



# Innovation Report 2019

# Welcome to Irrational Agency's 2019 Innovation Report

For the second year running we've been featured in the GRIT Report's list of the 50 Most Innovative Suppliers. Thanks to all the clients, fellow suppliers and others who voted for us.

It made us wonder: what is it that makes a supplier innovative? What do our clients believe about us? And how can we do even better in making our innovations visible, and ensuring they help our clients meet their business goals?

This year we are included in two categories: Full Service Agency and Emerging. Innovation means something different for each kind of company. For a Full Service Agency, being innovative means being on top of the latest developments and technology, and keeping our solutions evolving, relevant and distinctive. The Emerging category calls for something closer to the cutting edge. That's where we think our major new ideas have helped us stand out.

In this report we've summarised our philosophy of innovation, our new ideas from this year and the past, and how our clients have been able to benefit from them. And we'll give you a sneak preview of our new launch coming later this year.

We hope you find the report interesting and that it gives you some good ideas you can use. Please do tell us your thoughts or ask questions if there's anything we haven't covered here. We think there will be opportunities to apply these ideas to your brand – and we're happy to have a chat about that any time.

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**2019 TOP 50  
INNOVATIVE  
COMPANY**

**2019 TOP 50  
INNOVATIVE  
COMPANY**

EMERGING PLAYERS

**2019 TOP 50  
INNOVATIVE  
COMPANY**

FULL SERVICE & FIELD SERVICE

# Our philosophy of innovation

Since 2012, Irrational Agency has been on a quest to invent new approaches to research.

Every week we read the latest scientific papers from the worlds of psychology, behavioural economics and cognitive science. And every week we talk to clients about their business objectives and the questions they need to answer with consumer insight.

Our approach is to connect these activities, continually challenging ourselves to find new and better ways to solve client problems. Every time you send a brief, we have a wider and deeper pool of new science available to apply to it. (But only, of course, if the brief demands it: there is no point using new science or technology for its own sake! It must always meet a real business need.)

We unify all of these discoveries and applications in a single model of consumer insight. This model lets you link together all the knowledge you have about your consumer, and extract new and refined answers to your research questions.

A few times each year, we find enough common threads between client questions to be able to identify a whole new research approach. This new approach often forms the basis of a new product or service offering: one that helps us to help you answer a whole new class of questions in a powerful, efficient way.

In the next pages we'll show you three approaches we developed this year, how each helped a client answer a crucial business question: and the business results that followed.





Three hot air balloons are floating in a clear blue sky. The balloon on the left is large and features a complex pattern of black, white, yellow, and blue squares. The middle balloon is slightly smaller and has a vibrant pattern of red, orange, and yellow squares. The balloon on the right is the smallest and has a pattern of yellow and black squares. Each balloon has a small basket hanging from its base.

# This year's top three innovations

**System 3**

**Simulated RCT**

**The Nudge Creation Framework**

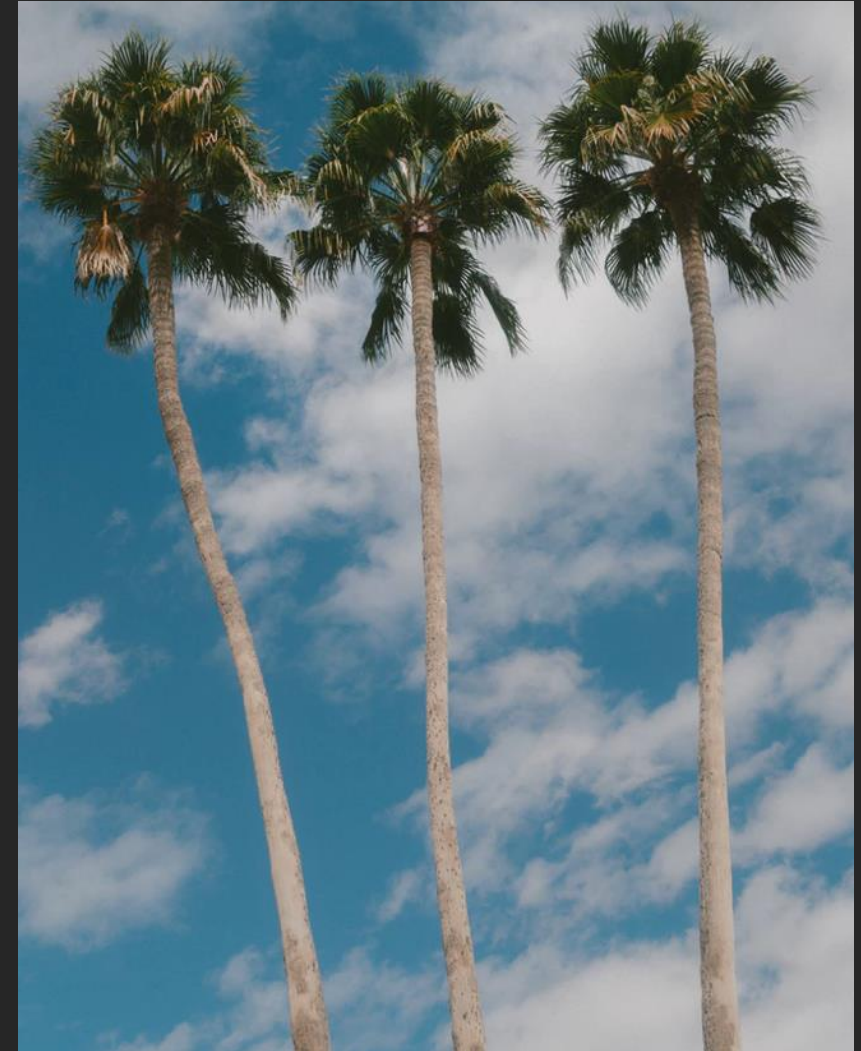
# Innovation 1: System 3

For many years behavioural science has obeyed a division into two: the unconscious, reactive System 1 and the calculating System 2.

During some deep research work on neuroscience and decision making we realised there was a missing component in this model. Humans don't just calculate and react, they also imagine. They use imagination to plan the future, evaluate new products or empathise with other people.

This third capability turned out to be so powerful and important that it deserved its own name: System 3.

We've now built a set of tools for measuring System 3, to see how consumers imagine a category, product or brand. These can help you find new strategic opportunities or accurately predict the success of a product before launch.



# System 3 case study: UK's number 1 fashion retailer

## The question

Our client, one of the top high street retailers, has experienced high commercial success. However, they weren't exactly sure what it was that drives this success. In order to secure future growth our client wanted an understanding of how they fit in the fashion category, and what it is that uniquely drives customers to them rather than a competitor.

## The method

Using our cutting edge, proprietary method, System 3, we were able to dig into the map of associations deep in the minds of high street shoppers. The method uncovers the chain of associations that exists when a retailer or brand is considered by consumers. It identifies what particular associations are most rewarding for consumers to think of; which has been shown to correlate more strongly with brand choice and purchase than traditional methods.

## The outcome

Using System 3 we were able to give our client a category map clearly identifying their key territories. We also identified where the key competitors are; and what our client would need to activate in order to continue to defend their position as leader of the high street.





# Innovation 2: Simulated RCT

The “gold standard” of scientific and clinical research is the RCT or Randomised Control Trial. In the RCT, separate groups of people are exposed to a different intervention (e.g. a marketing message) and their behaviour is measured afterwards to see if it changed.

But RCTs usually cost upwards of hundreds of thousands of euros, pounds or dollars – and the need to deploy them in a real customer environment makes them slow. Regulatory or compliance rules can get in the way too.

Irrational Agency has developed a new alternative - the Simulated RCT. In this approach we build a simulated choice environment, for example a patient diagnosis tool for doctors or an investment advice questionnaire for financial advisors. Then we recruit respondents online and run a fast, cost-effective test.

Simulated RCTs typically give results in a couple of weeks for less than ¼ of the cost of a field RCT. Clients in pharma, finance, advertising and social research are adopting them fast.



# Simulated RCT case study: Global top 5 pharma company

## The question

Our client had launched a new diabetes drug to replace its blockbuster \$5 billion-a-year insulin product whose patent had expired. Sales of the new product had missed targets because doctors were sticking with old habits instead of adopting the new, better treatment. They approached Irrational Agency to create a series of nudges – interventions that would make doctors more likely to prescribe the new product.

## The method

We reviewed the scientific literature on behaviour change in medical contexts to develop initial hypotheses about doctors' psychological decision-making style, their drivers and barriers. We then observed 70 traditional qual interviews and conducted 30 of our own, to further develop our understanding and start to ideate potential nudges. We created a longlist of 80 nudge ideas and workshopped this with the client to narrow it to 12 promising interventions. Finally we introduced an innovative new methodology, the simulated RCT. In this methodology we presented a series of realistic patient scenarios to doctors under time pressure, simulating the conditions of real prescribing decisions. At regular intervals we showed the doctors a specific nudge and then observed whether their prescription outcomes changed as a result.

## The outcome

The test was run on 380 doctors (endocrine system specialists and general practitioners) and we generated a list of four nudges that are projected to increase prescribing of the new product by 20-40%. The nudges were received very positively by the Sanofi sales force and by doctors in subsequent qual testing, and performed considerably better than expected, increasing sales by almost 200%.





# Innovation 3: Nudge Creation Framework

“Nudges” are among the best-known applications of behavioural science: small changes to the consumer environment that have a big impact on behaviour.

There are many examples of good nudges – but how can you come up with new ones?

We developed a unique creative framework for inventing new nudges, bringing together multiple models and approaches from the scientific literature. It’s a fun, challenging and creative process for people anywhere in a business to come up with clever new nudges that can change consumer choices. We guide you through it and provide advice, structure and research tools while empowering your teams to become behavioural experts.

Used in social and sustainability research, or to help citizens make better choices, or to improve marketing outcomes.

The Nudge Creation Framework puts the power in the hands of your people to make the world a better place.



# Nudge creation framework case study: Pan-European retail bank

## The question

A pan-European bank in 13 markets came to us to train and equip them with the theory and practical applications of behavioural economics to improve customer outcomes and drive growth.

## The method

We drew on an extensive understanding of the behavioural economics scientific literature to create a framework covering key psychological concepts including:

- how to identify both the conscious and non-conscious motivations of customers
- how to observe customer behaviour and recognise the barriers that stop them from acting
- knowledge of the cognitive limitations that shape customer decisions;
- the heuristics they use to work around those limits
- understanding of the biases that can lead to wrong decisions.

We built a step-by-step process allowing the bank to get deep insight into its customers across a range of contexts including: in branches, online, during the sales process and while they are using the bank's services. We used this insight to develop a toolkit of 20 bespoke nudge techniques that they could use to change customer behaviour, solve customer problems and create successful business outcomes.

## The outcome

We delivered an interactive toolkit, training manual, and "train-the-trainer" session to the bank, including videos, templates, examples and instructions tailored to their business. The bank rolled out our framework and toolkit in a training programme (with our help) for over 100 of its staff across Europe. They use it as the basis for dozens of different experiments in their local markets, focussed around a range of objectives.

Although it is still early days, the anticipated financial impact is in the €200 million+ range, though it will take some time for a full picture of financial outcomes to be measured.







On the horizon





In 2019 Irrational Agency is launching:

### The Imagination Report

Clients have been asking us for high-level insight into the future of their category. What are consumers planning, expecting and doing in the next 1-5 years?

But why should one company keep all the secrets when we could share them across a whole industry?

This unique trends report uses consumer imagination to reveal what is coming next in each industry.

The first categories we will be tackling:

- High Street Fashion
- Consumer Finance

Want us to tackle your sector next? Give us a call.

# Next year's plans...

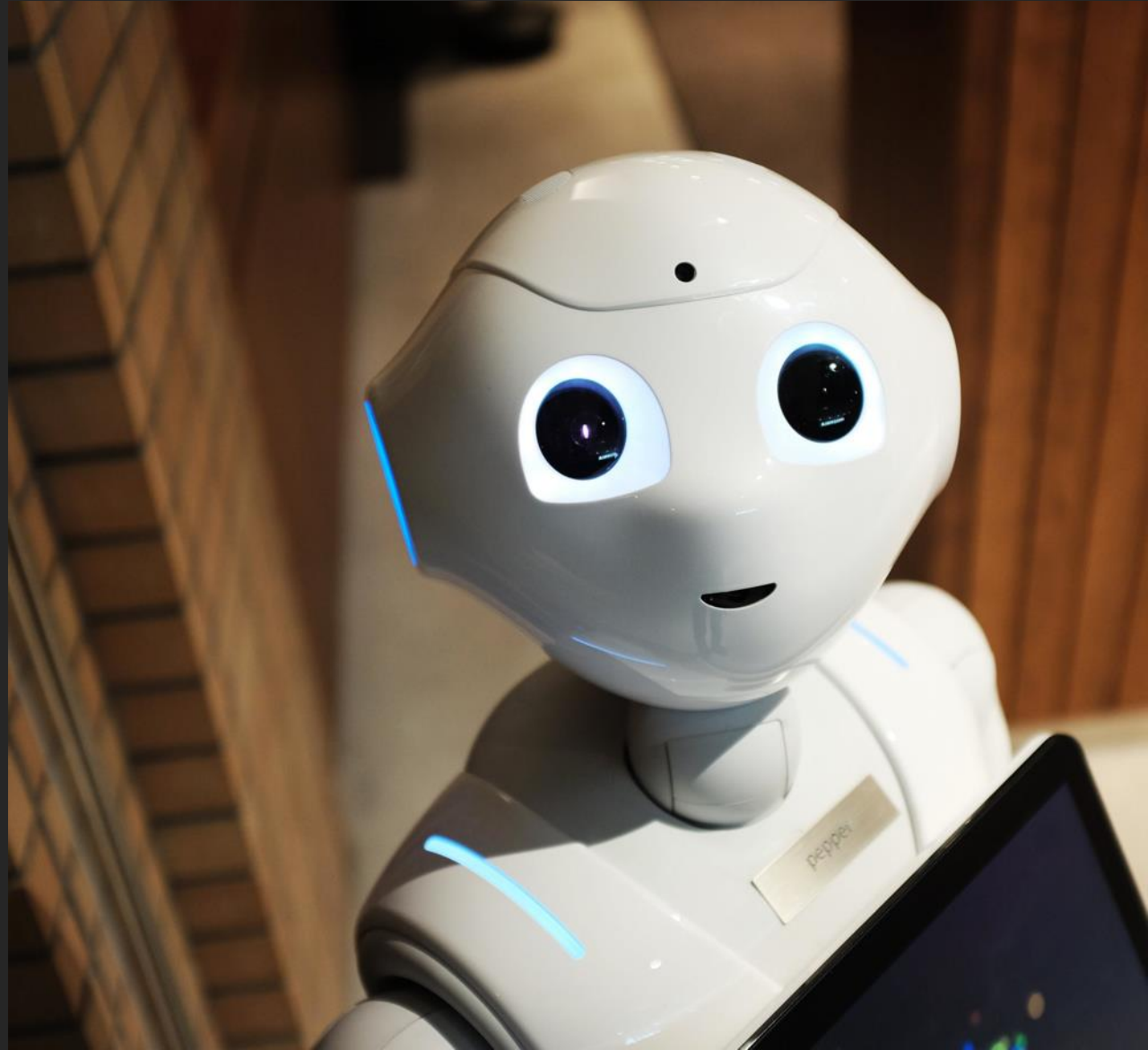
## Putting the Human into Machine Learning

Machine learning and AI are an amazing way to make personalised recommendations or messages to customers. The only problem? Without Google/Amazon scale data, machines can't learn enough to make good predictions. Most clients have less data, but still want to respond to customers in an intelligent way.

So we looked instead at how human beings learn. Humans don't have a billion data points: they rely on intelligence to get the 'why' of a problem, not just 'what'.

We use System 3 analysis to get to what humans have unconsciously learned – giving the machines a head start. This helps brands make powerful, profitable customer recommendations, with less data and lower cost.

Changing the face of AI research – coming next year.



## Time to start

Are you interested in learning more about any of these innovations, getting a sample of the Imagination Report or trying out fresh behavioural science approaches in your own business?

Contact Steph Shaarwi ([stephanie@irrationalagency.com](mailto:stephanie@irrationalagency.com)) or Leigh Caldwell ([leigh@irrationalagency.com](mailto:leigh@irrationalagency.com)) and let's talk about the new revenues, profits, customer satisfaction or ideas that the best innovations can add to your company.

