

# Don't always make it easier for customers

How behavioural economics and 'being human' affects your business.

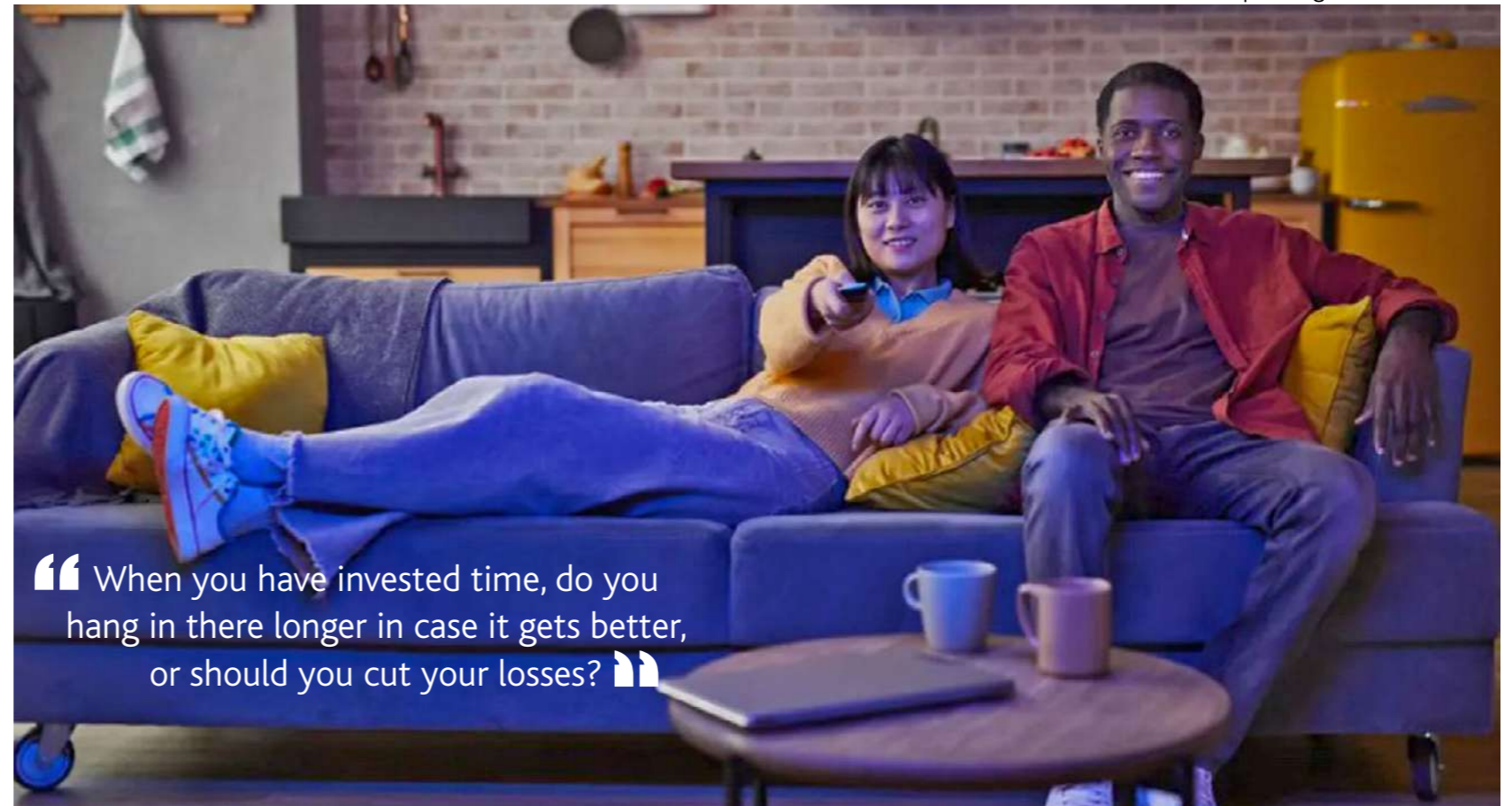
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It happens to all of us: You finally sit down to watch that new series with your husband or wife after weeks of exhausting anticipation. Seemingly everyone you know has been raving about the programme, so you're quite motivated. So you grab some snacks, curl up on the couch, and press 'Play'. You're both keen to see what the hype is all about.

Each episode is around 40 minutes long and, as the previous one finishes, you eagerly get to the next one. After the third episode you glance over to your partner and you realise that both of you are not really enjoying the series. Actually, the show sucks.

But now you're invested in it. You've spent two hours waiting for the story to take shape. The question is, do you hang in there a little bit longer in case it gets better? Or should you cut your losses and watch some reliably entertaining old episodes of NCIS?

In retail we always assume that 'good deals' are what lead to customer loyalty and repeat business but, as the example shows, it's not necessarily true. In a previous article I spoke about how the 'IKEA Effect' where people place higher value on things they helped to build or create. This slightly different



“ When you have invested time, do you hang in there longer in case it gets better, or should you cut your losses? ”

cognitive bias, dubbed 'effort justification' causes people like you and me to value outcomes more when they require more effort. It is a way to justify the time and energy spent on something, and it usually leads to increased customer satisfaction.

And sometimes it doesn't make logical sense. After all, a rational customer would far prefer to put in the least amount of struggle to achieve their transactional success, right? Indeed, I have often

written about how one of our priorities in business is to simplify things as much as possible. However, sometimes a lot of energy is required when we shop, such as when we make a complex purchase, go through a lengthy process, or even spend a little more to buy a particular product. We become very good at rationalising the effort expended for ourselves and others. This justification is what makes it different from the IKEA Effect.



Think about what happens when you download a retail app. If you are like me, you probably have a few of them on your cell phone, but 90% of the time you use only your favourite. Does that mean you delete the others? No. It's that same old, "just in case" behaviour that comes out again.

But when I do get onto my favourite app, or even when I actually get into my car and go to my local supermarket, I find that it's almost impossible to justify going somewhere else. Of course, I find lots of good logical reasons for it in my mind. That's why membership and loyalty cards are so powerful – because, when they are also used with incentives for members, such as special discounts or even free gifts, they serve as a double punch to create loyalty.

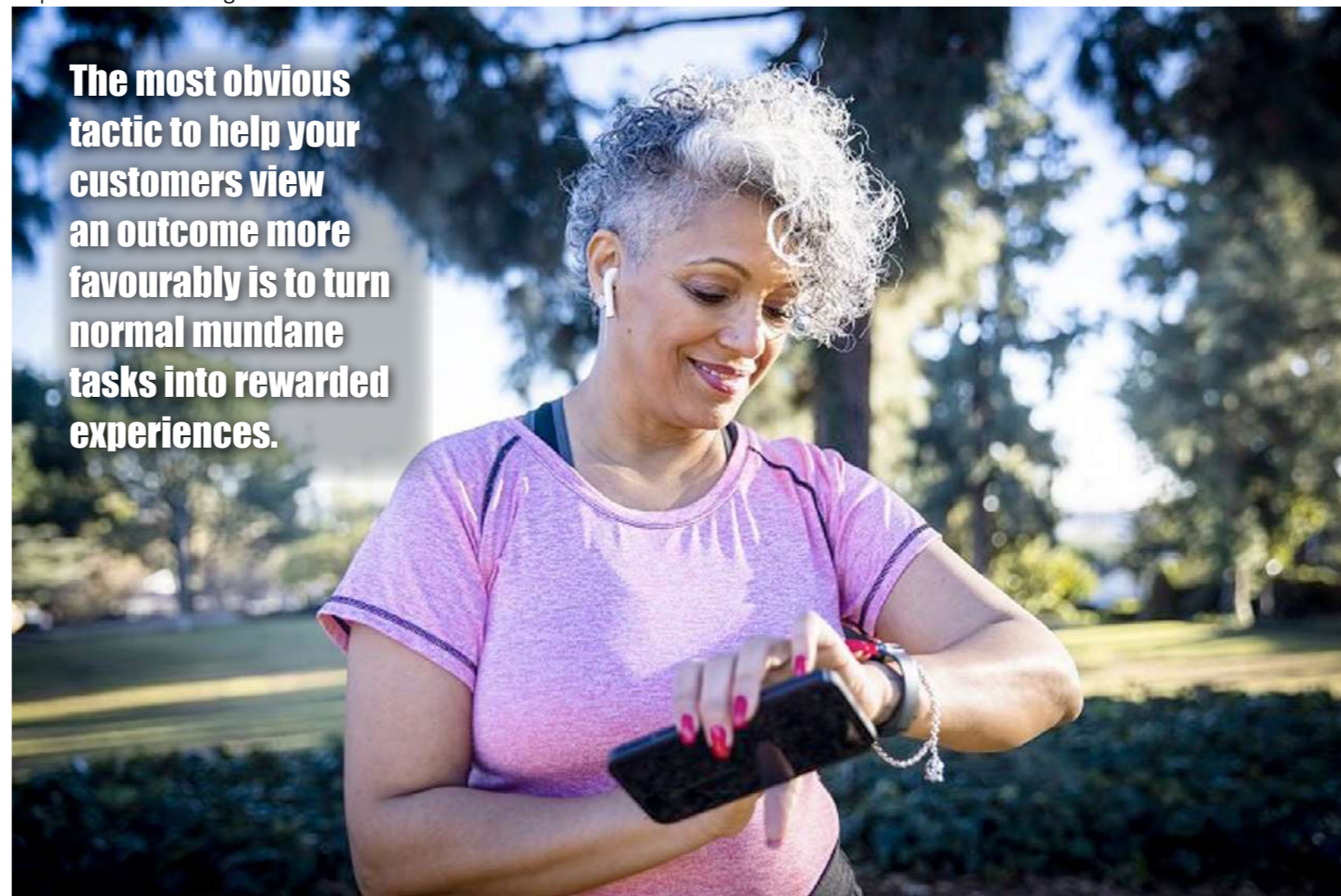
But, who we are as human beings, it is even more crazy and perverse than you may think. Some businesses, like Amazon Prime, for example, actually charge their customers for the special membership. It sounds like an oxymoron, but it's the hook that keeps you coming back. After all, once you're in, you feel duty-bound to make the most of it.

Let's look at some practical examples of what you can do to help your customers view an outcome more favourably when we invest energy and time into achieving it – and sell more. The most obvious tactic is to turn normal mundane tasks into rewarded experiences. If you help them keep track of how much they have actually done, it feels stupid to abandon something after all that effort. Even a silly little sign like "You're halfway there!" can make a difference.

If you've ever used an app that shows you winning streaks, you'll have felt it too. "Wow! 7 days of

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walking 5 000 steps," is a typical message that encourages people to keep going. Combine it with an image or two, and perhaps a picture of a trophy or clapping hands and it gives value and meaning to the progress they have made.

Another strategy is to make the most of your loyalty card information. A cursory annual birthday message sent as a generic message just isn't enough. Use the information to get into the very soul of your customers, and acknowledge specific things that show you care. Exclusive perks, preview sales days and special services like pavement pick-up are as powerful as discounts.

And again, it may sound obvious, but are you saying thank you? I recently took on an online course. Apart from the regular applause and encouragement for just about every 10-minute module I completed, they also showed appreciation by sending me a free t-shirt from the USA! There was absolutely no way I could lose my motivation to complete the full training – so needless to say, I did. Sure, the electronic certificate sent was nice, but I'm probably not going to print it out and frame it. The ongoing encouragement was what I needed. (Oh! and the continuous offer to get help was also really reassuring.)



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As a final suggestion, it's probably not a good idea to keep this completely private between you and your customers. When others can see how far the customer has come to achieve success, it makes that customer feel good ... and incentivises

the others to also get in on the act. Although I completely reject casinos and gambling, it's really exciting for everyone involved when the bells start ringing and the lights start flashing when someone hits the jackpot on the slots.

The bottom line? Good deals are great for customers, but they're also easily imitated by your rivals.

“ The formula is a simple one – when customers invest energy and effort into a particular purchase, it increases their perception of value of the result. If you can create an experience that takes this effort justification into account, you may find that customer loyalty increases. ”

So, what happened with the TV series that my wife and I watched? Knowing that it would take another 30 minutes to agree on a new movie or series, we sort of gaslighted ourselves and almost questioned our own sanity. We decided to hang in there for longer and pressed “Play next episode.” The most bizarre conclusion once the final screen faded was that we said, “You know, I'm pleased we kept watching. It turned out to be a nice series.”

**SR Go figure!**



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