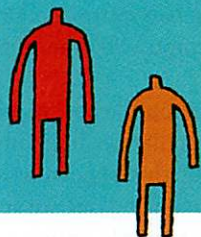


EXECUTIVE PAY 26
Managing CEO equity to encourage appropriate risk taking

DEFEND YOUR RESEARCH 30
If you need a stellar leader, pick someone inexperienced

VISION STATEMENT 32
Growth and change in the global internet economy

COLUMN 36
How good business ideas generated bad consequences



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Businesses are just beginning to understand the power of “social norms.” by *Steve Martin*

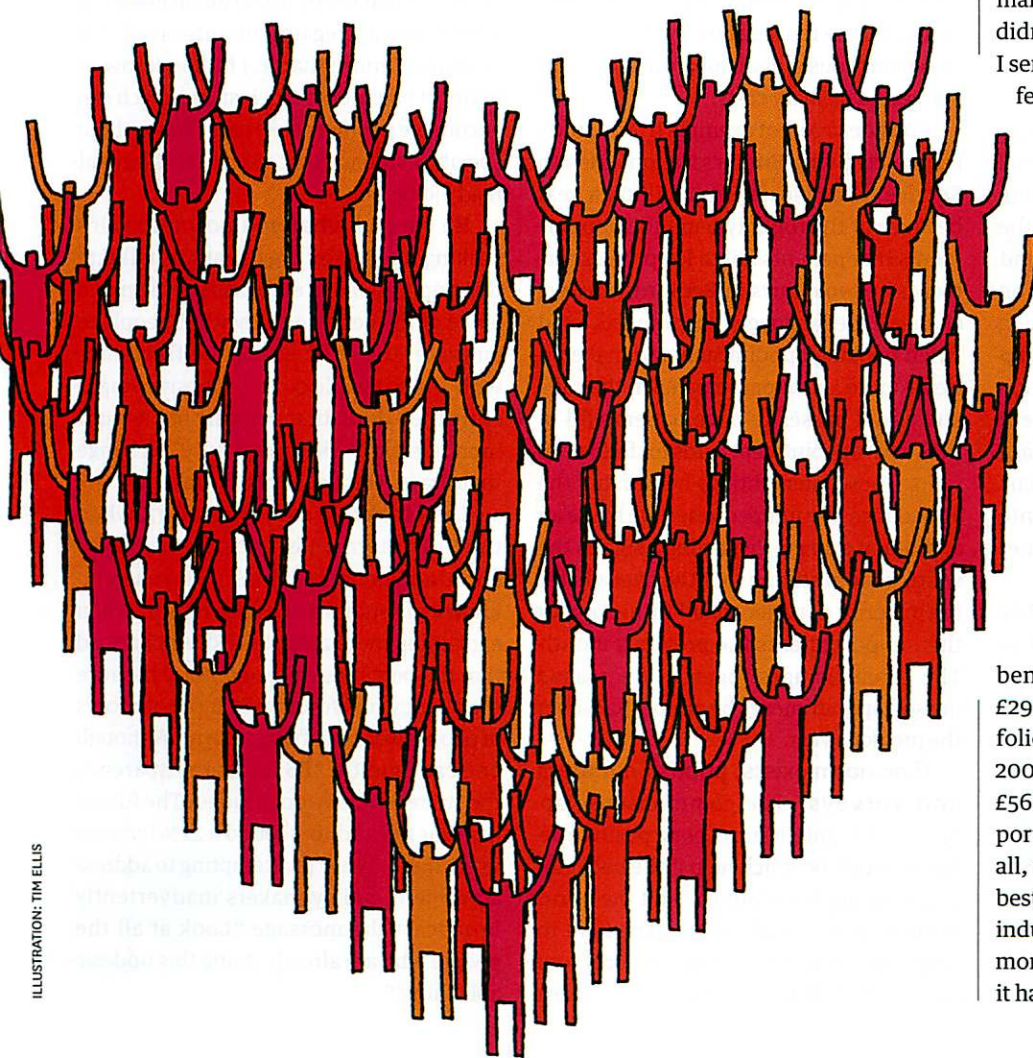


ILLUSTRATION: TIM ELLIS

Officials in Britain's tax system had a problem: Lots of citizens weren't paying on time. For years Her Majesty's Revenue and Customs had sent letters to the late payers, using traditional threats of interest charges, late fees, and legal action to try to get people to mail in their checks. Some did—but many didn't. So in a 2009 pilot study (for which I served as a consultant), HMRC tried a different approach: It changed the language in its dunning letters, drawing on psychological techniques to increase the odds that delinquent taxpayers would pay up.

In one letter HMRC appealed to people's sense of civic duty. “We collect taxes to make sure that money is available to fund the public services that benefit you and other UK citizens,” it read. “Even if one person fails to pay their taxes it reduces the services and resources that are provided.”

Another used actual statistics: “Nine out of ten people in Britain pay their tax on time.”

These small changes delivered big benefits. In 2008, HMRC had collected £290 million of £510 million in one portfolio of debt—a clearance rate of 57%. In 2009, using the new letters, it collected £560 million of £650 million in a similar portfolio—a clearance rate of 86%. Overall, the new letters, combined with some best practices from the private collections industry, helped HMRC collect £5.6 billion more overdue revenue in 2009–2010 than it had the previous year.

NORMS, NOT THREATS

When British tax authorities sent letters threatening penalties for nonpayment, nearly a third of recipients ignored them.

"I may start legal proceedings against you to collect the amount unpaid."

68%
RESPONDED

Payment rates jumped when they highlighted social norms instead. And the more focused the norm, the better the response.

"Over 94% of UK citizens pay their taxes on time."

73%

"Nine out of 10 citizens living in your postcode pay their taxes on time."

79%

"Over 93% of citizens living in your town pay their taxes on time."

83%

What compelled thousands of previously unresponsive people to mail in checks? The answer lies in a psychological phenomenon that's widely known but poorly understood: People's behavior is largely shaped by the behavior of those around them—what behavioral scientists call social norms. In particular, people are often motivated by their desire to conform with the group, especially if it's a group with which they identify.

Social norms are not new. Behavioral scientists, including my colleague Robert Cialdini, have studied the concept for decades (Cialdini has written several HBR articles on it), and the advertising industry was crafting appeals on the basis of consumers' desire to fit in long before the *Mad Men* era. But many businesses are only now beginning to experiment with social norms as a tool to drive profits.

As they do, here are five insights to guide them.

Look beyond marketing. The most obvious business applications of social norms are in sales and advertising, where examples of tremendous results from the slight rejiggering of a key phrase abound. My favorite is the famous substitution made by the infomercial writer Colleen Szot, who, in an ad for NordicTrack equipment, replaced the traditional call to action "Operators are standing by" with "If operators are busy, please call again." The image of a call center overwhelmed by eager customers turned the exercise machine into one of the best-selling products in infomercial history.

But in the past decade businesses have begun to recognize that social norms can drive results in areas other than marketing. The British tax collection study shows how they can help a finance department. In earlier research, Cialdini, Noah Goldstein, and Vlad Griskevicius found that changing the wording on the placard in hotel bathrooms urging guests to reuse towels significantly increased compliance. Instead of casting the request in terms of environmental benefits, new placards in one chain stated that the majority of guests do reuse towels—and

people's desire to comply with social norms increased the reuse rate by 26%, saving the chain thousands of dollars daily in laundering and delivery costs.

Consider a recent example from a study I conducted with Britain's National Health Service, which loses £700 million a year because of the roughly 6 million appointments that patients fail to keep. In experiments at two clinics in Bedfordshire, we changed the language receptionists used when booking appointments to make patients more active participants in the calls, and asked nurses to have patients fill in their own appointment cards for follow-up visits. Those interventions helped, but the attendance rate jumped when we made an additional change, displaying a sign in the waiting room stating that the overwhelming majority of patients had turned up for their appointments the previous month. The three changes together decreased missed appointments by almost 32% over the previous year.

If no norm exists, publish numbers and surveys. The commonsense approach of highlighting others' positive behavior won't be much help if the behavior you're trying to encourage isn't the norm. In such cases it might seem expedient to simply invent a number that supports your cause—after all, how could any hotel guest

possibly know how many other guests reuse their towels? Tempting as this may be, it's a bad idea. It's unethical; the odds you'll be caught are greater than you might think; and your future attempts will be regarded with suspicion.

Weigh two other approaches instead. The first is to cite popular opinion rather than popular behavior; this is known as the "injunctive norm." Pointing out surveys indicating that most people approve of healthful lifestyles (even if they don't exercise themselves) can create the sense of a social norm. The second is to publish absolute numbers that suggest popularity, even if most people have not yet fallen into line. The Virginia-based company Opower not only provides homeowners with reports comparing their energy consumption with that of similar users; it also publishes on its website the aggregate amounts saved—for example, "more than 1.3 billion kilowatt hours of electricity." Such an approach can encourage people to take part even without specific evidence that most others have already joined in.

Be careful what you normalize. It's striking how many organizations fall into this trap: Instead of emphasizing the prevalence of the behavior they want people to emulate, they talk about the frequency with which people do the opposite. Apparently they think that pointing out a "common mistake" will lead people to change their ways. This usually backfires.

Let's look at a case from 2007, when the U.S. Internal Revenue Service introduced additional penalties for anyone who knowingly submitted a false return. When explaining the change, the IRS emphasized that the penalties were necessary because the agency had found that large numbers of people were falsifying returns. Although one can laud the IRS for its transparency, the strategy was wrongheaded: The following year IRS auditors found a 22% *increase* in tax fraud. Why? In attempting to address a problem, policy makers inadvertently broadcast the message "Look at all the people who are already doing this undesirable thing!"

Localize data to make the pitch personal. Research shows that social norms are most compelling when people are shown evidence that the behavior they're being encouraged to adopt is already practiced by people who are like them. To increase the effectiveness of a social norm campaign, localize the data or otherwise help the targets identify with those you want them to imitate.

Research has demonstrated how well this tactic can work. In the hotel towel study, my colleagues were able to further boost reuse by telling guests that the majority of people who had stayed in the same room reused their towels. And in our study with the British tax authorities, we later gave people increasingly specific information, sending them letters that included the payment rates in their own postcode and town; response rates to these letters were significantly higher. As companies gain access to more-powerful analytic tools, they will be


better able to localize their social norming efforts, just as they're becoming more adept at customizing their marketing offers.

Test, don't survey. Social norms work primarily at a subconscious level, which means that many of the people who respond to a campaign are oblivious to what drove their behavioral change. The patients who've reformed and now keep their clinic appointments probably don't credit the poster on the wall as a cause of that behavior, and few British citizens who now pay their taxes on time recognize that they've stepped up because they were told that their neighbors pay on time. Therefore, traditional forms of market research, such as focus groups and surveys, are of limited use in a social norm campaign: When people are polled, they typically underestimate the effects of the campaign, because they usually aren't even aware that it had an effect on them. It's better to assess social norm techniques through a "test and learn"

approach. Devise a simple experiment, track whether or not people behave differently, tweak the format if necessary, and try again. And be aware that the solution may come from outside your organization, rather than from an analysis of your own best practices.

Social norm campaigns won't provide the answer every time a company or an organization needs to change people's behavior. But more organizations are getting good results from these techniques; in fact, some have begun realizing billions, not just millions, in added revenues and efficiencies. This suggests that every manager's tool kit should include an understanding of the power and ethical uses of social norms. ▀

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 **Steve Martin** is the UK managing director at Influence at Work, an Arizona-based consultancy, and a coauthor of *Yes! 50 Scientifically Proven Ways to Be Persuasive* (Free Press, 2008).

SMALL CHANGES, BIG RESULTS

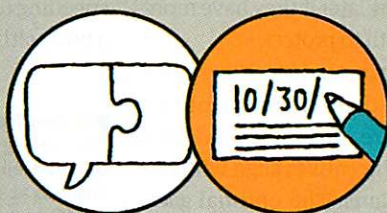
Missed appointments cost doctors' offices millions in revenue. British clinics tried several tactics to remedy the problem. The best results were obtained after posters highlighting social norms were added to the mix.



Obtaining an Oral Commitment

Instead of telling patients to call if they had to cancel, schedulers asked, "Will you call if you can't make it?"

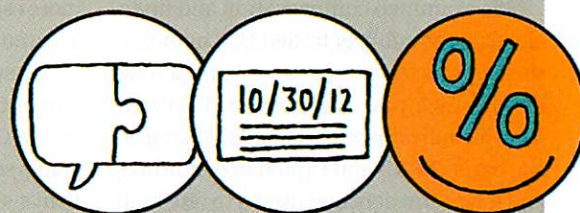
3.5%
IMPROVEMENT
IN ATTENDANCE



Adding a Written Commitment

Instead of filling in the dates and times on appointment cards, nurses asked patients to write down these details themselves.

18%
IMPROVEMENT IN ATTENDANCE



Using Social Norms

In addition to eliciting oral and written commitments, clinics posted signs to model good behavior: "87% of Patients Arrived for Their Appointments Last Month."

31.7%
IMPROVEMENT IN ATTENDANCE