Ep89 - How Halloween candy can teach marketers about choice, memory, and reward

MichaelAaron Flicker: [00:00:00] 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 of some of America's most successful brands. I'm MichaelAaron Flicker.

Richard Shotton: And I'm Richard Shotton.

MichaelAaron Flicker: And today we're talking the holiday of Halloween.

Spooky scary candy filled sugar highs. We're very excited to get into our extra special holiday episode. Let's get into it. So, Richard, we chose Halloween because this is a major American cultural moment. It's also now extended to the United Kingdom and is much more popular than when you were a kid. Is that right?

Richard Shotton: Do you know what I, I think it's certainly much more popular when I was a kid than when my parents was a kid. Okay. [00:01:00] I, I've always got very kind of happy memories of Halloween with, with my family, so yeah, it, it's quite, it's getting quite embedded now.

MichaelAaron Flicker: There you go. And and it's really an interesting story of where it comes from and an interesting commercial case study for today.

So as we like to do, I'll give a little bit of background and then we'll get into, we'll get into it. Halloween goes back over 2000 years to originally Celtic roots, but as it evolves, it blends in Roman and Christian traditions until it gets to the version we know today. So what originally started as this Celtic belief that there was a time of year where there was a thin veil between the living and the dead.

Has now evolved 2000 years later into kids in costumes, going house to house, and knocking on the door to get candy. And in the us. 2023, [00:02:00] Halloween spending hit $12.2 billion. The average American family spends $108. On candy costumes and decor. So this is a big cultural moment. It's a big business moment.

And there was this amazing study I found 72% of US consumers participate in Halloween, 67% handout candy, 50%, 52% decorate their homes, and about 49% actually wear costumes and the UK. Halloween spending has passed over a billion dollars in 2023. Average spending of about 45 pounds. By millennials and Gen Zers.

So really it's a, it's, it's a moment in the year that gets a lot of commercial attention. You know, that the retail stores will be will be [00:03:00] getting the decorations out. You know, that a lot of candy purchases happened in the lead up to it. And so we said. Ah, theming it with the holidays. Why don't we look at some Halloween and Halloween adjacent behavioral science insights that we could pluck out of our bucket of treats, if you will, in order to have some fun today.

So Richard, what's the first treat that you might share with our listeners about Halloween and behavioral science?

Richard Shotton: The first treat is what's called the diversification bias. Now, that might not sound very Halloween, tasty to, to begin with, but, but bear with me. And bear with me. So this is the idea that people behave quite differently if they are making multiple decisions in one go, or if those decisions are split up over time.

So the initial study was done in 1995 by Reed and Lowenstein, and they [00:04:00] ran this study with Trick or Treaters. And what they did is they get a first group of people together and they go and visit a house where they can pick one candy, and it's either a Milky Way. Or a three Musketeer. Now I've never heard of a three Musketeer.

Is this a chocolate bar or? It's a chocolate bar. Okay.

MichaelAaron Flicker: It's a chocolate bar. Very similar to a Milky Way, but Milky Way. Okay. Yeah, yeah.

Richard Shotton: So they have their choice. They can pick one, one of these two, two candies. They then go to another house where it's the same chocolate mix and they can pick one again.

Now what they found was the when people are picking separately. The majority make the same choice at both houses.

MichaelAaron Flicker: Got it.

Richard Shotton: So 52% of people get two Milky Ways at the end, or two, three Musketeers. Only 48% of people pick one of each. Now, the second group, they have a slightly adjusted setup. They [00:05:00] now go to, this is a fresh group of people.

They go to a house where, yet again, the choice is Milky Whale or Three Musketeers, but they get to pick two bars. Now what happens is a hundred percent of people, every single person who takes part, picks one of each. So if you get people picking separately, they're much more likely to go with their favorite.

If you get people making this multiple decisions at the same time, they end up diversifying. So even though logically. People should behave the same way. You know, you can't, they couldn't eat their candy bars till the end of the, the session, even though logically this small nuance shouldn't make any difference when it comes to the practical behavior.

You see this very marked changing behavior.

MichaelAaron Flicker: It is a fascinating study because as you say, as we often talk about in behavioral science, claim data is very different than [00:06:00] actual behaviors that people exhibit. So as you said, you would not think that this would have such a big difference, but, but it, but, but the observe, the ob the ober observation of the behavior really does.

Richard Shotton: Yeah. Yeah, absolutely. And I think that's the theme of behavioral science that. What people say is of some interest, but actually observing their behavior is much more powerful. You might think if people ask, well, you know what candy bars you pick? They just talk about their preferences as if their preferences were, were stable and fixed things.

But what this shows is if people are making, you know, multiple choices in one city, they aren't just interested in preference. They're not interested in the best candy bar. They recognize they want. Variety, you know, it their choices as much about how those choices are structured as their underlying preference of the candy.

MichaelAaron Flicker: And so if we want to apply this [00:07:00] commercially, we can think about how brands choose to show up in retail. And there's, and there could be a big difference between if you, you're a market leader. Or if you're a small brand and how you might show up. So let me set the stage and Richard, why don't you knock it down with how brands may apply this.

So if you think about a third party retail experience, you are a brand and you're deciding what type of third party retailer you would go to if you were a, based on this study. How would it look differently if you were like, let's say, the market leader in a category versus if you were a small brand in the category?

Richard Shotton: Yeah, so let's imagine there's two different scenarios. Some people go to Walmart once a week, they spend $200. Other people are going to do you call it a corner shop? Like a small kind of mom and dad store. You know, smaller mom. Yeah, we, yeah, we could call it a corner store. Corner shop. Yeah. And they would do across the week, you know, a $50 shop, two days later, another $50 shop.

Another [00:08:00] $50. They do four 50 shops over the week. What this study would suggest is if you are a a challenger brand, you know, you've just launched and you want to get on people's shopping list, it is much easier to do it at the $200 Walmart shop than when people are doing four. $50 shops spread across the week because if they're doing four $50 shops at separate times, what they'll end up buying is the same thing again and again.

You know it, it's very hard to get 'em to move away from what is their favorite brand, but if people are buying exactly the same. Dollar value of items in one go, then they're prepared, you know, to, or, or they see the benefit of diversity much more. So I think there's this really subtle nuance between where you wanna be placed, if you are a, a challenger brand that might be someone's second or third or fourth favorite versus if you are the, the, you know, the leading brand in the category.

MichaelAaron Flicker: Yeah. And I think, I think that nuance is really critical because it has [00:09:00] as much to do with the behavior. Of the shopper, even more so than the location we've set it up, corner store or Walmart. But wherever someone's going to have a bigger check size and they're going to do more buying at once.

There's more of a chance to have diversification is really the point we're making it that. That's just more likely at a Walmart versus a corner store. But the real point is where they're going. And they're doing a, a long shop that's gonna give a brand that may be less known, more chance to, to get itself in.

Richard Shotton: Yeah. And this insight extends beyond. Commercial purchasing decisions. It also extends to recruitment. So we have Rory settled on the show a few months ago, probably now. Did a

MichaelAaron Flicker: episode 72.

Richard Shotton: Very good memory. Episode 72, I pleased you on that one. A GOG anum three hour episode. And Rory always has this amazingly, you know creative take on, on, on [00:10:00] events.

And one of the things he points out, which I think draws in this study is if you want a more. Diverse workforce and there are many, many benefits to doing so. What you wanna be doing is hiring in batches rather than letting people hire one or two people, one individually. When we hire in batches or when we buy in batches, we instinctively know the benefits of diversity that we don't want the.

10 cookie cart of people who all do the same thing. But if you allow people to split out that hiring process into 10 individual choices spread over time, the danger is you end up with that repeated type of person, whether it, you know, it's their mindset, their ethnicity, or, or their gender.

MichaelAaron Flicker: It's a fascinating connection that you make because not until we talked about hiring diversity.

Do you think about, oh, well this would cause me to want to have. More gender racial diversity, but also more types of thinker like extroverts, [00:11:00] introverts, you know, all different types of external processors, internal processors, all that range. I wonder how that affects at the grocery store. Do you pick some healthier products and some less healthy products?

I wonder, did, does it affect. The, the spread. You know, I don't think we have any data on that, but that's it. You know what I mean? It didn't, I didn't think about that until

Richard Shotton: No, no, no. Nor me. So, I mean, the problem with doing a a Halloween themed experiment is you've got two candies that are equally bad for you.

So, so Reid Lowenstein didn't have any take on that, but yeah. That to me is capturing the spirit of the study. Absolutely. I think that's a, I think that's a very fair extrapolation.

MichaelAaron Flicker: So big first takeaway for our, for our listeners is think about what the buying experience is of the, of the, of the consumer.

And then think about how you can get your, your product snapped in and, and, and more, A more diversified choice. Yep. [00:12:00] Next study we're gonna talk about is the peak end rule. And this is one that we have talked about before, but we said Halloween style. We're gonna bring up something a little different.

Is that right?

Richard Shotton: Yeah, absolutely. So, so firstly it's a study based around trick or treating again, and there is a bit of a, a nuance to this one as well. So it's an Amy dose study 2008 study where she works with. Trick or treaters and they get a various selection of, of, of treats when they arrive at a house.

And what she essentially does is have a mix of treats. So she has Hershey's bars that people really like, and a single piece of chewing gum that people quite like. And she uses this this variance to test two things. So firstly, she tests a kind of order effect. You know, what's better? Giving people gum first and then ending on the preferred [00:13:00] Hershey's, or starting with the best thing and ending with the weaker, but still pleasant gum.

And what she finds is that the ratings of people's treats they will be higher. If people end on a high, so gum, then candy, beets, candy, then gum, even though people have got the same items, by ending on a high, you create a a better experience because it's the, it's the end thing that you do that loses largest in people's minds.

So that's the kind of classic. Peak end part of the experiment. But the other part of the experiment that's not known very well is a really interesting variant because some people, she gives gum and candy and remember, these are both pleasant experiences. You know, everyone says they do like the gum, they quite like it.

They really like the the candy, the Hershey's bar. But once you find it, if you just give people a Hershey's bar. They [00:14:00] prefer that to being given the Hershey's bar and the candy. Now, at first glance, that seems completely illogical. Why wouldn't you want the amazing candy bar and then the quite good piece of gum?

But the argument from. And there's other people that have come up with similar arguments and, and I think a iLet Fishback episode was interesting in, in this area. It seems that people's experience when they're getting multiple items is not additive, but averaging. So very good. Plus good doesn't make absolutely amazing.

It makes quite good, you know, people essentially, you know, blend these two qualitative ratings, so I think that's worth considering as a brand. The. If you have a very strong maybe promotional offering, if you add on extra nice to haves, you can actually make the experience worse. You know, value is often conceived in this kind of averaging way rather than an [00:15:00] additive way.

MichaelAaron Flicker: It's a, it's an interesting point you raise because when we talk about the peak end rule, we are really focused on what's the peak moment that happens during the experience and what's, how do you end. But what you are raising here is, well, everything gets averaged together. And so even though the peak and the end are the most important, don't miss the point that you, that adding more too many things can have an averaging effect.

Richard Shotton: Yeah. Yeah. So I mean, let's say you had this theoretical world where you had hundreds of absolutely equal, amazing gifts to give people. It's expensive, but you wouldn't detract from the experience if you gave them all away. But generally in life, that's not how it works. You know, there's normally a hierarchy of items that we have to give away, and what this suggests is if you have one brilliant item, you will maximize the experience just by handing that over.

You can actually detract by additionally [00:16:00] giving quite nice. Goods into the mix. So, so I think there's a, you, there's a lovely situation for brands where if you think about, you know, promotional incentives, you can actually save money and have a better experience by just giving people the, the headline prize or promotional item rather than the kinda secondary tier items.

MichaelAaron Flicker: Am I jumping too much to too much here to say that then Really it's the end. Experience it from this study that's even more important than the peak. In so far as, or maybe let me say it differently. One experience is going to be better than multiple. And so just focusing on one, whether it's the peak or the end, it really matters that you just have one experience.

Am am I extrapolating that

Richard Shotton: Well, that is a very good question. I can't remember on the scale of changes between them, so I've always thought of them as too slightly. [00:17:00] Separate findings. Because the comp, the easy thing to compare is essentially, you know, A plus B versus B plus A, and that gives you a very clear argument that ending with your best item creates the most positive experience.

And then I've compared a, which is the Hershey's bar versus A plus B. So I think it's clear that. The last thing you do matters more than the first. And a lower value item added to a real hero item can detract from its strengths. Which of those two arguments is the most powerful? I think the jury's out in them.

MichaelAaron Flicker: Well, and, and, and that gives everyone a framework to start with. Yeah. So now we have two clear. Academically proven ideas that you could take to your promotions and try either one and see what works best for your business.

Richard Shotton: I, I like that. I think, I think there's a lot to [00:18:00] be said for that because most people are listening.

Unless we have a kind of deluge of candy brands. 'cause how long we, an episode most people are probably not in the candy business. So with all these experiments, I always think focus on that core insight, the specifics and the. Absolute percentage change. When you go from candy to beer or from candy to the holiday, you might start seeing some variation, but the core insights, they generally hold cross castle.

MichaelAaron Flicker: Yeah, and as we say, as many times as we can, really, the power of behavioral science gets you to higher confidence that the work could be effective. And then it's about real testing in situation testing where you can see if you get the results that you want.

Richard Shotton: Yeah, I think you're right. There's a boost in confidence.

There's also, it suggests what to test. 'cause if you're just staring at a blank piece of paper, thinking about what are all the things we could test, that's quite a. Tricky ask, but if, if you can draw all [00:19:00] these academic studies, it gives you, I think, material to test. And then as you say, you can also focus on the things that are most likely to work because they've been proved to work in other circumstances.

MichaelAaron Flicker: Lovely, lovely. Okay, so we, we have finished our second behavioral insight as, as we stretch the definition of a Halloween, a Halloween theme. Yeah. Yes. We've kind of, we've kind of tricked you all into, into, into the Halloween episode. But third one, uncertain rewards.

Richard Shotton: Yes. So the theme here is really candy but it wasn't an experiment done at Halloween, but it did involve candy.

So this is a, a, a study that we cover in hacking the human mind in the in, in the Facebook chapter. And it's all about uncertain rewards and how they can often be more motivating than fixed or certain rewards. So we have in the past talked about [00:20:00] BF Skinner's work showing this with animals. We've talked about, I think it was L Shen and Fishback, where they did some slightly strange experiments with trying to get people to drink as much water as possible in a very short amount of time.

But all those studies have always felt a little bit. Abstract or they, they're quite a long way from the commercial world. But when we were researching Hack The Human Mind, we came across this amazing study from Nina Maan at the University of Toronto, where she runs some beautiful experiments on Candace.

So 2015, she set up this vending machine, and when people go up to it, they have a choice of all these different snacks. Each of the snacks can be purchased at one of two rates. Either people can purchase the snack at 50 cents down from the standard price of 75 cents, or people can choose to pay [00:21:00] 75 cents, but they have a one in three chance of getting that item completely free.

So the money will come back out again with the with the snack. Now, mathematically, those. Basically the same things. You've got an expected price of 50 cents on, on average in both situations. It's just that the, in the uncertain reward, some people will pay for whack, others will get it completely free.

What they find is that people far prefer the uncertain rewards. So they sell 120 snacks at the uncertain rewards, but only 84 snacks with that certain fixed discount. So there's 43% more snacks sold. In this uncertain saying. Now that's interesting because what this is suggesting is the, if you want to give discounts, it is obviously very costly to keep on reducing the price.

But what you can do [00:22:00] is in effect, maximize the perceived discount by adding in this element of variability. Now, the argument here would be. Part of the reason we take part in a deal is because of the cash savings. But some of the reason we take part is the excitement of the gamble. We all wanna feel like we're, we are winners.

So. For no extra cost, you can make your promotion more effective by introducing this element of variability.

MichaelAaron Flicker: Well, I it's a, it's a great way to look at it because what we're challenging marketers and brand owners to do is say, think about the dollar value of the promotion you want to give. If the, if we are willing to do a 10% off coupon for everybody that is mathematically the same as.

No 10% off coupon, but one out of every 10 people get their order for free. So same offer [00:23:00] phrased two different ways. One's a fixed reward, one's an uncertain reward, and the academics would tell us the uncertain word. Much more enticing, much more engaging, much more interesting to the buyers. And it costs us as brand owners, as marketers, not one penny more.

Richard Shotton: Yeah. The monetary discount required is the same in both settings, but the psychological value that people attribute to what you're offering, that varies massively. And far too many brands jump straight to the fix reward, and they don't even consider this element of, of adding in uncertainty. And I think that's something that far more brands could apply.

MichaelAaron Flicker: Yeah. And, and, and depending on where you sit in the marketing spectrum, if you are a finance led marketeer in a brand, you may start with the math. And if you would, let's say a creative [00:24:00] agency you know, coming up with promotions, not tied to any math. You sit at two extremes of this. Pretend spectrum.

Bringing those disciplines together allows us to ideate more in a, in a narrow box, but making sure that we're getting good value for every promotion we run. That's a certainly a way to do this.

Richard Shotton: Absolutely. Absolutely.

MichaelAaron Flicker: So let's continue this conversation and dig a little deeper. So there's the mathematical certainty that we just talked about.

But there's also something very human about getting a reward from an uncertain gamble that's going on here.

Richard Shotton: Yeah. I, I think that's it. The, the, you know, you've got two ways of driving behavior change. You've got the cash incentive and then maybe the psychological benefit and. People, you know, [00:25:00] are partly motivated by the excitement of that, that small gamble.

That's, I think the, almost the free benefit that you as a brand are catalyzing on. Once you've introduced this element of, of uncertainty,

MichaelAaron Flicker: and we talked about in our Facebook episode, episode 17, that. BF Skinner did a study that shows that this finding occurs even in animals. So this is more basic than rational humans.

And actually it was, it was Michael Zeller that in 1972 that did this work at Emory University. Is that right?

Richard Shotton: Yes. So, so they, well, so voted it, so Skinner did it kind of back in the 1930s, bit of Skinner when he came up with this idea of the Skinner box. Zella, Isla did it later on in the, in the seventies, but essentially across lots of different animals, rats or pigeons.

What they showed is if you want to embed a habit, you shouldn't give that animal a fixed reward. Let's say you want to get [00:26:00] your dog to roll over. If you give it a single treat, every time you do it, the habit will only be partially formed. But if you. Introduce an element of uncertainty, of variability.

Sometimes give the dog one treat, sometimes two, sometimes three, sometimes none. It, it, it, it's shown again and again that that behavior becomes far more deeply wired. And I find that fascinating because if you ever see biases that are working both in the animal kingdom and in the human kingdom, you know, you realize you're onto something very fundamental.

Very, very powerful.

MichaelAaron Flicker: Yeah, it, it kind of speaks to so often when we have our guests on and we go deeper behind. The experiments to ask the why. So much of what's powering these behavioral insights are more evolutionary in nature. They come from something beyond the rational brain to things that happen because of the way humans developed.

[00:27:00] You know, thousands and tens of thousands of years ago, and the way animals will even act today. So the, you, you say it's fascinating and it's proof that there are some things that drive our behavior that are more base than just the rational layer that a lot of times marketers stay focused on now.

And so we think about this as it relates to promotions. There's lots of other places brands can think about bringing this in. Loyalty programs are a great area where uncertain rewards can work better than fixed rewards, e-commerce experience. Where can an uncertain reward? And of course, you and I have a famous.

Uncertain reward that we experienced together when we went to a Indian restaurant in London called Dishoom. And there you have the option to just as we [00:28:00] said, roll a dice, roll a dye in order to get a free lunch. And same amount of percent off, but a lot more fun, a lot more news and noteworthy.

And and a lot more effective than, yeah.

Richard Shotton: Yeah, absolutely. I, I, I love the Dishoom example. So you, if you go off peak times at the end of the meal, you can ask them spring out the Macca, which is their name for this brass dice. And you six sided. You roll it on this big board. If it comes up a six, you get everything you've bought completely free.

And as you say, mathematically, the cost of business is the same as giving everyone a 16 point. Six, 6% discount. But if you gave everyone a 16 point 0.66, six discount, they'd be reasonably happy. I don't think they'd even internalize it. But you give some people their meal for completely free and you think they're want the lottery.

I mean, people, you know, shrieking, when it come comes off, [00:29:00] it completely changes the the impact of that promotion. And the argument from Mazar, from BF Skinner is that. It is more effective to have that element of uncertainty because you have both the upside, the monetary upside, and this additional excitement of the gamble on.

Lovely,

MichaelAaron Flicker: lovely. So that brings us to the end of today's episode, Richard. High Level Three things that we talked about today.

Richard Shotton: We've talked about three areas. So we talked about diversification bias. If you get people to make multiple decisions at once, they're much more likely to pick diversely, whether it's in terms of employing people or buying products, than if you split those choices out and you get them picking at set the same amount of things, but at separate times.

So depending on whether you want diversity or not, you know, move people towards picking multiple things at exactly the same time. The second principle we talked about was the [00:30:00] Amy do do experiment, which covered two broad areas. It covered the peak end rule. This idea that it's the final moments of an experience that are most important.

So if you are gonna give people a quite good prize and a good prize, make sure you do it in that order. Make sure you end with the best of those elements. Put that at the end, and it will shape people's experience. More powerfully. And then the other part that she looked at was how giving people. Two benefits.

You can actually detract from the experience rather than just giving them one super standout benefit. So she argued that these benefits can often be averaging rather than additive. And then the third and final study we talked about was this wonderful experiment, very realistic study by Nina Mazar at the University of Toronto, in which she demonstrated that uncertain wards tend to be more powerful than the mathematical equivalent.

Certain [00:31:00] rewards. So I think there are three things that brands could apply there, whether they are in the business of candy or anything else.

MichaelAaron Flicker: Perfectly said, perfectly said. To bring it back to Halloween as we wish people a very happy Halloween and lots of sugar dreams. Your best Halloween costume, Mr. Shotton, the, the one that you're most proud of or the one that you most remember? Well,

Richard Shotton: this is gonna be a shameful one. I think. I have never strayed beyond a ghost. I think as far as I ever got is dressing up in a white sheet. So, but any pretensive creativity has now now fallen. It's gone. It's gone.

Yeah. And what about you? Hopefully you've done better than a white sheet.

MichaelAaron Flicker: I have I would say my most effective Halloween costume. I was Ernie from Sesame Street and that and that won me a long-term girlfriend at one point, much earlier in my life. [00:32:00] But but my favorite probably bacon and I went with a friend and they were eggs.

So we, we went as a pair, a pair together.

Richard Shotton: Does that count as a halloween costume, bacon, eggs, or is this some kind of

MichaelAaron Flicker: well, you dressed in a, in a life-sized piece of bacon.

Richard Shotton: Oh, okay. Well, I mean, it sounds, it sounds fun.

MichaelAaron Flicker: Well, it doesn't, it doesn't meet the standard of goul or scary more just dressed up, I suppose.

Richard Shotton: Well, it's pretty scary for the pig involved or the Yeah, yeah.

MichaelAaron Flicker: For the poor chicken.

Richard Shotton: Yeah.

MichaelAaron Flicker: Yes, yes, yes. Well, lovely. Thank you everybody for listening today, bearing with us as we had some fun with Halloween as our theme. As always, if you like the episode, please like, or comment, share it with somebody who would find these this conversation helpful.

All of our show notes today links to the studies will be available at the consumer behavior lab.com. And please remember to follow us on your favorite streaming [00:33:00] channel. Until next time, I'm MichaelAaron Flicker.

Richard Shotton: And I'm Richard Shotton.

MichaelAaron Flicker: Thanks for listening.