The Aha! Advantage
Moving Hearts and Minds

Buyer decision paralysis

The huge cost and how to solve it

Harry Mills

The problem

Buyer decision paralysis is needlessly costing companies millions in lost sales.

Why it matters

Companies can't afford to lose sales especially when the prospect represents a perfect match – and not buying flies in the face of logic.

What to do about it

First, salespeople need to recognize the symptoms of decision paralysis. Second, they need to master how to overcome decision paralysis.

Buyer Decision Paralysis: The huge cost and how to solve it

The invisible gorilla

In 1999 Daniel Simons at Harvard University conjured up a fascinating experiment to test for psychological blind spots.

Harvard students voluntarily watched a 30 second film of people playing basketball. Viewers were told to count the number of passes made by each team. Afterwards they were asked for the count and whether they had noticed anything out of the ordinary. Astonishingly only very few put their hands up; these individuals had seen what should have been blindingly obvious to everyone.

Halfway through the film, a man dressed as a gorilla walked onto the court and beat his chest at the camera. Everyone else was so fixated on trying to count the passes that they had completely missed the gorilla.

Daniel Simon's 'did you spot the gorilla' experiment is a brilliant demonstration of a psychological blind spot which psychologists called inattentional blindness.

Salespeople are plagued by their own problem of inattentional blindness called buyer inertia or decision paralysis. Decision paralysis causes buyers say not to proposals even when they like the salesperson, like their product, and not buying *flies in the face of logic*.

Salespeople fail to recognize customer decision paralysis because they confuse it with the buyer procrastination that results from market slumps and belt-tightening budgets.

The costs of decision paralysis

Decision paralysis is not always easy to see or precisely quantify. The best visible and measurable examples come from investment and finance markets.

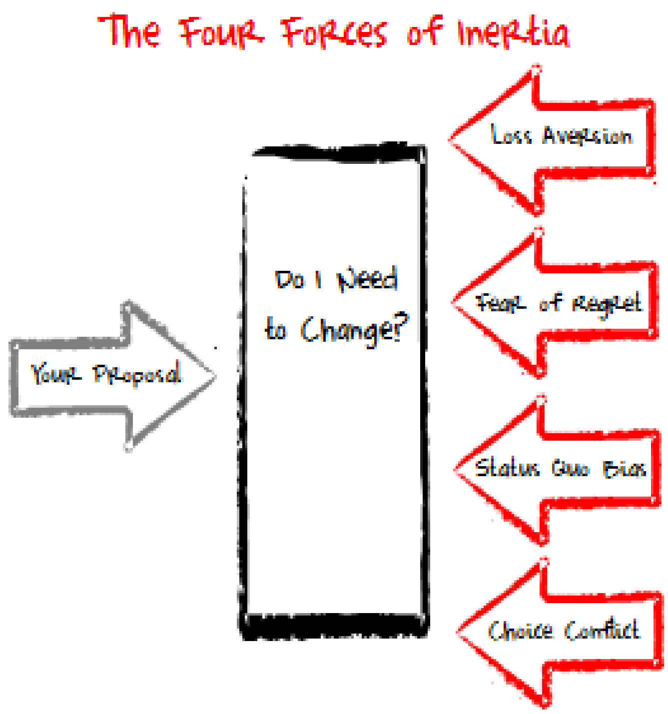
My favourite example of decision paralysis comes from Japan where Japanese investors have 844 trillion yen locked up in home and low-interest savings accounts. Almost twice the country's yearly economic output sits idle in cash at home, or in savings accounts earning 0.02 percent interest. Most Japanese readily admit that keeping their money locked up in cash means they will run out of retirement funds before they die. Yet still they remain paralysed in their decision making.

There is evidence that Japanese are more cautious than Americans, but even so, Americans have trillions of dollars stashed in passbook savings accounts, certificates of deposit, money market accounts, and other bank products.

The causes of decision paralysis

So what causes decision paralysis? Behavioural economists and psychologists have identified four factors. Think of them as the *Four Forces of Buyer Inertia:*

1. **Loss Aversion:** Doing something that may result in a future loss is real and painful.
2. **Status Quo Bias:** Buyers naturally prefer the safe and familiar.
3. **Fear of Regret:** Buyers try to avoid that pain of regret that comes from taking responsibility for a potentially negative decision.
4. **Choice Conflict:** The more attractive options people have the less likely they are to buy.



1. Loss Aversion

Buyers hate losses. Losing something "makes you twice as miserable as gaining the same thing that makes you happy" write Professors Richard Thaler and Cass Sunstein in their ground-breaking book *Nudge*.

Imagining a future loss can be as vivid and painful. The brain's fear centre, the amygdala, "acts like a branding iron that burns the memory of financial loss on your brain" writes Jason Zweig author of *Your Money and Your Brain*. But not doing something – and thereby missing out on a gain – feels much more vague.

Loss aversion causes buyers to become overly cautious and make poor decisions.

In investing, sensitivity to loss contributes to panic selling that is associated with stock market crashes.

"Investors often sell winning investments more often than losing investments" writes Gary Belsky and Thomas Gilovich, authors of *Why Smart People Make Big Money Mistakes and How to Correct Them.* Psychologically it's much easier to sell a stock that has gone up. "We are locking in our profits." Selling a loss making share means bearing the pain of losing money, so we cling onto the hope it will come back.

2. Status Quo Bias

Change for most people is hard and painful. We are therefore naturally inclined to go with the familiar and avoid change. Behavioural economists called this the status quo bias.

The status quo bias has its roots in human evolution. Imagine a group of our ancestors walking across a field when they come across a huge patch of what at first sight appears to be delicious red berries. They certainly look more tempting than the boring blue berries they currently eat. But, "wait", cautions one of our cautious forefathers, "the red berries might be poisonous. We might die."

"The prevalence of the status quo bias today," write Gary Belsky and Tomas Gilovich, suggests that "we are all descendants from people who ate the new berries – but only after someone else tried them first."

The status quo bias not only affects individuals, it infects whole companies and becomes part of the culture – even those operating in fast changing hyper-competitive markets. When Lou Gerstner took over as CEO for IBM on April Fool's Day of 1993, he had to turn around a company that had been losing billions and was perilously close to running out of cash. He found a culture that he described as "inbred and ingrown." Decision paralysis was endemic. Management, he writes, “presided rather than acted.”

IBM was continuing to invest tens of millions into upgrading OS/2, a desktop system it had conceived years before. IBM had earlier chosen to use Microsoft Windows because at the time it didn’t believe PC’s had a future. Even so, Microsoft continued to pour tens of millions into OS/2 in an effort to compete with Microsoft. Even worse focusing on OS/2 ran counter to IBM’s view where the IT world was going.

“The highest levels of IBM executives were almost obsessed with an effort to rewind the decision of the 1980’s and take back control of the operating system from Microsoft,” writes Gerstner.

3. Fear of Regret

People go to enormous lengths to avoid suffering pangs or feelings of regret. When something goes wrong as a result of something we didn’t do, we rarely blame ourselves. But if you do something and it turns sour you’re very likely to berate yourself, “I bought this on myself” or, “this need not have happened.” Why? Because you could have avoided the responsibility and possibly the accountability that came from the poor decision.

“Knowing that something painful might happen is nearly as bad as the pain itself. The brain flares up almost as fiercely in anticipation of expected pain as it does in response to actual pain,” says Jason Zweig.

4. Choice Conflict

Difficult choices trigger the brains fear centres. The more attractive choices people have, the less likely they are to buy.

Having too many attractive choices causes buyers to procrastinate. Most of us believe it’s great to have choices. We have been educated to believe that as a buyer, the more options we have the better. Our brains however are not wired to cope with the proliferation of choices buyers face in today’s world. As far as the brain is concerned, the more options we have, the more likely we are to regret whatever decision we make. The harder the choice feels the more we procrastinate.

In a famous study, shoppers in Draeger’s Market, a gourmet grocery in Menlo Park, California, dropped by a “tasting booth” where fancy jams were displayed. Sometimes 24 different kinds of jam were available; other times, only 6 were offered. Shoppers were 50% more likely to drop in for a taste when the full variety of 24 jams was displayed.

But then something unexpected happened. Among the people who were offered 24 choices, a paltry 3% actually bought at least one jar of jam. Among those who had only 6 choices however, 30% ended up buying at least one.

The more choices left on the table, the more they worried that the one they picked was not the best. Too much of a good thing creates "choice overload," releasing a swarm of potential regrets.

The eminent economist Daniel McFadden, an expert in how consumers make choices says, "people appreciate having choices as long as they don't have to make one."

If buyers suffer from choice overload when faced with 24 different types of jam, you can imagine how USA investors feel when they scan the list of 8,000 publicly traded stock and bond funds.

Salespeople don't have to become passive victims of buyer decision paralysis. But first they have to learn to recognise the symptoms of decision paralysis.

The symptoms of decision paralysis

Here are the four symptoms of decision paralysis sellers need to watch out for:

1. The customer has a track record of delaying or not proceeding with what you would describe as 'no brainer' buying decision.

2. You can't imagine the customer being an early adopter of a new idea even if it gives their firm a decisive competitive advantage.

3. You have evidence that the firm continues to throw good money after bad rather than admit and move on from past buying mistakes.

4. The customer often expresses strong regret about past decisions that have turned sour, e.g. "this need not have happened."

Short-term emotions feed and fuel decision paralysis. To overcome them you need to reframe the way you think.

In his memoir, *Only the Paranoid Survive*, Andy Grove recalls the tough decision he faced as the president of Intel: whether to kill the company's line of memory chips.

Once Intel had been the world's only source of memory chips but by 1985 it was losing money as a result of brutal competition from high quality, low quality, mass produced Japanese chips.

But luckily Intel did have another product, a microprocessor.

Not surprisingly a vocal band of people in the company wanted to hold on and invest even more money in to the memory chip business. As Grove explained, "our priorities were formed by our identity, after all memories were us."

In the middle of 1985 Grove was discussing the debate with Intel's chairman and CEO Gordon Moore.

Grove turned to Moore and asked "if we got kicked out and the board brought in a new CEO, what do you think he would do?"

Gordon answered without hesitation, "He would get us out of memories."

"I stared at him, numb, and then said, why shouldn't you and I walk out the door, come back in and do it ourselves."

By shifting the question to the perspective of an outsider, Andy Grove clarified what had to be done. It also removed the emotion that was clouding the decision.

Since that decision in 1985 to kill memory chips and focus on microprocessors, Intel's share price has increased by 4700 percent.

Overcoming decision paralysis

As Grove discovered, decision paralysis can be overcome by reframing the way you think and smart questioning.

Here are six tips and techniques that sellers can use to overcome decision paralysis:

1. Gently remind customers that deciding *not* to make a decision, is a decision.

2. Help buyers quantify the opportunity costs they are foregoing.

3. Ask buyers to imagine how you'll feel if a proactive step you are considering today pays off but you have not taken the chance.

4. Limit your customer's choices to 3 solid alternatives. (More than 3 options increases the likelihood the customer will not buy).

5. Ask your buyer, "If you were considering this decision without regard to past decisions, what would you do?"

6. Draw up a decision inducing deadline to take away the opportunity to procrastinate. For example, "This unique offer expires at the end of December."

To sum up: decision paralysis is a huge, unacknowledged problem that continuously frustrates salesforces. The good news is, it is a solvable problem.

Sellers who master the art of overcoming buyer decision inertia can quickly boost their sales.

Harry Mills is CEO of the Aha! Advantage and the author of 11 books on sales, marketing, persuasion and influence. This article is an adaption of a chapter from Harry's book *The Aha! Advantage: The New Science of Sales Success.*

For more information on The Aha! Advantage's research, please contact:
harry.mills@ahaadvantage.com

www.ahaadvantage.com