



BOOK REVIEW

Predictably Irrational: The Hidden Forces That Shape Our Decisions

HarperCollins Publishers Ltd

Dan Ariely

This book dissects customers' decision-making processes particularly their buying behaviour. It provides fascinating insights into the subconscious mechanisms that we're often unaware of, but which tend to exert a big influence on our decision-making. More importantly, the author, through his research, suggests why most of our decision-making appears to be not just irrational, but predictably irrational. This hypothesis flies in the face of the conventional thinking that we are mostly rational decision makers, a view supported by classic economic theory, whose origins go back to Adam Smith's 'Wealth of Nations', published in 1776.

In fairness, most of the time, we are rational decision makers. However what may start to make readers of the book uneasy, is the extent to which our decision making is considerably influenced by a number of these 'hidden forces' and chapter by chapter the book uncovers each hidden force, substantiated by social research conducted by the author and his team (using consistently intelligent participants) to try and prove or disprove the existence and influences of these forces. Forces, which Marketers and Neuroscientists (sometimes in partnership) have understood about consumers for a long time.

“SOCIAL AND MARKET NORMS RELATE TO THE TWO SIMULTANEOUS WORLDS WE LIVE IN WITH DIFFERENT RULES”

Some of the key forces outlined in the book, which shape our decision-making, are;

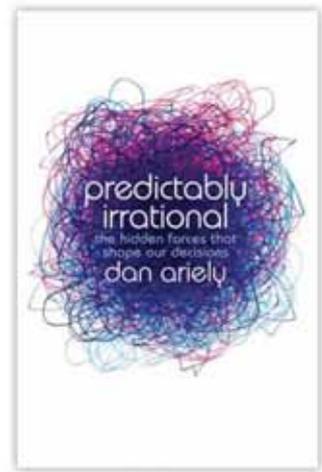
Relativity –how our decisions are not absolute and how much we are influenced by relative prices, relative experiences and our relative environment. For example, the second most expensive item on a restaurant menu is frequently chosen.

Anchoring –the powerful and long term imprinting of first impressions. These could involve experiences or information. An example would be how manufacturer recommended retail prices affect how much consumers are willing to pay – though most of us would refute that influence on our own behaviour.

Social and market norms relate to the two simultaneous worlds we live in with different rules – the former dominated by wanting to please people and the latter by more selfish financial criteria. The effect of when the two collide can be disastrous, e.g. when a high relationship business such as a restaurant imposes a market norm decision such as retaining a loyal customer's deposit following a late cancellation.

The effect of expectation and price, such as the power of placebo and why expensive medicine makes us feel better.

The power of zero cost or free. –one of the most irrational hot buttons, FREE and its widespread effect on us. An obvious example would be supermarket BOGOFs that often tempt consumers to buy an item at a higher price than a similar alternative to get the 'free' one. On the face of it this could be labelled rational until one considers whether the average family real-



ly needs, or wants, 16 hot cross buns at Easter even if 8 of them were 'free'!

This book can be used by anyone or any organisation that wants to learn more about customers and their decision-making processes. It contains useful insights for improving customer relationships, launching new products, managing customer expectations and more. If you want to make yourself feel less guilty about your next 'impulse' purchase or the kitchen cupboard full of BOGOFs, or just to realise that fundamentally we're all wired up the same, 'Predictably Irrational' is an enlightening read. **S**



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Xerox, Hilti, Principality Building Society and Lombard Vehicle Management. His favourite wine is a nice fruity Cahors with a long tannin finish. Richard can be contacted on 01484 517575 or email: richardkimber@leadershipfactor.com