

# Making Change for Cheap

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In 2009, change is not just a buzzword — it's a top priority for many organizations and individuals. And according to Professor Eric Johnson, major change need not be difficult or expensive. Often, Johnson says, change can start by simply looking at how an organization — or a consumer — utilizes default settings.

“There are many defaults that affect you, and you don't even realize it,” says Johnson. “An unchecked box is a default.”

Research by Johnson and Daniel Goldstein of the London School of Economics has shown that default settings have the power to affect change on a wide range of issues, from consumer purchases to organ donations. Take the example of buying a new car. A customer completes an online car configurator and is shown features that match her preferences, such as the option for a sporty three-spoke steering wheel with a high-horsepower engine. These adaptive defaults serve to align product and consumer as closely as possible. In a different study, a default for organ donation can account for a 16-50% increase in transplantations performed in a country, they found.

However, in addition to changing a desired outcome by checking or un-checking a box, a default also promotes change in user behavior.

“Defaults change the way you look at choices. It is as if you owned the default, and you have to decide what are the advantages and alternatives,” says Johnson.

In a recent article in *Harvard Business Review*, Johnson, with co-authors Goldstein, Andreas Herrmann and Mark Heitmann, discuss how to best design defaults. The first thing to consider is who is designing them.

“[Default settings] are a decision that is strategic and goes to the bottom line,” says Johnson. “But the decision is too often made by the IT person or the person doing the page design. It is an essential characteristic of a Web site. It's part of a larger view that site architecture has a large influence over consumer behavior and that's not something most firms and consumers anticipate.”

And that decision making need not require any overhead, says Johnson. “The beauty of defaults is that they can be changed by simply editing a couple of lines of HTML.”

## Marketing

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“Nudge Your Customers Toward Better Choices,” Daniel G. Goldstein, Eric J. Johnson, Andreas Herrmann, Mark Heitmann, *Harvard Business Review*, December 2008.

## Executive Summary

A car rental agency includes insurance as a default unless you specifically decline it. Facebook sets off a firestorm when it displayed customer purchases by default.

Defaults have strategic importance, so don't let programmers or form designers make decisions on these important components. Effective defaults can effect customer satisfaction and even profits.

■ If you expect most of your customers would prefer a basic product or service configuration, use a mass default such as online retailers offering standard shipping on orders.

■ If you think customers would value options tailored to their preferences, use a personalized default. For example, if a returning hotel customer requested a nonsmoking room for his last visit, make a nonsmoking room the default for future stays.