Choice Pitch

* Choices are good – but we’re not very good at making them
  + You made a choice to come listen to me
  + We choose what to wear in the morning, what to eat, where to live, what to study, who to hire.
  + Choice is good, it’s an intrinsic motivator – people prefer to be in situations where they have the power to make a choice, and the more choices the better.
  + Producers have reacted to this through *horizontal segmentation* – creating lots of product varieties to allow people to find the perfect one for them (e.g. Prego makes 32 different pasta sauces)
  + Problem is, we’re not very good at making choices
  + We’re not rational actors – Daniel Kahneman is a professor of psychology at Princeton who won a Nobel prize in 2002 for his work on the science of decision making. What he found was that people have two mental systems that drive the way we think: an intuitive system that quickly reacts to impressions and feelings and a rational system that promotes careful analysis and an understanding of context. When we don’t take both of these systems into account, we end up making bad choices – those driven by bias or over-calculation.
  + Good example of this: The Cheescake Factory. You might think that ordering from a restaurant menu would be an intuitive experience. But the act of comparing multiple things against each other is a deeply rational process, especially when the number of options is large. The Cheesecake Factory currently has 323 separate menu items, many of which can be customized or combined in some way. So your decisions isn’t “Do I want the Kobe Burger or a Caesar Salad?” – it’s “Do I want the Caesar Salad or the Skinnylicous Caesar Salad?” And, oh yeah, how many calories is that? And is the price something I can afford? Something that should be, quite-literally, a gut-level decision, can quickly become paralyzing. I have a relative with ADHD who refuses to eat at restaurants with large menus because they make her too anxious.
  + Another example: Online shopping. Searching for “Smart Phone” on Amazon returns 3.6 million results. “Smart Watch,” a much newer product category, brings back 87,000 results. That’s ridiculous. If you spent 1 second looking at each one of those, you’d be finished in just over 24 hours – one day, doing nothing but looking at smart watches.
* Recommender systems are one solution, but they’re flawed
  + Amazon’s answer to this, of course, is to recommend some choices for you. “You don't care about all 87,000 of these watches”, they say, “because we know you – you’ve generously put your entire life online and based on that data we think these dozen options are the best fit for **you**.”
  + Problems with recommendation systems
    - They rely on massive usage data about their customers to connect the dots, which new users or those from under-represented groups like the elderly may not have.
    - They know about my historical behavior but not what I want right now. You watch a weird movie on Netflix one time and then it won’t let you hear the end of it
    - It’s not helping me make a choice – it’s making it for me. Thanks for picking out these dozen watches for me, Amazon, but what about the other 86,000? How do you know I’m not in the mood for one of those? I like making choices – let me choose!
  + We need a better system for making choices, one that combines modern data analysis tools with an understanding of human psychology.
    - Kahneman said that when people are confronted with complex decisions, they automatically try to answer an easier, seemingly-equivalent decision instead. He called this strategy a *heuristic*, and it's a key way that our two decisions systems work together.
    - For example, one common heuristic is trial-and-error. So, instead of deciding between 323 items at the Cheesecake Factory, you pick one at random, try it, and decide: Did I like it, yes or no? (A much simpler decision). Or you ask questions like, “Which of these items seems the healthiest?” or “Which one has the best photo?”
    - Heuristics simplify the decision-making process, but raise the risk of over-simplifying things or introducing (potentially harmful) biases.
* Heuristic engines helps users make their own, best decision
  + A *heuristic engine* is a decision making system that uses data about different options to help users make their own decisions
  + Two big concepts:
    - Leverage both rational and intuitive decisions, but keep them separate
      * Don’t ask people to make judgments about price and flavor at the same time. Instead, ask them about price first, and then use the results to identify options for the flavor decision.
    - Break big decisions into a series of small choices that adapt to prior decisions
      * Think about how you might help a friend decide what to do on a Saturday afternoon – “How much are you willing to spend?” – “Nothing” – “Do you want to go outside?” – “Sure, it’s nice out” – “How about a bike ride? – “I don’t have a bike”…and so on, until your friend decides to hike the riverfront trail.
  + By integrating these principles into a technology platform, we can leverage it for a variety of decisions.
    - Example: Where to take your significant other on a date? (*What do you want to do? I dunno, what do you want to do?*)
    - First step: Use rational decisions to filter out irrelevant options
      * How much do you want to spend?
      * How far do you want to travel?
    - Second step: Use a heuristic to guide a series of intuitive decisions
      * My favorite type: dichotomy (Choose between two)
      * Would you rather see *Unbroken* or climb a rock wall? (*See a movie*) … is this a war buff or a movie lover?
      * Would you rather visit the WWII museum or see *Into the Woods*? (*See Into the Woods)* … is this a trend, or a coincidence?
      * Would you rather see *The Hobbit* or *Annie*? (*The Hobbit)* … It seems like you’re in the mood for a fantasy movie, so here are three suggestions that meet your location and price ranges. Have fun!
    - The same platform could be used to pick a restaurant to visit, a new job to apply for, a magazine article to read, or anything else that has a well-described network of options
* Consumer-facing heuristic engines improve user satisfaction with their decisions while providing producers with new customers and business intelligence
  + Benefits to consumers:
    - Speed
      * For most people, choosing from a menu is a linear time operation – you have to read and consider every option
      * Heuristic engines eliminate irrelevant options from the start and help users define the path to their best choice. This allows the user to consider only a subset of the options.
    - Quality
      * Relying only on rational decision-making takes a lot of energy and leaves most people feeling unfulfilled
      * Relying only on intuitive decision-making leads to guilt and increases the risk of bias
      * Heuristic engines incorporate both mental systems into the decision-making process to maximize satisfaction
  + Benefits to producers
    - Referrals
      * Your product may be the best fit for someone, but they don’t realize it because of their personal bias (“I don’t think I’m the type of person who would need climbing gear, even though I like outdoor activity and have lots of upper body strength”)
      * By including your product as an option in a heuristic engine, you allow relevant consumers to easily find it – even if they wouldn’t search for it otherwise.
    - Business Intelligence
      * **Note: This is the biggest potential source of value**
      * Today, producers can find out all sorts of information about their customers
        + Who are they?
        + What have they purchased?
        + Where did they buy it?
        + What other consumers are they similar to?
      * What they can’t know is *Why?* What was going through that person’s mind when they decided to buy that cup of tomato soup, or that red sweater, or that Caribbean cruise?
      * By guiding consumers through their decision making process, heuristic engines build a fingerprint of that person’s preferences at that exact moment. This allows users to “read their own mind”, but this information in aggregate can also help producers answer some important questions, like:
        + “How is our marketing affecting brand perceptions or preferences?”
        + “What elements of our products should we change to better fit customers needs?”
        + “Should we adjust our inventory levels to match preference trends in a certain area?”
      * This information allows producers to place the right product, at the right price, in the right location before consumers are even consciously aware that they want it.
      * Note: This is Spotify’s business model
* People are not built for the complexity of modern life. We love having choices. It’s hard-wired into our brains, like a taste for sugar. But as technology has increased our access to new products and experiences, our decision-making tools haven't kept up. By organizing information in a way that allows consumers to make intuitive, unbiased choices we let people understand themselves in the moment and live better, happier lives.