TAKEAWAY

When given the choice between a surgery with a 10% mortality rate or a 90% arate, people are more likely to choose the 90% successrate.

RELATIVITY

APPLICATION

Frame costs to be included in other, larger costs, e.g., if someone is already paying for an $80,000 car, suggest an add-on as opposed to a separate product.

Categorize products as "necessity," "basic," "splurge" to create differentiation.

Create categories for seemingly similar products such as infant spoon, toddler spoon, baby spoon.

RELATIVITY

STORY

Even if the savings are the same, people are more likely to drive out of their way to save $5 on a $15 calculator than to save $5 on a $125 jacket.

Source:Tversky, Amos, and Daniel Kahneman. 1981

TAKEAWAY

People measure and account for the same thing (e.g. calories, income, tax rebates) in different ways depending on how they mentally categorize it.

MENTAL ACCOUNTING

APPLICATION

Frame costs to be included in other, larger costs, e.g., if someone is already paying for an $80,000 car, suggest an add-on as opposed to a separate product.

Categorize products as "necessity," "basic," "splurge" to create differentiation.

Create categories for seemingly similar products such as infant spoon, toddler spoon, baby spoon.

MENTAL ACCOUNTING

STORY

Boston-area residents who received tax rebates in 2001 were given descriptions of their rebates as either "withheld income" or "bonus income." The residents who received "bonus income" reported spending 87% of their tax rebate while the residents who received "withheld income" reported spending, on average, only 25% of this money.
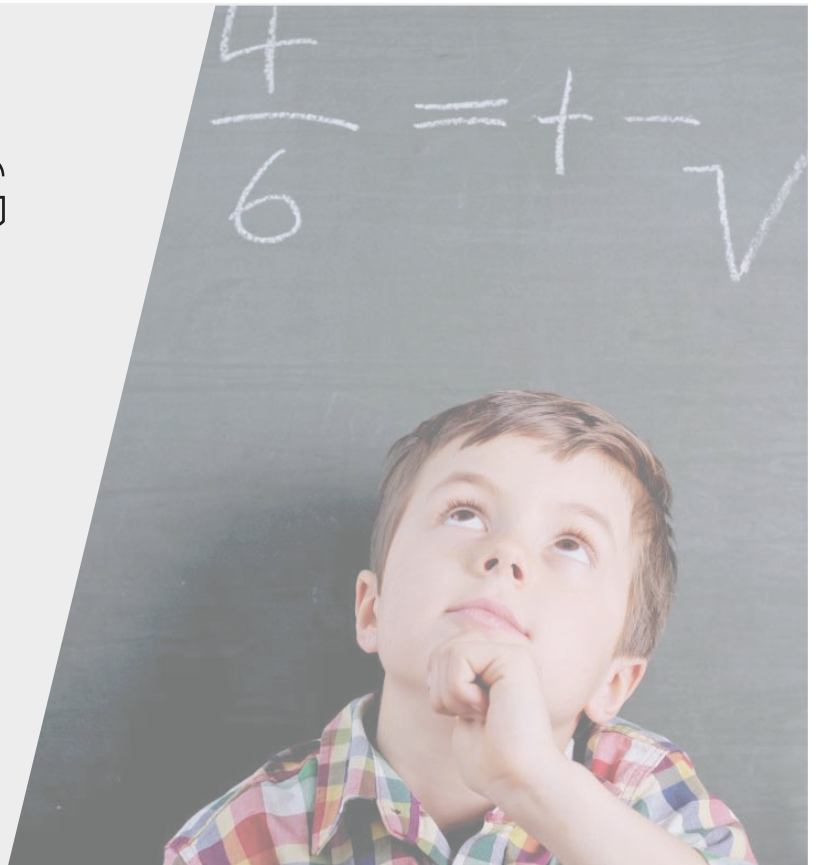
TAKEAWAY

People become psychologically invested in costs that they have already incurred, regardless of what the current and future costs and benefits are.

APPLICATION

Get people to upgrade their products by offering buybacks for old items.
Combine product upgrades with other items or features so as to minimize the feeling of "replacement"

SUNK COSTS

SUNK COSTS

STORY

If you're going to the movies and lose a $10 bill on the way, you are more likely to purchase a $10 movie ticket than if you'd lost your $10 movie ticket and need to buy a new one.

Source: Tversky, Amos, and Daniel Kahneman 1981

TAKEAWAY

People go with the default because it is the path of least resistance. In other words, going with the default does not require as much of an investment in decision making as going against the default does.

DEFAULT EFFECT

APPLICATION

Make the outcome that would most benefit the user the default.

Make it as difficult as possible for people to not do what you want.

Make directions and instructions as clear and easy to follow as possible – reduce uncertainty and ambiguity.

Have products pre-configured to start on the setting you want customers to use.

DEFAULT EFFECT

STORY

A luxury car company ran a study where people buying new cars were asked to choose options for their new car. They found that people who were asked more complex questions (versus those who were asked similar questions) early on, were more likely to choose the default options later.

Source: Levav, J., Heitmann, A., & Iyengar S. 2005

TAKEAWAY

When faced with too much information or too many choices, people tend to either defer making a choice or go with a default choice, if one exists.

CHOICE OVERLOAD

APPLICATION

Reduce choices as much as possible.

Have one or a few pre-packaged options.

Have the default setting satisfy as many people as possible.

Frame choices to make them easier to understand: i.e. Student, Professional, etc.

CHOICE OVERLOAD

STORY

Customers were six times more likely to purchase jams when only six choices were presented, as compared to twenty four choices.

Source: Iyengar, Sheena S., and Mark R. Lepper 2000

TAKEAWAY

One individual, identifiable, victim who is known in great detail evokes a much deeper feelings, emotions and sympathy than a large group of anonymous individuals.

APPLICATION

Use tangible examples of peoples or stories to highlight the benefits of your product or service.

Highlight any similarities between your "victim" and the audience to heighten the effect.

IDENTIFIABLE VICTIM

IDENTIFIABLE VICTIM

STORY

People donated more money when they saw the picture and name of an individual African boy under duress, than when they saw statistics on overall poverty in Africa.

Source: Small, Deborah A.,George Loewenstein, and Paul Slovic 2007

TAKEAWAY

In a choice between A and B, more people will choose option A when a slightly worse item than option A is included in the set.

APPLICATION

If you want someone to choose A over B, including an option which is very similar to A, but slightly worse, such as offers fewer features.

Try to make choices as obvious and easy to make as possible for users.

DECOY EFFECT

DECOY EFFECT
(ASYMMETRIC DOMINANCE)

STORY

People intending to purchase a subscription to "The Economist" were presented with differing sets of choices. One group saw the choice between two very different options: a "$59 Online Subscription" or a "$125 Print & Online Subscription". The second group saw the same two choices with a third added: "$125 Print-Only Subscription". Adding the third option, which was essentially a worse version of the Print & Online option, caused 52% more people to choose the more expensive Print & Online Subscription.

source: Ariely, Dan 2008

TAKEAWAY

People are more likely to follow group norms, especially when they admire or relate to the group.

SOCIAL PROOF

APPLICATION

Display a leader board, or a list of people who have made significant contribution – make it visual and public.

Inducing competition and displaying ranking systems can cause the reference point to shift to focusing on other people.

Describe desired behaviors as both common and valued in the community.

Highlight similarities between your user and the group that is exhibiting your desired behavior.

SOCIAL PROOF

STORY

People are more likely to reuse their towels in hotels when presented with the message "join your fellow guests in helping to save the environment" versus "Help save the environment".

Source: Goldestin, Noa J., Robert B. Cialdini, and Vladas Griskevicius 2008

TAKEAWAY

People value immediate rewards much more than they value future rewards. This means that immediate costs seem much more painful than future costs.

APPLICATION

Repackage costs so that benefits are immediate.

Add additional "feel good" benefits upfront to incent action.

Use commitment mechanisms such as public goal setting.

HYPERBOLIC DISCOUNTING

HYPERBOLIC DISCOUNTING

STORY

People would prefer a small piece of chocolate today versus a big piece of chocolate in a week. When given the choice between a small piece in one year, or a big piece in one year and a week, the outcome is inversed and people choose to wait for the bigger piece.

Source: Ariely, Dan 2008

TAKEAWAY

People are more motivated by potential losses than by potential gains.

LOSS AVERSION

APPLICATION

Frame value proposition as preventing a loss, rather than incurring a gain: "You are currently losing $5 every month by not …."

Show customers graphs with "money saved," "time saved," to highlight potential loss of not using your service.

Give someone a reward then threaten to take it away for non-compliance, rather than rewarding them for compliance.

LOSS AVERSION

STORY

Some participants were given a coffee mug and asked the minimum they would sell it for. Others were asked the maximum they would be willing to pay for the same mug. While buyers were only (on average) willing to pay a maximum of $2.87, Sellers (on average) were so averse to losing the same mug that they wouldn't accept less than $7.12.

Source: Kahneman, Daniel, Jack L. Knetsch, and Richard H. Thaler 1991
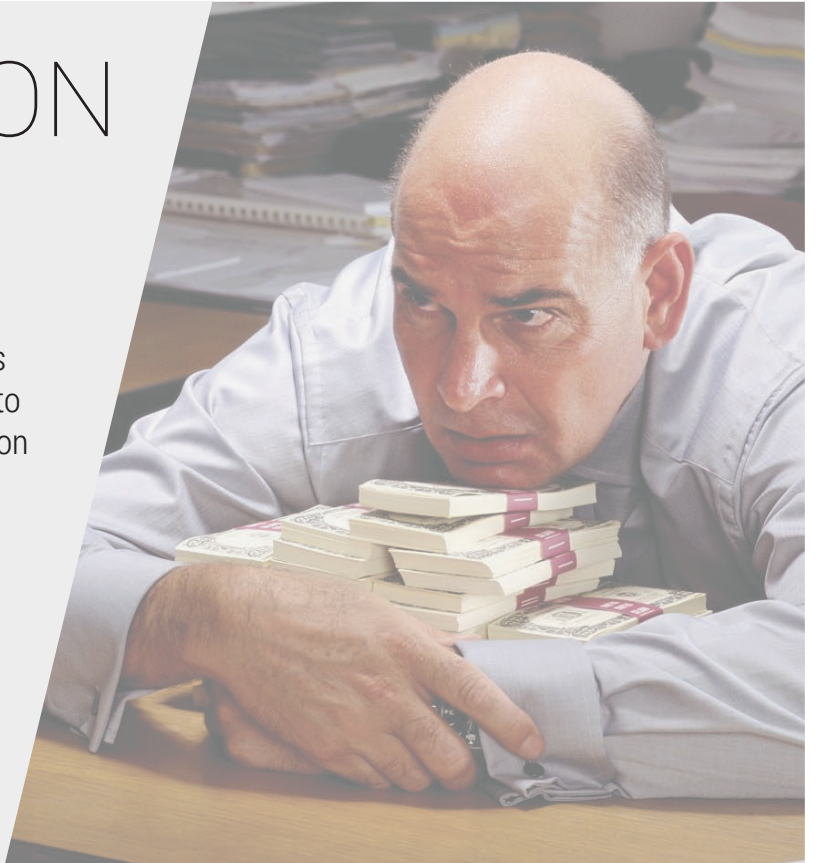
TAKEAWAY

Offering people a non-monetary gift (e.g. an object or experience) is more motivating than giving people a monetary gift equal to the cost of the gift.

NON-MONETARY
INCENTIVES

APPLICATION

Offer VIP memberships, early-access, special features, free gift bags etc.

Give personalized, thoughtful gifts that can't be quantified as easily.

Provide recognition and congratulate publicly when possible.

Try offering an in-kind gift, with a suggestion that people follow certain behaviours.

Try to build a sense of indebtedness by spending time, offering samples, doing a favor, etc. before asking for something.

Don't wait too long to cash in on the goodwill you have built.

NON-MONETARY INCENTIVES

STORY

Students who were asked to catalog books from a library were either given a cash prize, a gift equivalent to the cash prize, or nothing (control). Compared to the control, students were 25% more productive when given a thermos worth $7, but only 5% more productive when given a $7 cash prize. The non-monetary incentive was 5x as motivating as the monetary incentive!

Source: Kube, Sebastian, Michel André Maréchal, and Clemens Puppea 2012

TAKEAWAY

People are more likely to act in socially acceptable ways when they know their actions will be made known to others.

STATUS & SELF IMAGE

APPLICATION

Display a leader board, or a list of people who have made significant contribution – make it visual and public.

Create smaller groups/networks where people contributions are made salient.

Have people publicly commit to their contribution upfront.

Make decisions based on committee vote to avoid someone opting out because they know it will be done anyway.

STATUS & SELF IMAGE

STORY

Citizens are 8% more likely to vote if they know their neighbors will be made aware of whether or not they do so.

Source: Gerber, Alan S., Donald P. Green, and Christopher W. Larimer 2008

TAKEAWAY

If people are intrinsically motivated to perform a behavior, introducing a small, piece-rate monetary reward (extrinsic motivation) may actually decrease the behavior.

APPLICATION

Give personalized, thoughtful gifts that can't be quantified as easily.

Provide recognition and congratulate publicly when possible.

Try offering an in-kind gift, with a suggestion that people follow certain behaviors.

INTRINSIC VS. EXTRINSIC
MOTIVATION

INTRINSIC VS. EXTRINSIC MOTIVATION

STORY

Offering people $7 to donate blood actually decreases blood donation.

Source: Mellström, Carl, and Magnus Johannesson. 2008

TAKEAWAY

People judge and remember
the most intense parts of any
experience and the end,
rather than the average or
entirety of the experience.

APPLICATION

*For users to remember a more positive
experience overall, include key high points and
a pleasurable end point.*

*Make sure the last part of the user experience
is very pleasant/rewarding.*

PEAK
END RULE

PEAK END RULE

STORY

People were offered to have their hands submerged in cold water for 60 seconds vs submerged in cold water for 60 seconds plus an additional 30 seconds in 1 degree warmer water. 69% people chose the latter option.

Source: Kahneman, Daniel, et al. 1993

TAKEAWAY

The closer a person is to
achieving their goal, the more
effort they will exert in an
attempt to reach the goal.

APPLICATION

*Use progress bars and encouraging feedback
early on to make users feel like they are
advancing well towards their goal.*

*When using progress bars, give users an early
boost in order to encourage them to advance
towards their goal at a faster rate.*

GOAL GRADIENT
EFFECT

GOAL GRADIENT EFFECT

STORY

A 12 space coffee card pre-stamped twice will be completed faster than a 10 stamp coffee card with no stamps.

Source: Kivetz, Ran, Oleg Urminsky, and Yuhuang Zheng. 2006

TAKEAWAY

People often perform a cost/bene-fit analysis when making choices (e.g., candy costs $1 and will bring me $1.50 worth of enjoyment, enjoyment, so I will buy it). Free goods are seen as not only being cheaper than the same good for a higher price, but also as being even more enjoyable/better/more rewarding (e.g., this candy bar costs $0, and will bring me $2 worth of enjoyment).

THE POWER OF FREE

APPLICATION

Use free when your objective is to increase your userbase significantly.

Beware of using free for a product you will want to eventually charge for.

When offering free trials, always frame them as expiring, one-time, or scarce, while mentioning the standard price, so as not to dilute the value of your product

THE POWER OF FREE

STORY

In one trial of one study students were offered a Lindt Truffle for 26 cents and a Hershey's Kiss for 1 cent: 40% went with the truffle and 40% with the Kiss. When the price of both chocolates dropped by just 1 cent, suddenly 90% of participants opted for the free Kiss, even though the relative price between the two was the same. We concluded that FREE! is indeed a very powerful force.

Source: Shampanier, Kristina, Nina Mazar, and Dan Ariely 2007

TAKEAWAY

People attach much more value to a product that they partially create than if that same product had been created for them, without them having to put in any effort.

THE IKEA EFFECT

APPLICATION

Offer your users a chance to customize your product early on in your user flow to engender a sense of ownership and significantly reduce conversion drop-off later in the order process.

Personalize your product with user information (name, birthday, last visit, etc.) whenever possible.

THE IKEA EFFECT

STORY

Some subjects were randomly assigned to assemble a plain black IKEA storage box. Others were given an assembled box and asked to inspect it. Participants were then asked to bid on the box to determine what they would be willing to pay for it. On average, those who had built their box were willing to pay 62.5% more it

Source: Norton, Mochon & Ariely 2012