

Ep86 - Interview: Dan Ariely, author of Predictably Irrational, on unfakeable signals, friction, and trust in brands

MichaelAaron Flicker: [00:00:00] Welcome back to Behavioral Science for Brands, a podcast where we bridge the gap between academics and practical marketing. Each week we sit down and go deep behind some of America's most successful brands. I'm MichaelAaron Flicker.

Richard Shotton: And I'm Richard Shotton

MichaelAaron Flicker: In this week's episode of Behavioral Science for Brands, Richard and I sat down with Dan Ariely.

Professor of Psychology and Behavioral Economics at Duke University, a founding member of the Center of Advanced Hindsight, and an author of a number of bestselling books. In fact, we had so much fun, we jumped right in and we didn't even get a chance to give him his proper introduction. For those listening at home that may not know about Dan, he is the author of three New York time bestselling books and many others.

He shared his own personal journey, which has helped improve the lives of so many, and our understanding of how people. Think and how [00:01:00] people act. And he's been wildly generous with so many to share his thinking and he was so generous with us. Dan, welcome to Behavioral Science for Brands. Richard and I have made it our little mission to be on the hunt for finding behavioral science .

Understanding what it reveals about people, about us as humans, and then helping business owners and brands apply it to their, to their world marketing. We're very excited to have you on the show today. So thank you for being here.

Dan Ariely: Lovely to be here. And I think you, you picked a very interesting and complex task because I think that to start with brands are not one thing.

And we called them with one name. But there's a very different between something that people are proud of and something that people [00:02:00] remember when they're in the supermarket. These are just not, I mean, we, we use brands for both, but very, very different a brand. So brands represent lots of very different psychological processes.

Really, really, really very interesting.

Michael Aaron Flicker: It's funny that you, that you, you picked that out right at the front because we've had a previous guest Nir Ayal who spoke about how brands must solve for a psychological need, which sounds pretty lofty when you're making toothpaste, but actually there is something much deeper and more complex than just thinking We're delivering products by themselves. There's a bigger artifice going on here.

Dan Ariely: Yeah. If I had to, if I had to think about kind of the unifying element of brands, it's basically about the existence of [00:03:00] the product in the consumer's mind. So if you think about what is, what is a unifying theme of all brands. It's products have an existence in the real world.

Consumers have an existent in the real world and brand is the impact that they're having on the consumer's brains. Now, not all brands have the same type of impact on a consumer's brain. As we said before, some brands their benefit is with their familiarity. Mm-hmm. They work in the supermarket.

There are many things written. Some are easier for me to process 'cause I've seen them before, either at home or in the supermarket or in ads. So I process them faster. That's, that's a, a function of the brand. It's the impact that their packaging has on my brain is that it's more fluent, easier to read, digest, and so on.

On the other hand, [00:04:00] you have brands. And I think maybe the best example are cars where if I tell you the brand of a car that somebody drives, you can probably tell me quite a lot about, about the person. Not so true for toothpaste. Mm-hmm. And, but, and, and that's an identity statement when somebody buys a car one of the questions they ask themselves is who am I?

What do identity do I want to project? And and that's a, that's a very different deliberate process and lots of things in the middle of course.

Richard Shotton: Yeah. But even with those examples, and you've picked cars and toothpaste, which in many respects feel as far apart, you can get even those

wildly different brands, they won't have a single issue that they're facing at any one time.

There'll be thousands of things they're trying to do. So a car might want to make their price in the dealership look. Great. [00:05:00] Yeah. And therefore they use the pennies a day effects. You know, they talk about, oh listen, they don't talk about it being \$40,000. They say it's a hundred pounds a month forever.

Okay. And the toothpaste could apply the same principle by saying, look, you can buy a pack of 12. Let's not talk about the total price. Let's talk about the the per unit price. So if you start thinking about these like. Lots of different questions every single brand has. There might be times when wildly different brands could use the same psychological principle.

I think that's,

Dan Ariely: but in this, but in this case, I would say these are not branding questions. The product questions, right. So you're saying every product needs a price? Price have different effects. Every product can think about what is our strategy in terms of scarcity. In terms of perce, a perception of fairness of price, there's all kinds of other things, but when you say branding, when you say the branding part of brands, now brands have other things to do, but when you talk about branding, for me, the essence [00:06:00] is, is different.

You know, they have supply chain production, compliance with the law, all kinds of other things. But the, the branding itself is where the, the interest, the, the interesting differences are there. And, and you know, we kind of live in a interesting world right now. In, in the car world. We have all of these new electrical cars that, that many of them, you know, you, you look in the streets and there are all kinds of cars.

Probably never heard of them, and you don't even care that much. On, on the other hand, there's all kinds of. Ethical brands that are popping out when we're thinking about, you know, what, what is my identity in terms of my consumption of food, for example? Mm-hmm. So those, I, I think the, the core questions of branding are really about the relationship between [00:07:00] the, the consumer and the, and the product.

The interesting questions are that relationship.

MichaelAaron Flicker: And, and this may be very practical, but often in doing a lot of branding exercises, what we, what I felt about people that walk down

the shelf is they're much more likely to be deselecting than even selecting. So as they walk down, while I'm not a bottom shelf buyer, well I don't, this type of hand soap does not represent me, and they end up with a much narrower set.

Yes. Of the available brands to begin with. And then to your point, Dan, what do they, what do those brands occupy in the mind of the buyer? And that's a pretty quick association. This is not a, this is a, not a, a logical, rational, drawn out evaluation. There's something much quicker happening here.

Dan Ariely: Yep. You know, the, the, the standard, the old story on communication is the tail of the [00:08:00] peacock.

MichaelAaron Flicker: Hmm. Tell us,

Dan Ariely: and the tale of the peacock is the story is called the Handicap Principle. And the tail of a peacock is heavy and uncomfortable. And you would say, why would an animal go around with a heavy, uncomfortable tail? In fact, if you take young peacock and you stitch to them long tails, they get eaten faster.

It's inefficient to have a long tail. So why do they have this? It's because they want to communicate truthfully. So imagine I am a peacock male. What do I want to communicate to the female? Look at me. I'm really strong now in the animal kingdom. I can't write in my Facebook page. Look at me. I'm really strong.

I have to prove that I'm really strong and the proof is the tale. And the tail has to come with a real cost. Nature [00:09:00] is not allowing animals to lie too much about their strength. So you want to say that you're strong, show that you're really strong. Otherwise, the female would not listen. Like if one day a peacock came and said, oh, you know, forget tails.

Look at my eyelashes, how wonderful they are. I, I'm trusting the tail. The tail is a, is a, is a real signal of strength because I know. That if you were not as strong, you would've been dead by now. So, so this is the, the original story of communication in nature is communicating truthfully something and, and, and, and branding is still doing that wrong for us, right?

So now we did, we did a really interesting study. We, we wrote on people's t-shirt generous or stingy. And we got them to, to walk around campus for a few hours and come back and we said, oh, before [00:10:00] you take the shirts off,

we have one other experiment. And we gave them a task in which they could be either generous or stingy.

And it turns out that the word had an impact. People that communicated I'm generous, kept on being generous. People communicated, stingy, kept on and communicated stingy. But what was interesting in the experiment. What also was interesting is that for half the people, the print on the shirt was on the inside.

So they knew it was printed, but nobody else knew. And that had a very similar effect. So that means that when you, we communicate, we don't just communicate to others, we also communicate to ourselves. Now, I, I think that. This storytelling element of branding is often not done enough. And I think that we as [00:11:00] people should do more of it.

You know, we, we have an opportunity to convey meaning in all kinds of things that we do, and sometimes the brand is taking care of the meaning. But sometimes you can say, no, that's not enough for me. I want to extract more, more from that. So imagine you go to a vineyard, you can say, oh, this vineyard in the south of France, they they took care of branding already.

But you know what? If you go yourself to that vineyard and you spend an afternoon. Looking at the hills and drinking wine with somebody you love you'll enjoy that wine later more. Right. You, you've added, you've basically said the branding expert of this vineyard has not, have not finished their job.

I have some, some work to do as well. I can, I can add to the [00:12:00] meaning. So, and you can, you can say to yourself, this wine is not just wine. It represents my weekend away. It represents. This amazing day. I had it represent all kinds of things. So eventually, again, there is branding nothing against toothpaste, but there is branding that is very, very simple.

But the, but the interesting, the, the, there's a slightly interesting branding and very interesting branding. Very interesting branding. I think it's about, it's about the stories, kind of the peacocks tale. It's about the, the stories we tell others about ourselves and it's stories we tell ourselves and, and these brands.

Help us tell our story and, and from that perspective, they're incredibly interesting and useful.

Richard Shotton: Yeah, I think there's two super interesting bits there. There's the, the kinda story part, and then there's almost that, that bit that you said

around the Unfakable signal, because I think there's arguments for [00:13:00] people.

Examiner Kani, the an extravagant ad spend is an unfakable signal because if you are spending on, you know, 92nd TV ads, billboards in Times Square, you have a genuine faith in your product. Because if you thought your product was awful, well you are gonna go bust very quickly because that type of.

Extravagant spend only pays back in the long term. That's right. So you are showing this unshakeable faith that if you try my product, you are gonna come back again and again. So I think sometimes you've got this screening mechanism that advertising fulfills. That's right. And, and you know, in the digital world, we have more and more of a non verifiable signals.

Dan Ariely: And and again, nature would've never allowed that, right? Communication in nature doesn't allow yeah. There's sometimes like you puff, you can puff up and say, oh, look at it. I'm, I'm stronger than, than, [00:14:00] than I am. But, but there's a limit to it. And nature tries to, to convey the signals as being true.

We have created very interesting artificial communication environments. That, that are allowing for all kinds of new opportunities in, but including conveying a non non true signal.

Richard Shotton: Hmm.

So advertisers need to think, don't say I'm trustworthy, I'm high quality. That's right. Think what behavior could I exhibit that would only work if I work?

Trustworthy or high quality? What is the thing that those low quality, low trust people wouldn't engage in?

Dan Ariely: So for example, for example, saying, here's a place for you to complain if things are not working well, or if you say we have a, a hotline for people who weren't happy or hear all the people who've complained before.

Like all of these things are basically saying, look, [00:15:00] I'm exposing myself, right? All of these trust building. Stages are basically saying I'm, I'm opening myself up to prove that nobody's complaining or not. A lot of people are complaining all the time. I have a long term, long term interest. Long term, by the way, is also very interesting.

Right. So how do you communicate long-term aligned interests? Right. I'm not just here for myself, I'm also here from you and I, I'm not only here for myself and for you. I'm here for our long-term best interest is also an interesting part of it, right? So I even, even if I am a product that offers a loyalty program, it says, it says something, right?

I'm expecting long term return. Or if I offer you a trial period. So I, I trust those [00:16:00] things. A lot of it is, has to do with this difficulty of communicating authentic signal, and we're looking for other things to add to that. I, I, I'm gonna jump for a second on something else that I, I love, which is, there's a term called consumption vocabulary.

You know, so we, we, we mentioned the, the, the wine in the south of France that you could we, we can add to our enjoyment. Another interesting thing is consumption vocabulary. And consumption vocabulary is basically a way to take our experience and enhance it. So again, take wine because they're the experts.

Wine has canin and complexity and acid. What does it do? So imagine you sit there by your computer and you have a mug with wine. I don't have wine. But imagine your wine and you drink it as you talk to other people. How [00:17:00] much will you enjoy that wine? A little bit. What if you have a consumption vocabulary?

What happens now? Now you stop. You pause, you lift the glass. You turn it around you, you smell the wine, you pause, you pay attention. And not only do you pay attention, you have a language that directs what you're going to pay attention to. You pay attention to the color, you pay attention to the leg, you pay attention to the tanning, you pay attention to all kinds of things.

And at the end of it, it's a more wonderful and memorable experience. So, so when you think about a product, it's not just about the product. It's about directing people's attention at the consumption and influencing their memory for the experience. Even chocolate, you know, some of the good chocolate makers have [00:18:00] instructions on the box on how to eat chocolate.

You say,

MichaelAaron Flicker: I haven't seen that. Don't we

Dan Ariely: know? Don't we know? It turns out you want to take a bite. You want to keep the chocolate in your mouth, you want the temperature to

penetrate, you want it to, to melt, you want to focus on it. It's a different eating experience. So, so when I, when I what I'm saying is that I think that brands are starting to do a really good job for us on meaning and quality and attention and so on, but they have a way to go.

Right. How, how much would you. Like, where is our value in life? So, so imagine, you know, could we, when we think about good wine it, it's really an amazing category that, that we took and we are enhancing our experience further with slowing and paying attention and [00:19:00] so on. Where else are we missing opportunities like that?

I'm going to skip one, one, gonna quickly jump, one more thing. I, I recently started printing things from the people in my lab on their T-shirts. So I, I print t-shirts and I, I give away for people in my lab, and I'm, I'm kind of using this principle that says, you know it's about communication.

So, you know, each of our shirts communicate something now, didn't think about it very much this morning when I put a a t-shirt on, but, but they haven't. An opportunity to communicate. We have an opportunity to communicate to ourselves and to others. So for example, I, I give one t-shirt away that says, I will today.

I will not procrastinate. You know, what, what does it say when you wear this shirt? What does it do to you? What does it do to other people around you? [00:20:00] What, what do people think in the morning when they. When they take the this t-shirt out, I have another one that basically says, science suggests that people enjoy compliments more than they expect help.

Prove science. Right. But, but, but more seriously, I, I think that I actually am, one day I'll find a fashion designer who would want to work with me on, on, on, on expanding our communication through clothes, right? We have, we have all kinds of things. But, but I think there's a lot of, there's a lot of opportunities for that.

Sorry about the randomness, but I, I, I was at the party at some point, some, some event, and I met Calvin Klein and the, and I wanted to talk to him and I told him about kind of our research on signaling on the, I'm stingy, [00:21:00] I'm generous, and so on. And I told him about, communication and so on. And he said he had the suit, of course.

He said, you know, you see this buttonhole in my, in my suit? I said, yes. He said, you see it's blue, but there's one thread that is red. I said, yes, I can see it.

What is it? He said That's some very high order achievement from the in France that he got. And he said, you know, this is a ver, very few people understand this signal.

You know, it's a button all with, with one, one red thread. But he says, I know about it, and the few people I care about mostly know about it. So anyway, there's a, there's a world of communication that that is going on in the world of, of branding that I think has. [00:22:00] Lots of value, but also not enough. Lots of things could be better.

MichaelAaron Flicker: The other side of the coin, in a number of the stories that connect what you shared so far, Dan, is that there's agency of the receiver to finish the thought. So to me, in your story of those that that look at a brand, those that know what the T-shirt says. They've gotta complete the thought. And does that make it more sticky when the, when the person that is receiving the information helps complete the idea?

Is that part of the experience of branding in that you're talking about what the brand has to insert? It has to say out to the world. The other half of it is that the receiver has to take it in. I'm, I, I wonder how that connects.

Dan Ariely: Yeah. It because, because in this kind of world, the impact of the brain is the, the impact of the brand is inside the brains of [00:23:00] the consumers.

The consumers have to be active in some way. They have to choose it, they have to think about it. It's, it's not passive. When you think about the, the passive part of branding, it's probably about speed of recognition. Or kind of some automating automated assumptions or associations, but the more complex branding I think has this other element that we need to be active in it, and a lot of the value come from there.

MichaelAaron Flicker: Lovely. You talk about how the brain, I've heard you talk about how the brain is like a vintage Swiss army knife, and that can help marketers think a little bit about when they want to send a message with these more interesting complex messages, how they can think about receivers. Can you just explain that analogy for everybody and help understand what we mean by that?

Dan Ariely: Yeah, so now we, we are leaving the, the [00:24:00] pure world of branding and we're talking now about marketing more generally or any behavioral change really. So the, the vintage, the Swiss Army knife metaphor

basically is two component Swiss army knife and vintage. Let's start with the Swiss Army knife. The idea here is that the brain, the human brain is as a decision making tool is not great.

It's. Quite good in lots of things, but it's not great. You know, the Swiss Army knife is not great at anything. There's not a single task in which you said, oh, I want to do X. Where is my Swiss army knife? I want a can opener. Where is my Swiss army knife? I want tweezers. Where is this? I want a, you know, a Philip screwdriver.

The, the Swiss Army knife gets its greatness from doing lots of things kind of okay in a small, compact way. The same. We have the same thing, not so great. Lots of things. We're very versatile. We can solve lots of problems, [00:25:00] not so great. Quite okay, lots of things. But here comes the vintage part. And the vintage part is the part where our Swiss Army knife, our brain, was designed as decision making tool in a very different environment.

It was designed in an environment in which we roamed the savanna and we had to deal with the lions and scarce food and we didn't have cryptocurrency or retirement or school choices, chemotherapy, all kinds of things like that. So, so we carry with us this vintage Swiss army knife. It was never that good to start with.

It was kind of okay in lots of things, but now it's kind of okay in lots of things, but lots of them are irrelevant. And there are lots of tools that if, if we created the human brain right now, we would've created different tools like compound interest, no tool for compound interest. So, [00:26:00] but, but that's what we have and, and I think that when people want to think about behavioral change, they have to understand that.

They have to understand that if we want people to come to the table and make good decisions. The decisions have to be compatible with our vintage Swiss army knife. So take a very simple example. You show people interest rate on mortgages, 3.4, 3.5, 4.2. People can tell you very easily which one is a better mortgage, which one is the worst mortgage.

You add another dimension to it, like points. Something you pay upfront and then people get completely lost. You know, you add one dimension, all of a sudden it's too, it's too much. So when you, when you think about, now, if you want people to make bad decisions, you don't want to fix it, but if you wanted to fix it, you would say, you know, these two dimensions too complex.

We don't have a tool for that. [00:27:00] There are two different, let's merge them into one dimension. Let's create a tool that help people understand. That in a, in a better way. And now, now you've solved, you've solved the problem. So, so we need to understand what are our natural ability, what are we generally okay in, and what are the kind of tasks that we are, we just don't have the right tools, and because of that, we need something external.

Now, it's not the end of the world that we don't have these tools. Right. We, we all have a hard time standing for many hours, but we invented chairs perfectly fine. Our feet are a little bit delicate, so we invented shoes. You know, we, we, it's not the end of the world to say we don't have the right tools for the job in our physical world.

I need glasses. You know, it, it's not the end of the world to say our natural abilities are not perfect. Let's recognize it and let's, let's fix it. So, so I think that kind of recognizing what we're naturally good at, what we're [00:28:00] naturally not, and adding tools to the places where we are not naturally good at is, is kind of crucial.

Richard Shotton: Yeah. And, and Dan, your work as straddled academia and the business world, how did you take that principle and apply it when you were Chief Behavioral Officer at Lemonade? I mean, what, what were the kind of vintage elements of the human mind that you managed to design for?

Dan Ariely: So Lemonade by the way, unbelievable company.

I, I love them. I love them dearly. When I met the, the two founders, first time there was, there was no company yet, and they asked me from a social science perspective, what is insurance and what is missing. By the way, many times when I come to help companies, it's. It's like in the game. It's not on day one, and then we're limited in in what we get to do.

Lemonade was a unique opportunity, almost unique opportunity where it was very early. [00:29:00] Starting from scratch insurance company, we know that what is the essence of insurance company and what is missing in that mix? And I said, look, the thing from my perspective that is missing in the mix is trust. I say, you know, insurance emerged for corporations, right?

We were a hundred people living next to each other. We said, sometimes bad things happen to some people. Let's put a little money and we'll figure out who has lost their crops and we'll, we'll pay everybody. But that was it. But then it

became professionally managed. It wasn't a hundred people who knew each other and cared about each other.

There was a corporation that managed the risk for other people. And that corporation gets to make more money when claims don't get paid. Mm. Now, if you think about insurance this way, it's kind of crazy. You as a consumer, pay, pay, pay, pay. At some point something bad happens and you want the [00:30:00] insurance company to pay you back, but what does the insurance company want not to pay you back?

It's very simple. Now you know that they don't want to pay you back. That they'll try to find all kinds of things that are exceptions and not on. So what do you do? You exaggerate a little bit. Many people think that, oh, you know, they'll cheat me by 10%, let me exaggerate by 10% in the beginning so that it'll, even, the insurance company knows that we're exaggerate.

So what do they do? They make the process difficult, complex, painful, time consuming, and costly. Everybody loses. Everybody loses. If the adjudication process costs, let's say \$500, it's \$500. They've got wasted. Right. So, so I said, look, the, the problem is insurance. Trust. Trust. How do we create? And I said, look, it'll be amazing if we can try and create an insurance company that is built [00:31:00] from day one on being trustworthy.

I said, how do you do it? I said, look, like we said before, cheap signals, right? You can't say, oh, trust me. Right, that's, we are the trusted insurance company. It's not going to work out. I said, you can say things like that that would support the claim, but you need to do something that is inherent. To the issue.

You can't, you basically have to eliminate conflicts of interest. I said we would never design, you know, we got there, but we would never design a company that makes more money when they reject their consumer's claims. Like it's a, it's a crazy situation to think that we, that we got there. So they said, okay, how do you do it?

And I came up with the following idea. I said, if you have two parties, consumers and insurance company, you will always have the problem that you have to split the pie. So if you get less, they get more. Like it's, it's, it's inherent the, [00:32:00] that problem. I said, let's move it to a three party game instead of two parties, three parties.

What are the, the, the three parties, the consumers, the insurance company, lemonade and Charities that people love? That's the setup. Now, when you start,

you tell people, look, we're going to charge you such and such a month. We will take as profit, a fixed percentage, let's call it 20%. We'll never take more.

We'll never take less, but you will pick a charity of your choice. You will choose a charity that you love, and all the people who pick that charity will be in one pool. And you will pay money. We will take 20%, 80% will be in the pool. The pool will pay all the people that belong to that pool, and at the end of the year, we're planning on money to being left in that pool.

All the money that will be left in that pool will go to the [00:33:00] charity of your choice. So first of all, what happened is we as lemonade. Don't make more and don't make less. If we reject or accept claim, we always make whatever percentage we agreed on in the beginning. We have no conflicts of interest.

That's really important. By the way, conflicts of interest have a way to, to. Corrode companies. I, I, it's not about bad people. Good people with bad conflicts of interest end up acting badly. Not a good idea to have conflicts of interest. But the second thing is that imagine you are a customer and imagine you're considering cheating on your insurance claim.

Something bad happens if you cheat. Who are you cheating? Your favorite, your favorite charity? Right. So, so this particular method basically says we have no conflict of interest. Very, very important. And we say a new, by the [00:34:00] way if you decide to cheat the, the, the people who would pay for it is your, is your favorite insurance and all the people that you belong to.

All, all that pool of people who love the, the worldwide fund or whatever Now, lots of things. That was the for me, that was the backbone of the company. Lots of things added on top of that. But for example, you know, very quickly after we started, we got an email from somebody, like really, like week one or something, and that person said you know, I, I got insurance from you.

Thank you very much. I wrote you that I lost my laptop. You paid me back very quickly. By the way, if we trust people. We can, we can pay back very quickly, right? Sometimes in three seconds. You already have a TV on from Amazon on the way to you because we, we trust you. Anyway, this guy [00:35:00] says, you know, you, you you paid for me.

I got the check. Guess what? I found my laptop today. And he said, how do I return the money to you? Now, we, we love that email. And I wrote, I wrote all the people I know from insurance company and I said, how often does this

happen? Nobody I talk to has a form for this particular particular, particular incident, right?

So, so I, I think, I think the trust. Trust is incredibly important. Now, AI, by the way, is doing a lot of good things for ability to verify and do all kinds of things in a better way. Lemon, and I'll give you another story. There was a, a snowstorm coming to New York and we, we wrote people a very nice kind of [00:36:00] infographics about how to prepare their homes for the storm.

And when I talk to people from other insurance companies about it, they say people don't believe us because we, they think we're doing it for our purposes, not for their purposes. But I said, look, but, but of course if people don't have damage, everybody wins. It's not just you. People love that.

Infographics because it was clear. We're not saying, oh, you know, we want you to do something that is good for us, but not necessarily good. Good for you. Now there's lots of other things about, about laminated or just amazing insurance companies. You know, it's a tough, tough business complex, takes a long time regulated all kinds of things, but, but for me, the basics was to say, let's talk about what insurance is.

It's about, one of the basic things is trust. Let's figure out how do we [00:37:00] build bake trust into the start, into the company from the, from the DNA, not fixing it after something breaks. Yeah. And,

Richard Shotton: and that. That, that's fascinating. You say that like the biggest impact you can have applies on these principles of behavioral science is being there at the very design of the company.

Yeah. For, for businesses that don't have that luxury, they've been around for a hundred years, are there simple things they could learn from lemonade that were done as, as, as really small interventions, little tweaks at the end, but had a disproportionate effect? Are there still things in that area that, that, that, yeah, could be.

Dan Ariely: So there's a lot.

There's a lot, there's a lot. A lot of things are about reminders at the moment, right? So if you think about what we think about as a mindset, you know, when, when people, so whenever I come to a problem, I, I ask the people that we're working on together. Let's say the two of you came from an insurance company and we're working on, on an insurance issue.

I would say [00:38:00] let's, let's assume for now that people are amateur insurance purchases. That's assume that they don't know what anything means, that they're amateurs. And let's, and let's ask yourself questions about amateurs and you would say what, what do people don't know? What is insurance for an uninsured motorist.

Or let's assume that people don't know what is the replacement cost of a house. By the way, when you do this exercise, you always say, of course people don't know. You say, say, let's do, let's talk about online dating. Let's assume people don't know who would be a good partner for them. Say, oh, of course.

People dunno. Look. We are kind of amateurs in almost everything we do. Some of us know a little bit more in one domain, but, but mostly we're, we're kind of amateurs and the world expects us to be experts. So, so with Lemonade, a lot [00:39:00] of the, the process is to say, what if people don't know that much? How do we make it easy and understandable, and how do we increase confidence? And so

Richard Shotton: on your point about. It kind of seems obvious, but the problem is people who work in insurance companies are professionals. They're not amateurs. They know all this stuff. To them, it's really obvious. It is slightly unnatural to put yourself in the shoes of someone who doesn't know it. It is a hard task.

Dan Ariely: That's right. We, we call this the curse of knowledge.

Richard Shotton: Mm-hmm.

Dan Ariely: So it happens a lot to professors. Right. We teach for many years kind of the same thing. At some point it becomes incredibly trivial. Saying who is not who, who came here doesn't, don't, don't knowing what, not knowing what their compound interest is or who came here not knowing what loss aversion is or what the endowment effect is, haven't you, that feels, feels part of nature.

And, and it's a real, it's a real challenge. The, the other thing [00:40:00] is that we use a language in companies and we use a language that helps organize our thoughts, and it's a very, very effective mechanism. But once that language gets established, it becomes natural for us and it's very hard for us to think about how unnatural it is for, for other people.

So but if I think about where is kind of behavioral economics helpful on the opposite side of being there in the beginning, probably the biggest. The biggest impact is the, the concept of friction.

Richard Shotton: Hmm.

Dan Ariely: And friction is really the idea that anything that people do is much harder for people to do than we think it'll be.

You say, oh, you know signing up for this thing is one click. Yeah, [00:41:00] very difficult. You know, you might think it's easy or, you know, we did a, an experiment with a big company where people had to enter the, the what does their business do, and you know, people thought that, like, don't people know? It turns out lots of people don't know and lots of people are not sure and lots of people are worried.

About what this question mean. Say, oh, so I have a bakery, but I also sell coffee. What, what do I write? And, and if I write the wrong thing, would it not un understand me correctly, or, you know, I'm, I'm a, a wedding photographer, but I really am also an artist in the process. But what do I write and, and what will happen to my business as a consequence of that?

So. You know, the, the, the pe we, we think shouldn't people know what they're doing? The [00:42:00] answer is yes, yes. But so, so I think you can never overestimate how difficult every step that you ask people to, to take how difficult, how difficult it is. The other thing I would say is that I have grown to have a deep appreciation for people's times.

You know, before, before the internet revolution, we thought that when the internet would come, we will have lots of free time. All these things will be happening for us and we'll have lots of free time and we'll see what will happen with AI about it. But, but the reality is that we became just more busy.

Yeah.

Right when, before the internet came, you, you would want to go for vacation for a week, you would stop by a travel agent and in 30 minutes you had train tickets and flight tickets, a hotel [00:43:00] and tickets for the museum, and this was it. It maybe not ideal, but now hundreds of hours into it, you're still mature with hotel.

You're going to have. We became, we became all self-service. We are own bankers and our own travel agents and, and I understand why it happened, but the reality is that people are really stressed for time. And when I want people to do something, I basically said, you know what? These people are really, really stressed for time.

And, and I am going to do whatever I can to make sure that the demand on people's times are going to be as minimal as possible because. I recognize it. People don't have that much time,

MichaelAaron Flicker: and I'm going to interrupt this amazing conversation because we made a promise to Dan that we would end on time today.

And so it pains me to, to ask us to come to a close. [00:44:00] But outta respect for everyone's time. Dan, can you help us wrap up with a final thought for those that are running their businesses, growing their brands, what's one of the top most important insights into human decision making that you. Would leave them with, we just went through two great ones, how much friction it takes to get through every step.

I'm really appreciating everyone's time and how stretched and stressed they are for time. Is there one more nugget you'd leave us with?

Dan Ariely: Let, motivation is one of the, the most mysterious parts of human nature. When I, when I ask people, I say what are the things that you're proudest of in your life? And the things that most people say are not happy, the things that most what I mean by happy, they're not things that are filled [00:45:00] with moments of joy.

People talk about difficult things. Writing a poetry book and starting a company and having kids human, human goals. Our, our motivation at the end of the day is, is directed not toward momentary happiness. It's directed at really feel feeling connected and that we have a purpose in life, and that we are achieving something and we're progressing and moving forward.

And so. And when I look at most of the things around us, we are not utilizing that part of our psychology. How many of the stuff around us helps you feel the same accomplishment that running a marathon would? How many of the things around you make feel, make you feel that you're achieving some?

That [00:46:00] you're progressing, that you're learning? I think, I think we haven't kind of taken, like there's a lot of things that we do as hobbies, but how

do we take those things that give us a tremendous amount of satisfaction and meaning and connection and so on, and how do we integrate them more into our lives?

I think like if we say brands are telling us stories, they could tell better stories, brand help us with. Consumption vocabulary, they could do a much better job. But I think there's lots of room for also improved motivation. Think about our students. You know, basically we say grades. That's it.

That's all we can do to motivate people to study is to, is to give them grades. We, we, we have to be better than that. So that's, that's a direction I think has huge now. Can you take every product and make it like a running a marathon? Of [00:47:00] course not, but can you work on human motivation and integrate some of that?

I think absolutely. Yes.

MichaelAaron Flicker: It's a lovely message to end us on. Thank you very much for your time. For the listeners, if you found this helpful, please leave a like or a comment. Please share this with others that would find this useful. And Dan, we talked about some of the projects that you're working on.

We'll make sure to put 'em in the show notes and make sure everybody knows about them. Thanks again for your time. And until next time, I'm MichaelAaron Flicker.

Richard Shotton: And I'm Richard Shotton.

MichaelAaron Flicker: Thanks for being with us. Dan.

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