

Ep 123 - Interview: Richard Chataway, author of The Behavioral Business, on why every business is in the business of behavior

Richard Chataway: [00:00:00] And when people interacted with the human agents 12% of people lied to get back their shipping fee, so they committed low-level fraud basically to get their shipping fee back. When people were interacting with an AI agent, 62% of people lied. So 50% more people were willing to lie and be dishonest and fraudulent when interacting with an AI than they were with a human for the same interaction.

MichaelAaron Flicker: That was Richard Chataway, and what made that clip so striking to me is that it showed how quickly humans can change their behavior as soon as they realize they're interacting with AI. And in our discussion, Richard built on this idea, making the compelling case that just because you have better technology doesn't mean you're always gonna get to better outcomes.

And that was not the only fascinating thing we covered. In today's chat, Richard talked to us about how he used behavioral science to help smokers who already knew that smoking was bad achieve their quit attempts. He talked to us about how professionals are [00:01:00] just as vulnerable to human biases as consumers are.

And then we went even deeper in AI. We talked about how it can both improve and sometimes quietly undermine the customer experience. Richard is the author of the book The Behavioral Business. He's a great behavioral change practitioner and founder of the Communication Science Group. With all that said, excited to have you listen to this show

Welcome back to Behavioral Science for Brands, a podcast where we bridge the gap between academics and practical marketing. Every week, we sit down and go deep behind the science that powers great marketing today. I'm MichaelAaron Flicker.

Richard Shotton: And I'm Richard Shotton.

MichaelAaron Flicker: And today, we're sitting with Richard Chataway, behavioral science consultant, advisor, and author of The Behavior Business.

Let's get into it Richard, welcome to Behavioral Science for Brands. We're very excited to have you on the show [00:02:00] today.

Richard Chataway: Thank you. It's great to be here.

MichaelAaron Flicker: And we've been talking about having two Richards on the show- ... so we will be very ex- exacting when we're going back and forth about Richard Shotton and Richard Chataway.

But r- really thrilled to have you here. As we like to welcome our guests, Richard Chataway, we often will have some quick-fire questions, just a little fun to get us warmed up. Would you like to play?

Richard Chataway: Sounds great, yeah. Yeah.

MichaelAaron Flicker: What's the most Richard Chataway behavioral science habit that your friends or family might call out?

Maybe they might even tease or chide you a little bit.

Richard Chataway: Yeah, it's funny you ask me this, because literally my wife reminded me of one of these earlier today, actually. So when I was writing my book The Behavior Business as I'm sure you guys know, writing a book can be quite a challenging, taxing process, particularly if you're working full time at the same time.

You come a- become a bit of a [00:03:00] hermit, where you have to lock yourself away for long periods of time. And and I'm very fond of using kind of commitment devices in my everyday life, and trying to use those, and a bit of temptation bundling as well- ... which no doubt you're familiar with.

So in- whilst I was midway through writing my book, the video game Red Dead Redemption II came out, and I was very excited about that. I'd played the first game quite a lot. And I knew that if I purchased that would be a significant barrier to me potentially finishing my book. So I bought the game, but then I kept it in the cellophane wrapping and didn't open it until I'd submitted the final proof to my editor and it was ready to go to publication and then I played the game quite relentlessly for several weeks afterwards outside of work, obviously.

But that was my reward and end goal. And I've used that several oth- in several other contexts as well. I've got an exercise bike at home, and I, there's a TV next to it, and I will only [00:04:00] allow myself to watch football, which I'm a big, or soccer, big fan of. Only allow myself to watch that whilst I'm on the exercise bike as a way to, to motivate myself to, to exercise and at the same time.

So yeah that's a very me thing to do, I think. My, certainly my wife feels that anyway.

MichaelAaron Flicker: You practice what you preach. That's it. That's right. And there's something to respect in that.

Richard Shotton: Is there one belief about human behavior that you've radically changed your mind on over the years?

Richard Chataway: Yeah. I think I would imagine this is probably the same for you guys as well that, And, Richard, I know you and I have known each other for a while now, and we have a shared background in terms of media and advertising. And when I first started working in that world, there were a lot of models that were being used that assumed a very rational view of human behavior.

Models like the AIDA model, which talks about awareness, interest, desire, and action. The very linear process that people [00:05:00] go through before they buy a product, for example. And I think, and my attitude to that has completely, or my belief about that has completely changed, and that was one of the light bulb moments for me when I first started learning about behavioral science, was that people don't be- behave in that very linear fashion, and that attitudes don't, are not necessar- A change in attitudes is not necessarily a precursor to a change in behavior.

In fact, often it can come the other way around. Our behaviors and attitudes have a complex relationship. And that often our behaviors can change before those attitudes change or often we behave in ways which actually we wouldn't consider to be consistent with our beliefs and our attitudes.

So that's the one thing I think that's significantly changed and was a... And has been a huge factor in my work ever since.

MichaelAaron Flicker: So you talked about a behavioral s- a model that you used that you no longer believe in. What's a behavioral science model that you have a lot of respect for?

Richard Chataway: Yeah. I guess it would be immodest of me [00:06:00] to talk about the model that I've developed and applied for the last 10 years or so in, in my work in a few different organizations which we call cognition.

But there are there... I think one of the values of that model and another model that, that I started using when I was working in government about 15 years ago here in the UK, which was developed at the Cabinet Office at the time in the UK government which was the Mindspace model.

I think I still have a lot of respect for that model, and many of your listeners may be familiar with it, because I think what was good about it was I very much subscribe to the belief that all frameworks are wrong, but some of them are useful. And which is quite a famous quote.

I can't remember who it's from. But- George Box. Sorry, who's that? Sorry.

Richard Shotton: I think it's George Box.

Richard Chataway: Oh, yes. That sounds right. Yeah. And yeah. I... But I think Mindspace was useful in terms of it's got nine factors, and we know that people can retain up to nine things in their short-term memory.

So any [00:07:00] model that's nine or less is generally pretty memorable and useful. But also it has enough complexity to it and enough nuance, and covers enough of the bases in terms of the key heuristics and biases that it was one that we started applying when I was working in government and using in training, for example, for communicators working in behavior change for government that it really resonated with people and people found it practical and usable straightaway.

So I think that's one model that I that I still feel has a, has value.

Richard Shotton: We had Michael Hallsworth on a couple of weeks ago. Oh, of course. Yeah. So he was talking about both Mindspace, but also how they moved on to EAST. So even though for practitioners who were really immersed in the field, Mindspace was perfect.

For people that had never heard of behavioral science, sometimes nine elements could be a bit confusing. So he was talking about- Yeah ... how they simplified it even further down to EAST.

Richard Chataway: Yeah. Yeah. Which is great as well, I think, y- to your [00:08:00] point Richard. I think if it's simple enough to be able to get people engaged who have no understanding then that's really useful as well.

I think my... N- I think EAST is a great model as well. I think when you talk about attractiveness, people will go, " what do you mean by that?" Surely- There, there's a lot of stuff to unpack from that, which is good as well 'cause it means- Yeah ... you can take it to lots of other areas and talk about specific biases and heuristics from it.

But I think on its own, it wouldn't necessarily give people enough to be able to go and apply it, I think would be my challenge on that. But Mike's been applying it, but that, that model a lot more than I have, so he would know much more about it than I would. But yeah.

Richard Shotton: What's the biggest misunderstanding people have about why humans actually change their behavior?

Richard Chataway: Yeah. I think it goes back to that that point I made about assuming rational operators and assuming that, that attitudinal change is necessary before [00:09:00] behavior change as well. I think I see this a lot and I've seen it a lot in the work that, that I've been, My last 10 years, I've been focused primarily on customer experience and how we can optimize and improve customer experiences using behavioral science and this recognition that, you know that and the evidence that we are cognitive misers in the decision that we make, one of the areas I've done a lot of work in over the last 10 years is about digital adoption and usage.

How you can get people to move from just using the phone as a method of contact for brands and to c- using their digital channels, be those apps or websites. And what we've found from a lot of the work that we've done is that a lot of that is purely habit-based, and it's not necessarily that people have an aversion to using a website or an app, it's just that they're used to picking up the phone, and they feel they're gonna get a better outcome through that.

So if you can frame it in the right way, and you can create the right nudges around that to get them to try to use those digital products and services, that can be [00:10:00] hugely effective. And we've run projects where we've literally moved changed the behavior of hundreds of thousands of people into using those digital apps and services just through some simple reframing techniques and devices.

So I think that's the I would say that's the the assumption that we make is that a lot of these behaviors have a some fundamental beliefs driving them, behind them. Whereas actually a lot of it comes down to habits and laziness to some extent.

MichaelAaron Flicker: As Richard, we are a podcast specifically to help brand owners, brand marketers be more effective.

If you had to say one behavioral insight that you think brands criminally underuse, what would it be?

Richard Chataway: Yeah. I think this is and this is something I was reflecting back on what I wrote in my book, *The Behavior Business*. Sorry I keep mentioning the name, it's just force of habit. But get, the marketing techniques, isn't it?

Yeah. [00:11:00] But yeah, the one of the things I talked about there in, in the section on marketing, which Richard contributed to and had some brilliant insights for was that this misapprehension that people you know, about brand loyalty and that people really think deeply at a rational level about the brands and that they buy.

Whereas the vast majority of consumers of any given brand in any given category are what would we call light buyers they might only be buying occasionally, they might be buying a huge portfolio of brands in that category. And what we're trying to do is we're trying to increase the purchase frequency of a, of that 80% of light buyers in any given category.

And I think that's something that's criminally underused one of the things I advised in my book was that every marketing department should have a big sign on the wall saying, "You are not the target audience." people who work in marketing tend to obsess about their brands because it's what they're doing all [00:12:00] day, and they think that their consumers behave in the same way.

But of course we don't, because we're buying hundreds of brands thousands of brands potentially on a, on an annual basis and we're making multiple purchase decisions every day. And so we're not putting the same amount of cognitive effort into those purchase decisions that they may think we are.

And I think, Richard, you gave the example of if you work in marketing for a toilet roll brand, you think a lot more about toilet rolls than any other human being on the planet ever does. And that's totally true. And that's I think one, one

insight from behavioral science that's hugely valuable for anyone who's working in br- in marketing or branding.

MichaelAaron Flicker: So let's go back in time. Early in your career, Richard, you worked on an anti-smoking campaign, and behavioral science is oft used to talk about how you can improve health outcomes. Can you talk about what you learned f- about applying behavioral science to [00:13:00] reducing smoking?

Richard Chataway: Yeah, sure. So I worked on multiple campaigns 'cause I was actually running campaigns for the Department of Health here in the UK.

We had we would run multiple campaigns over the course of a year. And in particular focus on January because that tends to be a time of year when a lot of people attempt to, to quit smoking a- and give up smoking. And and for me it was a light bulb moment really in terms of both the applications of behavioral science, but also the career path for me in behavioral science as well.

So- But having worked in media and advertising for a number of years in planning and strategy roles, and then went in-house to Department of Health. And what I discovered was that we were increasingly making use of insights from external specialists, strategists people like Kate Waters, who I think has been a guest on your podcast before.

So Kate had done a brilliant campaign for the British Heart Foundation which was called the Fatty Cigarettes campaign, which she may have talked about on the podcast, but that [00:14:00] was, yeah, hugely successful. And had been co-funded by the Department of Health, so it was one we used as a sort of case study.

And what it's demonstrated to me was this shift from the necessary shift from rational to emotive messaging. And from the fact that by 2005, there'd been a long history of anti-smoking communications, which meant that everyone who smoked knew it was bad for them. They knew there were negative health effects.

The battle had been won on that side. So anyone who continues to smoke at that point, it's not a rational decision to do that, people are doing it for other reasons. And simply telling them smoking is bad and about long-term health consequences has limited efficacy ar- around that.

So that was a really light bulb moment for me to go, " people are not rational decision-makers. They will often act in ways that are contrary to their best

interests. That ... And they need to be given the right incentives, motivations, and messages in order to encourage that change in behavior."

The second thing [00:15:00] that was really important for me was that proved to be hugely effective, and we completely changed the approach in, in that campaign from saying to people, "This is why smoking's bad, and you should quit," to facilitating the behavior change to becoming a non-smoker.

And because if either of you have ever smoked or if any of your listeners have ever smoked, you'll know that quitting is really hard. The average smoker takes something like 20-plus attempts at quitting before they're actually successful because it's so chemically addictive, but there's also it's very habit-forming as well.

Our messaging changed and our focus of the campaign changed from being, "Here's why smoking is bad," to, "We know you wanna quit. Here are the tools and the most effective ways to help you quit." And in the UK, the NHS provides a lot of free support and services for people to help them quit smoking.

And that became hugely... I found that really fascinating, that approach and the insights and the research that we did to support that. [00:16:00] But secondly, it was hugely effective. We achieved the government's public service agreement targets a year early. So we had the target set for 2010, which we achieved in 2009 in terms of quitting rates and use of NHS services.

And when the head of tobacco policy when I was working there he gave a speech when he was moving on to a new job and said We should be very proud of the work we do here. We... You can think about it this way. We save more lives in an annual year than most, in a year, average year than most surgeons do in their entire career."

And I was like, "Wow, okay, that's the power of this of behavioral science in terms of facilitating that kind of behavior change at scale is huge." and was an insight for me to say, " it's hugely underused in other sectors as well. This shouldn't just be being used in public health. It shouldn't just be used in the public sector.

It should be used, being used in many other areas of business and society." And that was the sort of insight that led me onto the career path that I've been on.

[00:17:00]

Richard Shotton: You mentioned that one of the impacts of behavioral science was moving the government communications away from just providing information to giving people help to quit.

W- was the behavioral science insights, were they also applied in designing what that help looked like?

Richard Chataway: Yeah, absolutely. So to give you one example, when I... So I subsequently moved to Australia in 2012, and was working for an agency there that had the the contract with the federal government.

And in the same way as in the UK and many other countries around the world there were significant effort campaigns to address smoking as a public health issue. And one of the first things I worked on when we were there was developing an app called My Quit Buddy that we produced for the Australian federal government.

And the insight behind that wasn't just that 2012 app technology was relatively new but it was still wasn't being used by a majority of [00:18:00] people. It wasn't just that this was a new channel to reach smokers in. The insight behind it was one of the barriers to quitting successfully is that cravings for cigarettes can happen at any time, so you need to have the ability to access support to for boost your willpower and motivation to, to quit smoking 24 hours a day.

And what's the one thing that everyone has with them now for each 24 hours a day? It's their mobile phone. So we need to create something that's something that's available for people to, to access that. So there was a behavioral insight behind the development of an app in the first place. But then when we developed the app, my role was to to develop the strategic insights for the UX and functionality of that app.

And we incorporated loads of behavioral techniques into the design of the app to make it as effective as possible. And what we were able to do with the app as well, we were continually testing and learning post-launch and optimizing based on the data we were getting from users. So one of the, one of [00:19:00] the aspects that we found very soon after we launched the app was that there was a...

The homepage basically had various bits of data showing you how much money you'd saved, how many, how much tar you'd avoided by not smoking, and so on, as you were gamifying quitting smoking. And what we found was that people were screen grabbing that and posting it to their social media accounts as

a kind of social proof mechanism to say, "look how much money I've saved by quitting.

You guys should all try this app." Obviously, that's brilliant marketing for the app and generating more downloads. So what we just did was add some functionality into the app to hit a button saying you could post it to your Facebook or Twitter accounts or whichever social media accounts you wanted.

So yeah. So there was a huge amount of behavioral science insights and user insights that we were able to build into the creation of those and use of those tools.

Michael Aaron Flicker: I'm just so interested as you're doing product development like that, what's the [00:20:00] way you're approaching it to both run field experiments, do- test something in market, but then also receive the feedback and decide this thing is worthy of let's add a share functionality to social, and other signals you're getting not.

A- as you because so many of our listeners are s- listening to today's conversation saying, "How can I apply this to what I'm doing in my businesses?" How do you approach that, Richard? How do you think about what get, what is noise and what are signals that are worthy of further behavioral insight?

Richard Chataway: Yeah. Yeah. I think one of the key things, and I know that that Richard, you've advocated for this for a long time as well is the focus on actual behavior and metrics around actual behavior rather than claimed behavior. And smoking is a classic example of this. Going back to what I was saying, we were developing those campaigns 20 years ago when I was working at Department of Health.

Smokers would come up with these amazing post-rationalizations as to [00:21:00] why they continued to smoke. They would say things in like focus groups like It's on- I'm only using a few, losing a few bad years at the end of my life anyway," I can quit any time. I don't smoke around other people, so it's just my own health I'm harming rather than anyone else."

Those kind of things. And actually when we looked at and also when they accounted for their behavior as well, there was a big difference between that and their actual behavior. So a lot of the campaign work we did was informed by ethnography, so we actually had people going round and following smokers on

their day-to-day lives and seeing how they behaved and capturing data on actual smoking behavior to inform the campaign development.

For example, we had a big focus in the UK on what was called people in routine and manual occupations. And what we mean by that was people who work in factories and retail and those kind of environments, because it's very reinforcing of the habitual behavior of smoking because you have regulated breaks, so people are [00:22:00] smoking at the same time every day, and that reinforces the habit and makes it much more difficult to quit.

And it was- it was interesting, that was a stronger correlation than income, for example. So a lot... Some people in those professions- in those industries actually are being paid quite well because they're at managerial levels. And smoking is an expensive habit anyway so you need to be earning a certain amount to be able to continue to smoke.

Those kind of... To say that focus on actual behavior, and to your point, Michael Aaron with things like the My Quit Buddy app because we had actual user behavior, we had time of day and we had insights. We got, we got people to fill in information to use the app.

It was all... There was no personal information in there, but there was information about when they smoked, how many they smoked, how much they spent on cigarettes, all those kind of things that we could then use to build these profiles and insights to inform the next iteration and the continual improvement of the app.

In my book I talk about test tube behaviors, and that's really what I mean by that. [00:23:00] My book's got test tubes on the cover because behavioral science is a science, and the way you learn in science is through experimentation. We were running experiments.

We were testing things continually. And the work I've been doing subsequently and my teams do subsequently is all based around that. We build behavioral insights, and then we test them in the real world with real users and real people and looking at real behavior.

Richard Shotton: So that's an example of the government using behavioral science very effectively.

I- in your book, you also talk about quite a few commercial examples, and one of those that you hold up as a real exemplar of behavioral science is Google.

when it launched. Could you talk about some of the behavioral science tactics that they used?

Richard Chataway: Yeah. It's re- it's a really interesting one, Google, actually, because some of this was born out of insights that I got from...

I interviewed a number of people, including yourself, for the book Richard and some of them were ex-Googlers that I was able to interview for the book. But also Nir Eyal wrote some great wrote about this in his [00:24:00] book Hooked as well, about some of the the ways that they used it.

If you look at the Google interface, for example now when Google launched, sadly I'm old enough to remember when Google launched in 1998. Many of your listeners probably weren't even born when that happened. But and in 1998 when Google launched fundamentally the user interface didn't look much different to what it looks like now.

You have the little search bar, and then you have the two buttons underneath, Google Search, and I'm feeling lucky. And interestingly, and probably a lot of people will probably go, "I'm feeling lucky? I don't, I've never noticed that." And in fact the evidence is the I'm feeling lucky button on Google search is used by as close to 0% of users as makes no difference from a data perspective.

When I wrote my book and the latest evidence I had around it said it was about 1%, but I suspect it's probably less than that And if you're not using the I'm feeling lucky button before the way [00:25:00] that works is if you hit that button, you just go automatically through to the top search result. You don't see the list of search results afterwards.

And what's interesting about that from a behavioral perspective was it, or is that when people hit that button, the- 'cause they're not seeing any of the paid listings, Google makes no money from that search query. They're not ... The advertisers who've paid for listings don't get seen, so therefore they there's no revenue that comes their way.

And again, when I wrote my book the the the evidence suggested it was about \$100 million of ad revenue that Google loses every year through people hitting the I'm feeling lucky button. So basically, no one's using it, and it costs Google money every time someone does use it. So why is it there?

The hypothesis is that it's because it increases the self-efficacy of users and the confidence in the results they get as a result of it. Google are basically saying,

"Our search results are so good [00:26:00] that we can... You can go straight through to the top result, and you'll most likely get what you want.

But if you don't want that, you can still go through and view the choice." And that's interesting because, one it's more time and effort on behalf of the user to actually look through and browse through the search results and choose what they want. But secondly it's increasing the efficacy of that route by providing people with this placebo choice, effectively, of the I'm feeling lucky button.

And increasing the confidence that people have in the product that Google are producing. And that's one interesting example of how they've used behavioral science. Again it seems to be that was by accident. The Google... When Google launched in 1998, and as I say, I'm sadly, I'm old enough to remember that, what set Google apart as a search engine was that it had a much cleaner, simpler interface.

So if you went onto Yahoo or AltaVista or AOL or any of those other search engines that were around in 1998, if you remember Ask Jeeves Ask [00:27:00] Jeeves, you actually had to type in as a question. It was almost a precursor to the LLMs that we're now using actually, wasn't it, really? Where you have to type out a full sentence of the question to get the response you want.

But Google just had that one bar. You didn't have to search by category like you did with other things. It wasn't clustered with advertising or anything else. And the simplicity of that user interface, the cognitive ease that it gave people as a user interface, was something that people immediately liked, warmed to and responded well to, and it became the dominant search engine over the next few years.

What's interesting about that, though is that it's very much hindsight bias that those are behavioral insights, and they were arrived at by accident. Supposedly the reason the Google interface was so simple was because Larry Page didn't know how to code in HTML. So he didn't have the skills to create the complex interface that all of the other search engines had and Yahoo searching by category and so on. [00:28:00]

He just didn't have the tech skills to do it, so he just like, "I'll just put one search bar and two buttons underneath." But they subsequently found that worked really well and Google very much has a test and learn methodology, so they've been testing that continuously since.

Richard Shotton: And even if it was an accident that they were forced into that decision, that simplicity through lack of coding skills, if they hadn't very quickly recognized the value as those coding skills developed, which would've happened very quickly, they could've easily moved away from it.

So there was some insight to retain the simplicity at least.

Richard Chataway: Yes, absolutely. Absolutely. And and Larry Page's PhD was in information retrieval as well, so he he had the tech skills to make sure the search results you got were really good and would be better than the other sites as well.

So obviously once people started using it and found the search results were so much more better and better fit for purpose, as well as being easier to use, then obviously that, that led to that dominance. But yeah, you're absolutely right.
Yeah [00:29:00]

MichaelAaron Flicker: Richard, I'm gonna switch gears here, and a topic we've heard you talk on is how Behavioral science biases, most people accept that they affect consumers, but folks really struggle to accept that they affect professionals as well.

Can you talk about how susceptible professionals are to behavioral science biases? We're talking about doctors, lawyers those that are science-informed leaders.

Richard Chataway: Yes. Yeah, it's really interesting, this. I think again, we talk about misconceptions, and I think one of the ones that's most prevalent is, that we all fall prey to, is that somehow when we get into work mode, when we jump onto a Teams call, or we put on our work clothes, whatever it might be, that somehow we become different people.

And obviously, fundamentally that's not true and we can't rewire [00:30:00] our brains in that way. And the evidence is that actually decision-making in a business context is prone to as much bias, if not more than in a personal context. And again w- without focusing too much on, on Google, there was a study that Google ran with Gartner where they looked at what was most important to people in making business decision-making, and whether it was whether it was effectively does it benefit the business versus does it benefit me in terms of my profile or promotion prospects or all those kind of things.

And what they found in this study of 3,000 professionals across multiple different industries and different contexts, was that actually it was, the personal impact was twice as important as the business impact. So as in when they're making decisions on behalf of a business, if it benefits that individual, that's twice as important to their decision-making than it is to than the benefit to the business.

Which is [00:31:00] quite astonishing when you think about it really, but also if you spend any time learning, understanding about behavioral science, you go, "of course." those, tho- those biases are hardwired into our brains, they're products of our evolution. We find it very difficult to deviate from those.

So naturally you're going to take decisions that actually for you are gonna be beneficial. I think what businesses and leaders need to consider is about how you align those two things. How can you make sure that the decisions that people make in your business benefit them but also benefit the business as well?

And recognize that actually they're gonna ... They need to be incentivized and motivated in the right way so that those decisions will be of benefit to the business. H-

Richard Shotton: have you seen any good examples of that alignment happening or any advice that others can copy? Yeah.

Richard Chataway: Yeah. I think one of the things, one of the areas that's, that I explored a little bit in my [00:32:00] book which I've been lucky enough to work with a number of business and occupational psychologists in various capacities.

I used to be on the board of the business Association for Business Psychology here in the UK. And I was the first person with a behavioral science background to be on that board. Most of the people there came from a business psychology background, which main- meant that they were mostly focused on recruitment and assessment- and performance management. And one of the interesting aspects of a lot of the work that's done in that field is, for example the importance of diversity in organizations. And one of the There's obviously been a lot of controversy about this, and a lot of political commentary about diversity initiatives and within organizations, and to me it- it's, the framing of the narrative around that is is wrong in the sense of a lot of it has been about it's the right thing to do and having more diverse [00:33:00] organizations is an ethical imperative.

And that's undoubtedly true, but really there is also a very strong argument for the business benefit of diversity as well, which is that by having more diverse workforces, what you're encouraging is the challenging of conventional wisdom, and particularly confirmation bias, which we know is very powerful, that people will seek evidence that supports their preexisting viewpoint.

And so by having a diverse organization where you have different viewpoints, you have different backgrounds, you have people who are willing to challenge that conventional wisdom, you are going to be more innovative as an organization. And again, Google ran some research through Project Aristotle, which Charles Duhigg has written quite a lot about in the past, which demonstrated that the most effective teams in Google were those where you had two things.

Where one, there was conditions created where people felt comfortable to challenge orthodoxy and that their views would be heard, what [00:34:00] is often called psychological safety. But the other was that they had... you had teams that were made up of diverse viewpoints so that people could do that.

Obviously, if you have a lot of te- people in one team who all have the same background, same education, same same job, then they're not gonna challenge conventional wisdom very much because they're largely gonna agree. Whereas if you have teams with people who have different backgrounds and different who've come from different areas and a demographically mixed group, then people are more likely to challenge and they're more likely to come with different viewpoints, and you're gonna have more innovation and those teams are better performing.

So I guess that's my one area in which I've learned from, as I say, business and occupational psychologists, that there are great tools out there to be able to assess people for recruitment purposes, for example, which, A, de-bias the process. So you remove the kind of irrelevant criteria- [00:35:00] you take out the ethnicity, gender, age, those criteria for assessing people for their ability to do a job, and you focus on do they have the right skills to do the job?

Do they have the right competencies? Do they have the right psychological profile to do the job? But the second thing is that that obviously is gonna improve performance. If you hire the best people to do the job, they're gonna you're gonna get the best performance out of them. Or you need to create the conditions to g- to, to generate the best performance from them.

So my point is that the diversity argument should be if you recruit the best people for the job, and you put them into teams where they are able to challenge conventional wisdom and orthodoxy, you're gonna get the best performance. And so the argument for diversity is not just to be...

It's not just the ethical imperative, it's better for the business as well. Does that make sense?

Richard Shotton: The a- absolutely. And I think there, there's two fascinating bits there. As you say, it's not just ethical, it's effective. But then I thought the other really interesting thing [00:36:00] you mentioned was from the Project Aristotle work that diversity alone is not enough.

It's no good having a completely mixed group of people if you have developed this culture of conformity, and everyone is just trying to second-guess what the boss thinks. Yeah. So your point that you need psychological safety and diversity I think is really interesting.

Richard Chataway: Yeah it's I think the way I talked about it in the book is cognitive diver- diversity.

So it's a different diversity of viewpoints and ways of thinking and approaching problems. And there are very sophisticated psychometric tools, for example, which you can use in order to create that within teams. That's the I think this is the thing.

I think the diversity argument where it's where the challenges have been made rightly in my view, is about the efficacy of things like unconscious bias training. People say, " we [00:37:00] ran this unconscious bias training, and yet we still don't have enough people of color in our organization, or enough age diversity, or enough gender diversity in our organization, so it, it doesn't work."

The evidence is obviously, yes, if you just run a training program to make people aware of their biases, no, it won't work. And a lot of money is wasted on that every year. What you need to do is you need to have the processes and tools embedded in the organization which ensure that you are you are able to deliver on those diversity imperatives, and create those teams in the right way by, as I say, hiring people based on their ability to do the job rather than irrelevant criteria.

Whether they the person doing the hiring decision thinks they'll make a good golf buddy or not that's not a relevant criteria for hiring someone for a job. It

should be about their ability to do the job. And then if you hire on that basis, then you're naturally gonna increase the diversity within your organization.

Michael Aaron Flicker: Let me take us down a different road here. So [00:38:00] often our conversations get caught up with How does AI affect all this? And Richard, you've spent some time really thinking and talking about AI. So let's start with a very base level question. How can behavioral science help brands maximize the benefit of AI?

Richard Chataway: Yeah. The reality is all data that humans touch will contain- will contain traces of bias and the biases that went into that. So by having an understanding of behavioral biases and how they can influence and whether they're reflected in those data sources or not, the training data that we use to build any tools, whether they're AI or not, anything that's based on machine learning needs training data sets for it to work.

We can make sure that we, we don't... we avoid the negative impacts of that. So to give you an example there's evidence that one reason that we've not seen [00:39:00] the speed of adoption and usage of autonomous vehicles that we expected to see is because there are numerous studies now that suggest that actually the...

or an autonomous vehicle is more likely to run you over if you are either non-white or a child. And the reason for that is because the training data that's been used for training Waymo vehicles and other autonomous vehicles is largely based on the streets of Northern California, specifically San Francisco, and there's a...

and the population biases in the data that's been used to train those are reflected in their ability to spot certain types of people and therefore avoid running them over. So now obviously that's a very negative outcome, but if you're aware of the biases in the data there, you can obviously then train make sure that the data that's used to train them is rep- more representative and more diverse to the point we were talking about a minute ago, and therefore less likely to result [00:40:00] in those negative out- outcomes.

Effectively what it means is autonomous vehicles are racist and poten- are more likely to drive you over if run you over if you're not white. Behavioral science can help us with that training data aspect of it. I think the bit that's often forgotten, and this is...

'cause that's been talked about for a while now. It's something I wrote about in my book, which came out in 2020, so it was long before the development of LLMs and the mass adoption and use that we're seeing of AI now. I think the bit that's often forgot about is that fundamentally the biases that determine and influence our human-to-human interactions are different to the ones that inter-influence our human-to-AI interactions.

So an example would be we could be having this conversation and I c- the words I'm speaking to you and the content I'm creating today could be being created by an AI avatar word for word- But you would respond to it differently because it was coming from an AI [00:41:00] avatar rather than me, a human, sat here.

And we see this manifested in a number of different ways and a lot of the work I've been doing over the last few years has been how we would address this or ... and how we address these. So to give you an example, there was a study that was run in, in China, which was very interesting, about people's propensity to act dishonestly or fraudulently if they were working, if they were interacting with AI.

So there was an initial condition created in the study where people were told they were either interacting with a human or an AI through a chatbot interface or a chat interface. And the task was you... a number had been pre-selected by the human or the AI between 1 and 10, and you had to guess what number had been pre-selected.

And you were given no more information than that. So it was a totally random guess between 1 and 10. So you'd expect the average ... and then afterwards it would reveal what answer, what number had been pre-selected, [00:42:00] and you had to say whether your how, what your guess was and how accurate it was. Now, it's a totally random guess, so you'd expect the average number to be about 5, 'cause people are ran- basically randomly choosing a number between 1 and 10.

The correct answer was always 8, so the human or AI had always chosen the number 8. And when people were guessing against a human, their average answer was about 6, so people lied a little bit. And then when they were guessing against a AI, their average answer was 6.9, so people lied a little bit more.

But of course, there's no skin in the game here. There's no actual financial benefit or anything like that But it shows that people have, are, were naturally

more likely to be a bit more dishonest about the accuracy of their guess if they felt it was an AI rather than human. What was really interesting was the second condition that was created, they did put some skin in the game, and basically it was a scenario where people had bought a clothing item online, and then they were interacting with a customer service assistant, and they wanted to return the items.

And [00:43:00] the only way you could get back your delivery fee for those items, which was relatively small value, I think it was \$5 or \$10, something like that, was to lie about your reason for returning. You had to say they were faulty rather than you just didn't like the items. And when people interact... And the same scenario, you're either interacting with a human agent or an AI.

And when people interacted with a human agent 12% of people lied to get back their shipping fee, so they committed low-level fraud basically to get their shipping fee back. When people were interacting with an AI agent, 62% of people lied. So 50% more people were willing to lie and be dishonest and fraudulent when interacting with an AI than they were with a human for the same interaction.

And I've been the last three and a half years I've been in a role where we've been working with a lot of the leading brands on their customer development leading brands globally working on their customer experience and applying behavioral science to improve customer experience.

They're in the midst of adopting and using [00:44:00] these AI tools to deliver efficiencies in the customer experience. But potentially they're opening themselves up to huge levels of fraud simply by doing that, because the same biases that govern our human to inter- human interaction about with honesty and and our self-perceptions about being honest citizens and not committing fraud potentially fall away for a lot of people when we're interacting with an AI instead.

Which is a really interesting implication and quite quite a stark one, to be honest.

Richard Shotton: Do they speculate as to why?

Richard Chataway: Yeah. I think, again, it co- a lot of it comes down to this idea that in some ways that it's a victimless crime. The analogy I draw with it w- when I talk about this to clients is w- the trend we've seen through the use of self-service checkouts in stores and supermarkets.

I was just gonna

MichaelAaron Flicker: say that, Richard.

Richard Chataway: Yeah. That was

MichaelAaron Flicker: at the top of my mind.

Richard Chataway: Yeah. Yeah. It's... I think it's the same th- the same [00:45:00] deal because what we've seen there is obviously an a large increase in shrinkage or shoplifting through use of those machines, and people perceive there's no human face to it, so they don't perceive...

There's no checkout clerk or whatever who is going to be potentially get into trouble as a result of this. It doesn't trigger the same social contract that we would have in those kind of scenarios because there's n- no human face to it

MichaelAaron Flicker: And I believe, just to add to the complexity of this, there was an Economist magazine article covering this topic implying that, and yet still it may be more profitable for companies to use these self-checkout machines and take the extra shoplifting as a loss to the bottom line because all in, it was a better financial deal for these grocery stores in the study they were talking about.

I did not prepare that for [00:46:00] today's conversation, but it's an interesting question, Richard. Chadawe, you're arguing, look this could have a deleterious effect. Too much of this can lead to something that's very bad for the companies, and yet there might be a short-term profit motivator to do it.

Richard Chataway: Yes potentially. I think the thing is i- as you say, it's short versus long term. A brand I was talking to recently, a major global sportswear brand They were saying that they've not necessarily due to AI, but they have seen a significant increase in fraud- fraudulent transactions, and in particular some of the behaviors around returns policies, for example.

So their natural response to this, as most organizations would do, was to change some of their policies around returns. And what that's had is an impact. It's increased more friction in the purchase journey, basically. So that brand has had to, say, move from, for example, they used to, you used to get [00:47:00] your refund within three working days.

It's now seven to fourteen days, for example. And if you think about that in terms of the brand experience for customers, and therefore particularly in a competitive marketplace where they may be able to buy those products from Amazon or any number of other retailers introducing that friction has had quite a significant impact on customer satisfaction levels and also potentially purchase intent through that brand rather through other retailers.

On that basis, I think your argument would stand is to say, " look, we've just got to accept that people are going to be ... We're going to lose a certain amount of revenue as a result of these behavior changes, but what we're saving from an operational viewpoint might justify it." it's I think my argument would be that there are, in line with what I've just said, there are intangible aspects and values that a human customer-- a skilled human customer experience professional provides that AI [00:48:00] does not.

And so you're also gaining additional value from that. And one of the things I think that's often forgotten about by a lot of brands is those intangible values and a focus on operational cost can be to the long-term detriment of that particular brand. It- we've done some interesting work on customer support, and we've run some projects on improving quality of customer support through using behavioral science techniques.

And in customer support a lot of the work focuses on empathy and about how you can build empathy with customers because we know that has a very positive impact on customer satisfaction levels. What's interesting when you dive into the research around this is that empathy has different forms. And it's an oversimplification to say that AI can't be empathetic.

That might seem counterintuitive because you go, " it's a robot, it can't be [00:49:00] empathetic," or it's it's not human. Empathy is based on shared human understanding. But the reality is that you can have what's called attentive empathy, which is a kind of basically saying, "I've heard what you've said.

I've listened to what you've said, and I've played it back." And that has value to people, and people want to be heard, and they want to know that their concerns are heard. Where you then have a additional levels. And the sort of highest level of empathy is what's called cognitive empathy, which is basically saying I've heard what you've said, I understand how you feel, and this is what I'm gonna do about it and how we're gonna solve the problem for you."

And that's the level at which AI can't operate yet, basically. Because when it starts saying things like, "Oh, I understand how you feel. That must be terrible," people start going, "No, you don't. You don't understand how I feel." It sounds incredibly insincere. But ... And it's not true, because it doesn't have emotions.

It's not [00:50:00] human. So you know that's ... When you get into a customer experience context and customer support context, that's a really interesting ... That- that's what differentiates, I think, the value of the human-to-human interaction, what a human customer service person provides versus AI. It can do the kind of, "I've acknowledged your complaint, I've acknowledged your issue, I understand it," and then it can hand off to a human to say, "And then the human's gonna solve it for you."

And interestingly there's lots of evidence, for example, about in certain contexts that people will value the solution from a human more than they would do from an AI, because it's seen as bespoke and less generic and because it has that deeper level of empathy.

Richard Shotton: You've given us an example where introducing AI has an unintended negative consequence. So with retailers, there's more fraud if people are dealing with a chatbot where the... rather than a human. [00:51:00] Are there any examples where introducing AI has an, had an unexpected positive?

Richard Chataway: Yeah. Yeah, absolutely. And this is the thing.

I'm always very cautious when I talk about this because I'm aware of sounding like a Luddite sometimes. And saying we should burn all the AI to the ground. It's not, it's it is a... It is as always it's context dependent as all behavior is and for example there's there's lots of studies.

I know you had Thomas McKinley on recently- who's done some great work with Wharton Business School, where they've looked into the different evidence bases and use cases for agentic AI and where it works really well. And one of the use cases that works really well is in time-pressured situations.

You've turned up at a hotel late at night and they don't have your booking or your flight's just been canceled and you need to rebook. If AI can do that quickly and efficiently, and saves you having to have being on hold for t- for 10 minutes and having a protracted conversation with a human, [00:52:00] most people were very happy with that 'cause speed is the essence and the priority in that context, and it does that very well.

W- what's more interesting I think is that there's... And that seems obvious I guess, but what's more interesting I think is that there are certain contexts where counterintuitively people are more comfortable with a solution provided by an AI than they are by a human and psychologically it has benefits.

So one of them, for example, is about if you're asking people for quite sensitive information like medical information, there's evidence that people are actually more honest. So contrary to the fraud example I mentioned earlier where people are less honest with AI, if you're asking for medical information from people, for example, they'll often be more honest with a- an AI because there's no judgment implied in that than they would be with a human.

So there's one study that said that people actually were their... The accuracy level of the information they provided to an AI chatbot versus a human doctor was much higher. It was 11% higher. They were more accurate in the sensitive medical information they provided. [00:53:00] And if you think about that you kinda go, when you go to the doctor and he asks you how many units of alcohol you, you drink a week, for example m- a lot of people will, let's say, put a fudge factor into their answer on that to because they know there's consequences to it and the doctor will probably...

They're not supposed to be judgmental, but they certainly will say, " you should probably drink less," or, "You should change your lifestyle in certain ways." so that that's one example. Another one which is interesting is that it, it often depends on- the information that's being imparted and whether it's good or bad news, for example.

So if you were, so let's say applying for a loan, and you are denied the loan, if that information comes from an AI rather than a human assessor, people respond... They're never gonna respond positively to it, but they respond less negatively to it because the perception is that it's a kind of system-level decision, and it's it's [00:54:00] to do with our self-serving bias as humans.

When good things happen to us, we tend to think it's because we have great traits. It's because we're awesome, basically. When bad things happen, we tend to blame the system or external factors. So when bad news is given to us, like we're denied a loan by a system, that kind of reaffirms that belief.

Whereas if we get good news and we're approved for a loan, if that comes from a human, we respond to it much more positively 'cause we go, "Oh, they... It must be 'cause they really like me and they think I'm great." and that's a really interesting finding, I think. Most brands would probably go, " we will automate

this or use a human based on, not necessarily based on the outcome of the decision, but on the process that sits behind it and the complexity of the process behind it."

Whereas actually there's evidence that the outcome is as important, if that makes sense.

MichaelAaron Flicker: It makes a ton of sense, and I think gives a lot for our listeners to think on as a jumping-off point as they are working in their [00:55:00] businesses and in their brands. How can they focus more on the outcomes rather than, as you say, the process that might- Yeah

Have originally led to it.

Richard Chataway: And the nature of the information- If it's sen- ... as well. Yeah, sorry.

MichaelAaron Flicker: Say, say it again.

Richard Chataway: And the nature of the information that you're asking for as well. Again, in that context, if it's sensitive information, actually intuitively I think we'd say, " people want a human to speak to about this," but if it's embarrassing or something that they feel they're gonna be judged about, then maybe the neutrality of a digital interface is much better.

MichaelAaron Flicker: Fascinating. So w- we're coming to a close on our time, but could you, in a final question, help our listeners wrap it up? What's one thing you would want everyone to take away from our conversation today?

Richard Chataway: I think for me I know you guys talk about the relevance of behavioral science for brands and for marketing in particular [00:56:00] and undoubtedly that's an area where behavioral science has tremendous value and proven value and is underutilized, I think, in a lot of contexts.

But I guess m- the opening line of my book is, "If you're in business, you're in the business of behavior." And my belief is that there's... And we've t- touched on areas around AI, digital products and adoption and usage, recruitment, assessment, performance management. Behavioral science has value to add for all of those areas, and many more besides, because businesses rely on the behaviors of the people within their organizations to be successful.

They rely on the behaviors of their customers in order to sell the products and services that they provide. Behavioral science, because it is this understanding of w- why people do what they do and some of the counterintuitive ways in which people behave, it has value to add in all of those.

So I think for me what I would say is if you are wrestling with any challenges in a business, [00:57:00] behavioral science will have value to add.

MichaelAaron Flicker: If folks wanna learn more from you, Richard, if they wanna learn more about your work and what you're doing, where can they learn more?

Richard Chataway: Yeah, sure. So my book The Behavior Business is available from all the usual retail outlets and all good bookstores and some bad ones, as I like to say. And but also yeah the website behaviorbusiness.com. It's behavior with a U, I should say, for your American, For our American

MichaelAaron Flicker: audiences

Richard Chataway: yeah, audiences. I think the one without a U also will probably work, but the URL without a U. But yeah, it's, has more information on me. And there was a podcast that I produced when the book came out, which Richard very kindly contributed to as one of, one of the guests on there if people want to learn more about that.

But yeah. But also I am now providing advice and consultancy work for leaders, particularly in customer experience for a number of brands. And so if people want [00:58:00] to learn more about that and and benefit from that, then they can reach reach me on LinkedIn.

MichaelAaron Flicker: Richard, thank you for joining us today.

And for those that are listening at home if you found today's episode interesting and exciting, please share it with others, and comment on our pages so it can reach more people just like you. And until next time, I'm MichaelAaron Flicker.

Richard Shotton: And I'm Richard Shotton.

MichaelAaron Flicker: Richard Chataway, thanks for being with us today.

Richard Chataway: Pleasure. Thank you very much.

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