

PRODUCT PSYCHOLOGY

A Course on User Behavior



WHAT IS THIS ALL ABOUT?

I do quite a bit of research, writing, and consulting on product psychology — the deeper reasons underlying why users do what they do.

I also frequently teach and speak on the topic. Invariably, after each talk, someone approaches me and asks, “That was very interesting. Now where do I learn more?” I’m never sure what to say, since there’s so much great information available.

What this person really wants to know (and I’m assuming you do, too) is where all the really good stuff is. They want to know the highlights, the takeaways, and the methods and techniques that can help them be better at their careers, build better products, and ultimately improve people’s lives.

That’s why we’ve created this course. Product Psychology: A Course on User Behavior is a series of curated lessons from the most knowledgeable people in the field.

I’ve asked my friends and colleagues for their top three to five resources on one important topic related to product psychology and user behavior. They’ve taken the time to dig up their favorite articles, videos, and resources to get you up to speed quickly.

In each lesson, you can easily skim the takeaways or click on a link to go deeper. We hope you enjoy the course and find it helpful.

Best,

Nir Eyal

NIR EYAL, AUTHOR OF HOOKED: HOW TO BUILD HABIT-FORMING PRODUCTS

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LESSON 16: MASTERING PRICING PRINCIPLES

There's a reason people on Craigslist are always overvaluing their crap: the right "price" cannot be perfectly deduced; it is highly dependent on context.

Legendary investor Warren Buffet once said, "Price is what you pay, value is what you get." Since time immemorial, entrepreneurs and salesman have tried to figure out how to sell their value at the "optimal" price. Fact is, looking for for the "perfect" price which extracts maximum revenue from every single customer is like

searching for the holy grail; this is an art, not a science. However, that doesn't mean we can't use time tested research and analysis to help us evaluate and reconsider our own prices. Here are a few must-read resources to get you started.

THE PSYCHOLOGY OF PRICE BY LEIGH CALDWELL

The best introduction to pricing around. While books like The Strategy and Tactics of Pricing are better deep dives into the topic, The Psychology of Price covers all the bases one needs to have a fundamental understanding of this complex topic.

The best way to put this book to work is to write-up your own "SparkNotes" once you've finished reading. I know that sounds slightly tedious, but it's a great way to go from A → B on pricing knowledge (from dummy to informed, so to speak).

10 ACADEMIC STUDIES ON PRICING

While you'll see many of these papers scattered throughout the web, I hadn't seen a great evaluation of all of the most important pricing research, so I wrote one myself.

Think about a few times you've seen these pricing ploys in action — were you able to recognize them? Did they sway your decision-making anyway? Why or why not?

PRICELESS: THE MYTH OF FAIR VALUE BY WILLIAM POUNDSTONE

The book on understanding why people bought “Product X” when you thought it was totally inferior to the alternative. This book goes into detail on how and why the perception of value is a key component of setting prices people will pay.

I encourage you to read this review and decide which sort of reader you are; if you think the first half of the book (which focuses on the “why”) will slow you down, read the second half (with the examples) first, and then come back to page 1.

4 PRICING PRINCIPLES TO NEVER FORGET

Pricing is not often just the act of figuring out what to charge; there’s also the mental game. Overcoming fears like “What if every customer abandons me because I raised my prices?!” is something every entrepreneur struggles with; here are a few principles to always keep in mind.

After reading, consider if you’ve ever faced any of the decisions outlined in this essay. What was your response? If you hesitated to take action, what stopped you?

THE BLACK ART OF SAAS PRICING

and

THE SADDEST SAAS PRICING PAGES

Even if you're not in SaaS, these are exceptional reads with deep psychological insights on common mistakes entrepreneurs make in pricing their products. Fax it like it's 1999.

Go to your current pricing page after reading this (hell, print it out if you have to!) and markup where you are making the mistakes outlined in these essays.

Curated by [Gregory Ciotti](#), Customer Champion at [Help Scout](#) and essayist on human behavior at [Sparring Mind](#).



—Taking It Too Far—
When Persuasion
Becomes Deception

LESSON 17: TAKING IT TOO FAR – WHEN PERSUASION BECOMES DECEPTION

When you develop an understanding of psychology and the principles of persuasion, you're put in a position of great power. With this power comes responsibility. Okay, it's a trite saying but a lot of product designers don't seem to fully understand or realize this. Preselecting checkboxes, exaggerating social proof and scarcity, hiding key information in the small print – they're effective at pushing your conversion rates, but is it really "persuasion" when the customer

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doesn't know what's going on? Somewhere along the line it transforms into deception and manipulation.

It's easy for product owners to defer responsibility to AB test results. It somehow feels scientific to build a number of options and then use a random sample of a few thousand customers per design to find out which performs best. It's easy to forget that each design you test has a level of honesty built into it. Dishonest designs will often beat honest ones in AB tests. For example, if your goal is to reduce the volume of monthly account cancellations, why not just hide the account cancellation feature? That'll be the winning condition in the AB test, right? But is it the right thing to do?

Today's lesson is about Dark Patterns: user interfaces that are purposefully designed to deceive and manipulate users.

[THE SLIPPERY SLOPE: AN INTRODUCTION TO DARK PATTERNS](#)

This article gives a nice introduction to Dark Patterns, explaining the principles and giving a number of examples from the web. If you prefer video, [watch this 20 minute talk instead](#).

Having taken in this material, you should track down a few Dark Patterns yourself, to test your powers of observation and analysis. Try going through the steps of buying a domain name on [networksolutions.com](#) without buying any upsells, and see if you

can opt out of marketing communications. Do you see any Dark Patterns there? Also, try going through the steps of buying a flight on jetstar.com, but without paying extra for seating.

Remember, the whole point of Dark Patterns is that they are designed to exist in a grey area where they are legal and are implemented to only catch out a small percentage of the population, not every single user.

HOW IT CAN BACKFIRE: THE JUSTFAB STORY

Justfab.com is an online fashion retailer that offers a subscription service. In 2013, they suffered from a PR disaster having been accused of using Dark Patterns to trick users into taking out a monthly subscription when they believed they were buying a single product. What's particularly interesting about this case is that they geographically targeted different versions of their UI to different countries. In Germany, the UI was very clear and honest, corresponding with Germany's tight laws regarding online consumer rights. In the USA, where consumer laws are less well defined, they were accused of using a Dark Pattern. [Read the discussion on hacker news](#) for more information.

It's important that you develop your own opinion on this matter. Were justfab.com acting ethically? What should they have done differently in order to stay within your definition of ethical design?

DARK PATTERNS IN VIDEO GAMES

In recent years, game developers have found it increasingly hard to simply charge a reasonable price up-front for their games in app stores. Instead, they've seeing a lot of success in to free-to-play models where the user gets the initial experience for free, and then pays for various "optional" things as they play through the games. As you can imagine, there is a huge opportunity for Dark Patterns in designing games to coerce users into spending more money than they really intend. To start off your learning in this area, you should read about the [psychology of casino slot machines](#), which has a lot in common with this sort of F2P game. Natasha Shull's book [Addiction by Design](#) is a real eye-opener. [This 30 minute presentation](#) sums up many of her key points.

Having taken that in, you should read these articles on [Free to Play game economics](#), [Game Design Corruption](#), and, finally, [Dark Patterns in the Design of Games](#).

LOOKING TO THE FUTURE

Technology is becoming increasingly entwined with every aspect of our lives. Today, if there's a website you don't trust, it's easy to just avoid that website. With the impending advent of smart billboards ([famously portrayed in the movie Minority Report](#)), it will become increasingly hard to shut such things out of our lives.

For example, the Acure digital vending machine has been in use in Toyko subways since around 2011. Using a camera, it deduces your age and gender and displays recommendations based on this data. Although they've never been accused of any unethical behaviour, it's not hard to imagine a future where a similar vending machine uses dynamic pricing to charge you more if you appear to be wealthy, or to hide good deals and promote more expensive options. After all, Orbitz.com have already been caught using a similar method – in 2012 they employed user agent detection to show more expensive deals to Mac users than to PC users. According to their Chief Data Scientist Wai Gen Yee, “Mac users tend to stay in more expensive rooms.”

It's entirely feasible to imagine such practices will seep out into the real world. The research paper Dark Patterns in Proxemic Interactions explores a number of such scenarios.

Curated by Harry Brignull, freelance UX Designer and Research Consultant, with a PhD in Cognitive Science. He is also the founder of Dark Patterns, which is dedicated to naming and shaming websites that use deceptive user interfaces. Harry blogs at 90percentofeverything.com and tweets @harrybr.



LESSON 18: BUILDING COMMUNITY STARTS WITH UNDERSTANDING PEOPLE

The best community-builders understand how people think, as demonstrated in the design of their product and way they interact with their audience. I hope this collection of resources inspires new ideas for those building a community-based product.

DESIGNING TO REWARD OUR TRIBAL SIDES

Product builders often institute the wrong motivators, assuming money or other rewards will bring users back. In this post, Nir describes a core part of most community-based products: “Rewards of the Tribe.”

Which rewards are right for your product? Are you focusing on the right one(s)?

BUILDING A BADASS USER

It’s important to understand how people want to be perceived when using a particular service. As Kathy Sierra describes, people often want to feel badass and those that successfully deliver this feeling will bring people back.

How do you make your users feel badass?

THE BUILDING BLOCKS OF COMMUNITY

At the CMX Summit, a conference for community-builders, I shared some of the tactics we used to grow the Product Hunt community.

What steps are you taking to delight your community and appeal to their internal desires?

BARTLE TEST OF GAME PSYCHOLOGY

Richard Bartle classifies video game players into four categories: Achievers, Explorers, Socializers, and Killers. But these characteristics aren't just limited to gaming; it can also be used to better understand one's community.

How would you classify your audience and how might you change the product to appeal to a broader audience?

Curated by [Ryan Hoover](#), founder of [Product Hunt](#), a site and community for discovering the latest tech products, backed by Andreessen Horowitz. Ryan is the contributing writer of [Hooked: How To Build Habit Forming Products](#), and blogger on startups, marketing, and product design with articles featured in Forbes, TechCrunch, The Next Web, and Fast Company. You can follow his writing at ryanhoover.me and on Twitter at [@rrhoover](https://twitter.com/rrhoover).