Forming Habitual Products

Guest was Nir Eyal

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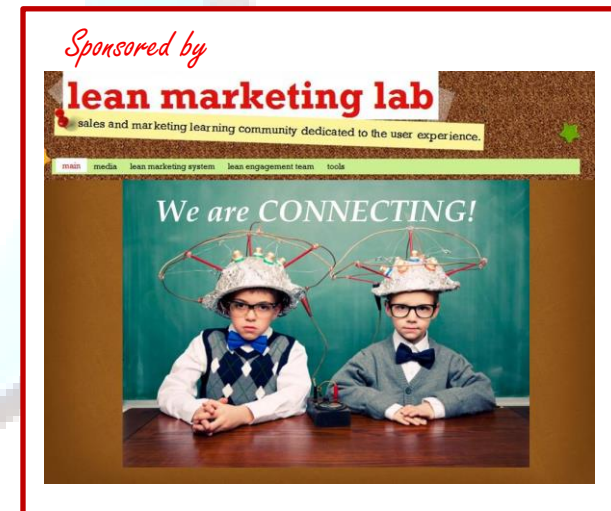
Implementing Lean Marketing Systems

Nir Eyal distilled years of research, consulting and practical experience to write <u>Hooked: A Guide to Building Habit-Forming Products</u>. He founded and sold two technology companies and taught at the Stanford Graduate School of Business and Hasso Plattner Institute of Design. His writing appears in the HBR, The Atlantic, TechCrunch, and Psychology Today.

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Transcription of the Podcast

Joe Dager: *Welcome everyone! This is Joe Dager the host of the Business901 podcast. With me today is Nir Eyal. He writes, consults, and teaches about the intersection of psychology, technology, and business. He's an advisor to several Bay Area startups, venture capital firms, and incubators. Nir has also found two technology companies. His new book, Hooked: How to Build Habit-Forming Products, introduces readers to the hook model, a four-step process companies can use to build customer habits. Nir I'd like to congratulate you on your new book. And as a reviewer said on Amazon, I have now read it more than once. So am I hooked?*

Nir Eyal: Well that's a good question. Books are a tough thing to make into habits. I hope you hooked you while you were reading and hopefully you got to the end. But if I would manage to do that then I can't ask for much more.

Joe Dager: *I guess not. It was a good read. I want to start out, is there a difference in*

designing a product for someone to buy it versus getting them to become hooked?

Nir Eyal: Absolutely. There's no magic formula here for every business. I want to be the first one to say that my work is not a magic potion that you can sprinkle on top of every business and poof you'll have the next Facebook. My work is really centered around those businesses that require what I call unprompted user engagement. And by that I mean habits – behaviors that people do with little or no conscious thought. Now that's not every business. Let's be perfectly clear. Plenty of businesses attract users to their product through all kinds of means. We can have physical stores. We can have advertising. We can have search engine optimization. There's all kinds of ways to bring users to a product. My work is really centered on those companies that require users to come back on their own, unprompted, without any kind of marketing, without any kind of triggering that would bring them to the product through external means, but to instead create a habit, create an association that brings them back time and time again.

Joe Dager: It sounds a little bit like gamification. Is it, or is there a difference?

Nir Eyal: Gamification would be one tool for engagement. Gamification is defined as game-like mechanics in a context that don't traditionally have game mechanics in them. And gamification can be used. So points, the leaderboard, badges, can all be used. But I think there's a broader context here of creating what I call a four-step process to creating habits. Gamification is very effective in getting people to get to the end goal if the reward is meaningful. I want to go into a little bit more depth than just the kind of standard fair around gamification and go into what is it around the user psychology that forms these

unprompted user engagements that form habits.

Joe Dager: *Tell me a about the four step process.*

Nir Eyal: The model is called the hook model and the four steps are a trigger, an action, a reward – and, often times, it's a variable reward – and an investment. So by cycling users through these four steps of the hook we find that over time they form an association with internal triggers. Internal triggers are things that we feel throughout our day like emotion, or particular routines, or certain places, or people we might encounter that cue us to action, that get us to take certain behaviors, but where the information for what to do next is informed by an association with that feeling or routine.

For example, when we feel lonely, what do we do? Some people will go ahead and check Facebook. When they're bored, many people will check YouTube, or the news, or ESPN.com. And they do these things habitually without conscious thought. When we don't have the answer to something, when we're uncertain, we don't really ask ourselves, "Do we?" or "Don't we?" We just Google it instantly without really considering the action. So it turns out that by going through these four steps of the trigger, action, reward, and investment, we can actually create those associations for folks. And the idea is that we can start using these methods that have traditionally been used by gaming companies or advertising firms, and we can start using this consumer psychology to help people live better, healthier, happier, more connected lives.

Joe Dager: *Well you talk a lot about behaviors. And even your blog I think is titled*

something along that. Can you change behaviors or do you have to change attitudes? What's the connection there?

Nir Eyal: Behavior I think is becoming a very hot topic, and I think it's because of the promise of what technology can do when it comes to changing behavior. One thing to be perfectly clear, I don't think you can get people to do things they don't want to do. I want to be very clear about that. My work is not about manipulating people or influencing them to do things they don't want to do because frankly, I don't know how to do that. But what I can help people to do is to build products that help people do the things they want to do but are finding too difficult to do or because they haven't become habits yet. I think that's where we have a real golden opportunity as technology becomes more pervasive and persuasive to really change people's behavior for the better.

Joe Dager: Is this book written for startups or can I take this book and really apply it to existing products or services?

Nir Eyal: That's a good question. So the book is really written for makers. My background is that I have started two companies, and my last company was at the intersection of gaming and advertising. I saw a whole bunch of businesses come and go, and a whole bunch of campaigns come and go. So what I did was to start to collect patterns to try and figure out, "What was the difference between the winners and the losers?" So I've compiled those patterns into the hook model with the intent of helping the person who was just like me a few years ago running startup or building a product and not understanding why people aren't doing the thing that you intended them to do. The book is really for

makers. It's for anybody who's building a product that they want to turn into a habit. Now again not every product needs a habit but if you're product is one that does require unprompted user engagement that does require these behaviors that we do day in and day out without a lot of conscious thought, then this is meant to be a how-to guide.

Joe Dager: *Going back and shifting back to behaviors because that seems a big key to that, is there a way that we can easily monitor and evaluate behaviors?*

Nir Eyal: My story is that when my last company was acquired, I kind of sat down and tried to think of what I wanted to do next, what the company I was going to start was. What I realized was that habits matter more than ever. By that I mean that we've seen as the interface that we use to interact with technology shrinks from desktops to laptops to now mobile phones to very soon wearable technology; habits matter more because the real estate for which we can trigger people, it's just a lot smaller than it ever was before. So there is less opportunities for people to use external triggers to get them to act. There's just less space on the screen than there ever was before. Habits are going to matter more and more as devices become smaller and smaller. Now what that also means though is that as we start wearing more devices, as we have more technology in our day to day lives, we also have a lot of new opportunities as well that now we can monitor behaviors that we couldn't before.

Many products, today, don't have much of an interface at all. If you think about a Fitbit or many other products that people use in the quantified self-movement, these things don't even have screens per se. They have a way to tell your progress, but they're measuring

way more information than we were able to acquire before. think that there's this whole new trinity of data, access, and speed that will make potentially things much more habit-forming. So that's actually I think a great opportunity for us to design products that change people's day to day behavior.

Joe Dager: *When you start looking at the different behaviors and zeroing down farther, are we saying that it's more one on one marketing? As screen size gets smaller, as we start trying to look at habits, we're just really defining our markets better and better?*

Nir Eyal: Well I think understanding your users is still a key component. Like I mentioned before, there's no secret formula to getting people to do things they don't want to do. That's not my intention, and that shouldn't be anyone's intention. But I think what we can now do is to find those pain points, find what I call the internal triggers that users find troubles their day to day lives. So the negative emotions, they don't like. People already have existing habits for how they relieve these internal triggers. So television alleviates boredom and of course new technologies like all the things you can do on the internet to alleviate boredom have replaced some of those previous habits. But I think what the internet allows is for us to provide the personalization aspect that we've never been able to before because of data, access, and speed. We have more data about people. We have greater access to our users. And transfer speeds are faster than ever before. So what that means is that people can go through these four steps of the hook model, of the trigger, action, reward, and investment, faster than they ever could before. The distance between a person recognizing a problem, even subconsciously for that matter, recognizing a pain point, and then alleviating that pain, is faster than ever before. And that's really at the

crux of learning, of acquiring a new habit, is creating an association between my pain point and what solves that pain point, scratching the itch so to speak.

Joe Dager: *Now that last trigger you mentioned is investment. That's not really financial investment. Is it?*

Nir Eyal: Well it can be. The investment stage is actually I think one of the biggest opportunities that startups miss. Every business has its own context when it comes to forming new habits. But a lot of companies don't think about this investment phase, and I think it's really important one to consider that if you think about a trigger, action, and a reward, that's kind of a feedback loop. We've all heard about feedback loops before. But the investment phase is really a special step. The investment phase is where the user puts in a bit of work, a bit of effort that increases the likelihood of the next pass. So there's a lot to that investment phase that's actually critical in habit-forming products that they get better with use. And that's a really, really big deal. When you think about things in the physical world – products made out of atoms, our laptops, our phones, our furniture, all these things depreciate over time. The more you use them, the less they're worth. But habit-forming technology because of this investment phase should appreciate in value. It should get better the more you use it. Why? Because users store value in it. They put something in the product, in the form of investment that makes the product better and better with use. So let me give you some examples. On Facebook, the more I post, the more I like, the more I comment, the more my feed is customized for my needs. So that if you logged into my Facebook account it probably wouldn't be very interesting to you. The same happens on Twitter or Pinterest where by giving the company data, I'm making the

experience tailored just for me by storing value. So habit-forming products, not just consumer products, but many different products that create user habits, have this crucial investment phase as part of the structure of the product.

Joe Dager: *In Service Dominant Logic the belief value is co-created through use and value is not realized till the customer uses the product. In that philosophy, we look at the fact that like an iPhone when it comes out of the box or any phone, really the value of it is not a transactional thing between the phone and the person. It's once they start using it because most people that are selling smartphones would be pretty disappointed if you just used it for dialing.*

Nir Eyal: I would say that use is the fourth step of the hook model. So the more frequently that users go through these four steps, the more frequently they go through these four steps, the greater the reward is. Every time they go through it, the more they begin to associate that this product is the solution to their needs. So that's really what the hook model is really about. It's about owning a moment in the user's life, owning a time when the user has a need, and they turn to that product as a remedy. So you're absolutely right. The more users' cycle through these four steps, the more they use the product, the more they form this association and a habit is created.

Joe Dager: *The other thing you touch upon a lot in the book is you do talk a lot about manipulation, not necessarily in a good sense to say do it. But I find that because in traditional sales people are still looking at using a sales funnel and manipulating someone through the funnel to end up with a purchase at the end. And I'm sure some products are*

still geared that way and everything, but do you look at that model that kind of like the sales funnel is broken?

Nir Eyal: I'm not sure that sales is necessarily a habit-forming process so to speak, and I don't think that every business needs to necessarily form habits. I think many sales processes are one time, one shot deal. When it comes to engagement, however, when you need a customer to engage with the product frequently, then I think it's much more than just a sales funnel. Bringing users back becomes absolutely critical.

I think we live in a time today that designers that product makers have the ability to change behavior like they never have before. I dedicate a whole chapter in the book to thinking about how you as a designer, you as a product maker, and you as an entrepreneur use your limited time on earth. How can we create products that help people by changing their behavior? I give this framework called the manipulation matrix. It's not meant to judge people. It's not meant to help people point fingers at anyone and say who's good, who's bad, but as a framework for us in the design community to use to ask ourselves, "What's the best use of my time? What's the kind of products that I can be morally justified in building?"

I give some lattice work to help people think about that, and it turns out that's actually very good business. If you're the kind of person, that's what I call a facilitator. If you're the kind of person who's a facilitator, and by that I mean someone who is working on a product that they use and that they believe materially improves people's lives, it turns out that that's the type of person that has the highest odds of success. That when you look at the stories of the products that have so changed our day to day lives and has created user

habits, it turns out that's who you find found these companies – people who need the product for their own use and who believe materially improves people's lives.

Joe Dager: *Are there certain people that, let's say, it's easier to get to create habits? Is there a certain market I should look into that have traditionally been more habit-forming?*

Nir Eyal: There are a few places to look, and I do tell you in the book about where to go looking for habit-forming opportunities. It starts from that moral imperative that I spoke about before around building products that improve people's lives. It turns out your highest chance of success is building something you want. Then after that there's a whole host of places to look. Where interfaces are changing, that's a great place to look. If there's a new way for people to interact with a technology, then that opens up all kinds of new opportunities to create brand new hooks. When we went from computing devices that were on our desks to mobile, we had to recreate all of these products for that interface, and so there were all kinds of new opportunities created. If you see behaviors that people are putting together, scotch tape and bubble gum with many different solutions that all don't work really well that would be a great place to look for habit-forming opportunities. How can you create a product that simplifies that process? I do tell a few different places where entrepreneurs can look for places to build habit-forming products.

Joe Dager: *Tell me a bit about what's on the horizon for you. Are you doing webinars? I know you're teaching. I think you're at Stanford right now. Correct me if I'm wrong.*

Nir Eyal: That's right. I'm about to walk into my class here at the Stanford Design School.

I teach here, and I do workshops. And then I'm going to start working on book number two, as well.

Joe Dager: *What's that subject matter?*

Nir Eyal: That's going to be a very similar scene. It's going to be a little bit more of a mainstream book. So this book is really something I wanted to give to product makers, so who I was a few years ago. The work of two and a half years of answering my own questions by doing research to kind of my own itch around these questions. But now that that's done I think there's some other larger issues I'd like to explore around the future of personal technology, what it means for us to appeal to a wider audience, as well. I'd love to write something that my mom could read and enjoy. I think Hooked is targeted to makers. It's a how to guide.

Joe Dager: *How does this blend with Lean startup?*

Nir Eyal: That's a great question. So I'm a big fan of Lean Startup, and I think that what I seek to do in my processes is to help makers overcome what I struggled with. And that was that of the three phases of the Lean startup, the three steps as proposed by Eric Ries, of build, measure, learn, the hardest phase, the place where all the blood, sweat, tears, and of course all the money went, was the building phase. That's the hard part. So my work really fits hand and glove because it seeks to help product makers identify what they should build. A few years ago what we should build was determined by the highest paid person in the room. And then if you're really progressive today, you've heard the Lean

startup methodology, and you listen to customers – the customer development and hearing what customers want.

I think there's actually a deeper layer that there's things that people want that they're not able to articulate and yet predictably will guide their behavior even if it they can't tell you they want it. So I believe by looking at consumer psychology, by looking at these tenants, these design patterns of habit-forming products, we can build the right thing sooner. We can reduce waste by informing which of our many features we build. So the entire point of the hook model is to plug in to the build, measure, learn methodology. To have a little bit of a framework, to have these four steps to ask yourself if your product requires habits, does it have these four steps and how can you brainstorm new features based on where you might be lacking. So the book is really meant to be super practical. I give these, "Here's what you do." I call these little sections at the end of each chapter, "Do this now," to help product makers literally with the next step. And it's all about creating ideas for new features. What else can do to your product to make it more habit-forming? But it all still has to fit into the Lean startup methodology of building, measure, learn.

Joe Dager: *Is this just for digital and online or can this be applied to more traditional type products? I have a lack of the word – more of a goods product.*

Nir Eyal: I think there are hooks in all sorts of experiences, offline and online. They're all over the web around us. I'm guessing that readers when they read the book, they'll start looking at the word a little differently. They'll start seeing how. "Ah, now I understand why many of the things that I love are so engaging," whether that's offline or online. But I

really focus on online for the majority of the examples because I think that's where a lot of untapped opportunities lie today.

Joe Dager: *Well tell me, where can I find more about you and find out more about the book?*

Nir Eyal: Sure. My blog is nirandfar.com. More information about the book is available at hookmodel.com, and it's available on Amazon and ITunes as an audiobook.

Joe Dager: *If someone wants to get in contact with you, the best place is through the website?*

Nir Eyal: That's right. I'm happy to chat with folks. I make time every week to talk to entrepreneurs. They can just schedule time with me on my blog, and I'm happy to hear form folks.

Joe Dager: *Well I would like to thank you very much. I thought it was a great book, and like I said, I made a couple passes through it already. So I look forward to keeping it at my side for a while. I think it's a great complement to some of the innovation buzz that we hear and a practical side to be able to apply those tools to it. So I'd like thank you very much.*

Nir Eyal: Thank you. I'm thrilled to hear it and thanks so much for having me on the show.

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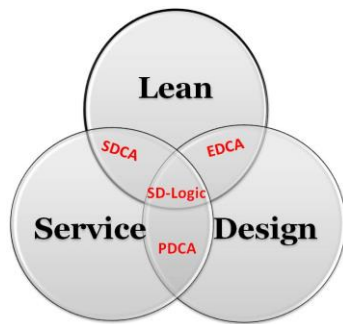
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Joe Dager is president of Business901, a firm specializing in bringing the continuous improvement process to the sales and marketing arena. He takes his process thinking of over thirty years in marketing within a wide variety of industries and applies it through Lean Marketing and Lean Service Design.

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