know, it's. Not that, if it's a little bit price in the cheapest one, it's probably not going to be too bad.

The great American philosopher, Homer Simpson said, I'll have the second cheapest bottle of wine. It's exactly the same principle in action. Yeah. Yeah. Homer Simpson does it on the immaterial matter of wine. I'm doing it on my car insurance. Exactly. But it's the same insight. It's the same insight. So for you, what would be the bias that you've been susceptible to?

You know, it. It's funny as owning agencies for years, working hard on proposals. I know all the effort that goes into all the pages of the RFP and all the thinking and, and ordering, and then finally you [00:31:00] get to your price at the end. And then as a professional buyer, I've had the experience of flipping past all that and going to the right to the end and saying.

Does this feel right? Like, do I think what I scoped the project at, does the price match? And oftentimes the most effective proposals, if there's only one price. I say yes or no, I'm willing to do it or not, but if they give me three prices, if I can see a choice, I'm much more engaged in saying, well, yeah, how do I feel about the middle option?

Do I, do I need more? Do I need less? And so I, I feel like the idea of giving option makes me feel more in control and anchoring. If there's a price that anchors me, then I feel like I understand the range that I'm dealing with. And of course. I know that that was all in the mind of the seller. Like the seller chose the spread of prices.

The seller knew the range of options, but it still makes me feel like I have more control. So [00:32:00] it's very effective when a professional services firm will give me three options and will give me an anchor price that I can base my decision off of. Yeah. I think I'm with you on that. I think if you are a business, maybe one of the simplest things you can do in terms of applying behavioral science is use that idea of extremist aversion.

Never give someone a simple, a single price, give them free and make sure the most expensive one. Is a very high price. The purpose is not to sell at that price. The role of the really expensive price is to make the other two look better value. And it's a, I love it because it's such a simple tactic. You can apply it with minimal effort and yet it repeatedly has strong results.

And as someone, uh, and if our clients are listening, this is different for them when I get three prices, they are never using it. Yeah. Yeah. When they do choose the big option, it's a pleasant surprise. And if you're ethical, everything in there is worth it. And you get to sell them the biggest [00:33:00] project at a slightly bigger profit premium.

So it works all the way around to use price anchoring to, to create that premium price point that still adds value, still a value to them, but then also extremeness aversion that lets them choose the lower price products as well. Perfect. Well, that wraps up today's episode, Richard. If you found value in the discussion that we had today, please follow us on YouTube or leave a review.

That helps us reach more listeners just like you that would be interested in our content. For more in depth learning, visit our website. The consumer behavior lab dot com, where we have the full video from today, a transcript and show notes that gives you all the backup material and deep details that you would find engaging, uh, if you were interested in the topics we talked about today and for additional insights and to stay up to date on all the things that we're doing at the consumer behavior lab, please follow us on linkedin.

That's where we have our most up to date information. Until [00:34:00] next time, I'm Michael Iron Flickr, and I'm Richard Shelton. Thanks for tuning in, look forward to getting you our next episode the week after next.