'Nudging' consumers is a common marketing tactic, but study finds it carries risk

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Marketers have found so-called "nudging" to be an effective way to influence consumer behavior—but new research suggests those who are prompted, either subtly or directly, to select a particular product or service may be quicker to abandon it.

A recent study, published in the *Journal of Consumer Research*, is among the first to consider the long-term impact of the widely utilized marketing tactic, which capitalizes on psychology and carefully designed prompts to encourage people to make a particular purchase. Examples include limited time offers or presenting people with a "compromise" option between two extremes.

Study co-author Sam Maglio, a professor of marketing and psychology at the University of Toronto Scarborough and the Rotman School of Management, says the research findings make it clear that nudging can have negative consequences for brands.

In particular, he points to subscription offerings, which are becoming more prominent across a broad array of product and service categories.

"If you want someone to continue renewing or using whatever service you provide for a long period of time, it turns out that nudges backfire," he says.

Maglio conducted two experiments to test three of the most popular nudging strategies to see how they affected long-term utilization.

In the first experiment, he offered students and faculty a free air plant. Among the control group, participants were offered the choice between a plant that was said to be lower maintenance and lower quality, and another that was higher maintenance and higher quality. For the nudged group, he offered a third "middle" option that was average in both maintenance and quality.

In reality, all plants were identical.

"Research has shown that when people look at three options that include one extreme and another extreme, they gravitate towards the middle, compromise option," Maglio says. This form of nudging is referred to as the "compromise effect," and proved effective in this experiment.

In exchange for getting a free plant, participants received an email every two weeks asking whether they still had the plant. After the first 10 weeks, Maglio says there was little difference in the likelihood of caring for the plant between the nudged group, who were subtly persuaded with the "compromise" option, and the control group.

"[But] once you get to about three months in, then we start to see the rate of [retention] separate," he says. "People in the nudged condition who picked the middle option were more likely to start saying, 'Yep, I let it die,' or 'Yep, I threw it out.'

"It ended up being a total of nine months that we kept checking in, and the longer we waited, the bigger the gap between those two groups got."

At the end of the experiment, the researchers found that those who were nudged into a selection were 16% quicker to discard their plant than those in the control group.

In the second experiment, researchers offered participants a free membership to a website that provided a new "fun fact" each day. In the control group, members were offered the choice between a "Trivia Expert" subscription plan or a "Back to School" membership option.

Another group of participants were automatically opted-in to the "Trivia Expert" plan, but were provided the option to switch, utilizing a nudging strategy known as the "default effect." In the final group, a third "decoy" option was added, titled "Trivia Expert for Kids," which was designed to nudge the adult participants towards the "Trivia Expert" option.

As with the previous experiment, all of the options led to an identical product and both nudging strategies proved effective at influencing participants' behavior—and both had a negative impact on participant retention.

"In the control condition, where they just chose between 'Trivia Expert' and 'Back to School,' they [logged in consistently] about 14 days in a row, and then they stopped," Maglio says. "In both of the nudge conditions—default and decoy—they were only logged on for an average of eight days, so it's a hefty drop-off after getting nudged as far as losing interest in the subscription."

Yet, despite the findings, Maglio suggests that nudging shouldn't be abandoned as a marketing strategy, as its effectiveness in influencing buying decisions is well established. Instead, he suggests marketers think twice before leaning on such tactics "in situations where you care about longevity, or you want the customer to use your products for a long time."

Maglio adds that there is little data on the long-term consequences of nudging, which could have significant implications for brand loyalty and consumer trust.

"We need to get more specific about which kinds of nudges have a counterproductive effect, which kinds of nudges have no effect—and which tactics work as a win-win for customers and brands," he said. "We're coming in with two experiments after decades of nudging, so there's still a long way to go."

More information: Evan Polman et al, Nudges Increase Choosing but Decrease Consuming: Longitudinal Studies of the Decoy, Default, and

Compromise Effects, *Journal of Consumer Research* (2023). DOI: 10.1093/jcr/ucad081

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