



Episode 44
Loss Aversion - Why Do
Renderings Work.



**Jason: [00:00]**

Hello and welcome to Designer Discussions with Jason, Mirjam and Maria. Today we're talking about why do renderings work.

Intro: [00:05]

Welcome to the Designer Discussion Sessions podcast. Tune in each week where we discuss marketing, branding, PR and business advice for design professionals.

Jason: (00:23)

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Maria: (00:38)

Okay, so we are going to be talking a little bit about the science behind why some of the things that we do for work actually help us or could hurt our client experience. And one of the items that I wanted to talk about today was why a rendering is actually working for you and what that is actually doing to the client from an emotional and from a psychological way. So that when you need them to take the next steps and do the next thing, that rendering is actually there as the tool you need to get them to do those things. There are two concepts that are based on behavioral economics and consumer Sciences. The first one is loss aversion and then the second one is perceived ownership. So loss aversion is pretty simple, but I don't think we all know it exists and how powerful it is. The concept of loss aversion is that if you were to lose \$20, you would feel mad about it. You would almost be like, gosh, why is the world such a rough place? Or Why did I lose that \$20 you would hate on yourself for a period of time after losing that \$20, make it \$200, make it \$20,000.



Maria: (02:08)

Whatever that number is that you would lose, think about how much time it would take for you to overcome how bad you felt because of that loss. If you were to take and reverse those numbers and we were to talk about finding \$20, how does that make you feel? When I say, oh, you just found \$20, you're probably like, Yay, I'm going to go grab lunch with friends. Or if you say, well, you just found \$200 in work that you did that you have an invoice, you're probably like \$200. Maybe we could get up to \$20,000 and you're going to be like, Woohoo, that's going to start to make you feel good about it, right? But you lost \$20 or \$200 and were mad at yourself for a long period of time and it actually hurt. It actually felt bad. This is the science of loss aversion. And when they do research and when they study humans on the effect to the body that happens when you lose something. If you lose something, it creates two times the amount of pain as it would the amount of joy if you found it. So if you were to take and lose \$100, you would have to magically immediately find \$200 to make the feeling of the pain of that loss go away. So this is kind of an interesting concept. If you think about it, that someone. If they own something, if it's theirs and they have already had it, that it hurts them twice as much to lose it than if it was foreign out there. New and just found. Right? And this is something that we can use and work into our design experience. And the way we do it is through physical touch it's through labeling and talking about something as being belonging to that person. And by creating things like a rendering so that people can begin the ownership process even before they buy. So why is this important? Perceived ownership will allow for someone to feel such a great loss on something. That they will actually not worry about the money as much if they feel like they're going to be missing out. And I've told the story before, but I think it's a valid one. I'm going to retell it. Today. We had a landscape architect out. We have a small backyard. I asked to fix the problem. She came back with a beautiful rendering where our backyard looks like a courtyard for a little hotel or something.



Maria: (04:08)

It was stunning. It was awesome, and it was outside of the budget. But at that point, we were losing money by spending money on doing the backyard and not doing what we wanted. And so all we had to do was come up with the difference. The difference just a little bit of money. The difference between what we had budgeted and what we had said we were wanting to spend and getting this more beautiful design that she had created for us. So we had actually, in our head, started to analyze the project. Not from the standpoint of, oh, my God, we went over 10% or whatever the number was that we were going over on the budget. We started looking at, like, for only this much money, for only this much money more, we can actually have this, right? So this is technically the concept of an endowment effect. And if you look up the endowment effect and you want to kind of learn more about it, what it is telling you is that once you've owned something and it's yours, it's going to have greater value any day of the week than something that someone else is trying to give you. So say, for example, you have your favorite coffee mug or you have your own car, right? You know how you take care of your car? You know how many miles it's got on it? If someone walked up to you and said, hey, let's trade cars, you would probably be like, if you have the same car, same mileage, same year, you would not choose to do that. Because you could say to yourself in your head immediately, I don't know where that's been. I don't know if you were taking care of it properly. I don't know if that thing has had a million problems. I already am familiar with what my problems are with my car that I already own. So what we're doing is we're using these same natural human behaviors that occur when you have ownership of an item and we're moving it in further up into the acquisition process before we have the pain of purchase. And what we want to do is work more in the concept of their ownership through your design process. So one of the things you can do is one, create renderings. Two, listen, touch and feel it. So what happens is people start seeing an object in their space.



Maria: (07:08)

This is why every manufacturer product has a seed in your space AR type iPhone application that you can use to see their products in their space because they know as a company, if they can get it in the house, the chances of someone buying it is 50% more than if they were seeing it in a store. And this is the same with those expensive rugs. We bring in those beautiful pieces of art. Whenever we're accessorizing a whole home, we bring everything in and set it up and make it look awesome. The chances of them saying, I want to return everything that you just brought in is lower because you are seeing it in the space. They already own it in this space before you have gotten all the confirmation on all the items or things that they want. Right. So what we're doing is we're using the weight of loss aversion. We're actually making them feel like they're getting a 50% off discount because what they've done is now they have something that looks perfect, feels perfect, it's the right thing for them. And now they're only having to pay the difference between what they have budgeted in their head and getting what it is that they want. So how can you use this in your business more? How can you do things to create this more in your business? So one of the items that we talked about is getting magazine publications. Miriam, do you want to talk about that? Sure.

Mirjam: (08:55)

Yes. And I think a lot of it comes down to the perceived value of something. Right. And I always say in PR, getting a project or mention a feature, a profile in print still is the gold standard. And I think part of that is it comes down to scarcity. And we talked a little bit this morning, but there's only so many print publications. Right. And the magazine only has so many pages. So if you can get a spot in a print magazine these days, it's a very coveted spot. It's very valuable. And not to discount other kinds of media coverage. It's great if you get an online placement. But print just has this added value. And you can have it in your studio. You can have it in your showroom. If you have one, you can frame it, you can put it up on a wall. You can send copies to your vendors, to your most important clients. And people are so impressed. I always notice that when somebody gets a placement in a print, when they actually get to touch and feel the magazine, it's amazing. It's a very unique feeling. And I think that oftentimes justifies the effort and the investment it takes to get there.



Maria: (10:08)

Absolutely. And I have gone and seeing clients who have magazine pages that they have torn out and saved for years. So if you imagine just how valuable those magazine placements are, that someone would hold on to them for a very long period of time, just how much more perceived ownership and value that they would have in that article and in the person who is being featured in that space. Right. Because this is their dream home, and maybe they found these pictures. So I have a great example of how we applied in our design business. Perceived ownership and loss aversion and leveraged it to do a killer marketing opportunity. This is us doing marketing Rogue Hack 101 and go ahead and steal this because it's priceless and it works pretty great. We have a few interns who didn't have a whole lot to do. And to keep them busy, we made them put together presentation boards. And this is post presentation boards era. This is not you need a presentation board or you're ever going to make a presentation board for a builder or any type of client. Right. But what we did was we had interns. They had nothing else to do. We had them put together really beautiful, really amazing houses with fabrics and wallpapers and finishes, and we framed it, and we just had them in the office in case we ever needed them in the future. So what we did is we had a builder once who asked us to do some houses for him. And instead of scheduling our appointment to meet with him in our own office, we were like, hey, are you going to that Home Builders Association meeting for the custom builders this week? And he was like, oh, yeah, I am going to be there. And we were like, great, you know what? We're just going to meet up there. Can you do, like, maybe 20 minutes before that meeting? And he was like, yeah, sure. Yeah, that sounds easy for me. So convenient. Thank you so much for thinking of me like that. And we come in carrying presentation boards. When's the last time you've seen a designer walking around with a presentation board? And we have these gorgeous presentation boards sitting out on the table where we're about to have 25 custom builders walk in and sit down to listen to a lecture.



Maria: (12:08)

And we were just sitting and talking with the builder, and we're like, this is house one. And then this would be house two. So this is how we would do your two spec houses what do you think about them? Don't they look beautiful? Right. And so everybody is smelling in before this meeting. They're slowly coming in. They're getting a snack, and they're coming in to sit down, and they are just watching us hold a meeting in their space over these design boards. Well, what happened is people were interested, and they all walked by, they all looked at these presentation boards, and they were like noticing that we look like we have our act together. We had all of these beautiful things, and they could hear like we talked about social proof and Herding. They could literally hear people talking about how pretty it was and how this would really appeal to his super high end luxury buyers. And we just kind of used this opportunity to take this one builder and make him a marketing app. We got five phone calls that week because every other builder in that meeting did not want to miss out on what they saw. They are not getting that beautiful of a spec house because they are not working with us. Right. And so we created a huge amount of loss by just showing up, bringing out something a little bit nicer and a little bit better, and leveraging human nature where we want to see it in our space. We want to feel it, we want to touch it, and we also want to just see something really beautiful and remarkable. And whenever you start to see that and you can kind of experience something in a different level, then you start to see that through loss aversion. The pain of loss is so much powerful. It's twice as much that by the time someone buys something, it's half off. Isn't that amazing that we can leverage some behavioral economic concepts and create a half off bargain for the person who gets the opportunity to work with us? So keep these things in mind when you're looking at how you're working with your clients. And more importantly, if someone is actually purchasing something from you and you're finalizing a sale, you're making a decision. Tell them Congratulations. Say Congratulations. You just decided everything for that room.

**Maria: (15:08)**

It looks beautiful. You've made that. We've got that order. It's done. Remind them that you've completed that part of the process and give them that joy and excitement that they get to have because they completed their task and they knew that they were held in trusted hands. So get out there, look at your design processes, and understand human nature is not something you want to go against. You want to learn how to have it work for you and leverage your loss aversion and give people as much perceived ownership as you can throughout your design process.

Jason: (15:45)

This is great information. Maria, what you have said about loss aversion, I agree 100%. We actually have a client in Florida. She's a designer, and she did two different design ideas for a client. One was what they asked for but they also talked about some of the materials and selections and appliances that they really wanted but they didn't know if they wanted to do it now in the future. So she did two renderings and the rendering that had everything that she really wanted. It made her say, wow I need that now. I don't need to wait I need that now. So it made her go back give a little bit more money so she can get what she wants now as opposed to waiting for it later. So that was a great example and I love what you had to say there. So with that in mind, this has been a great episode and if you all have enjoyed this episode, hit the like and share this with other designers that might be interested and let us know what topics you want us to talk about because we're here for you. We're here to teach and learn and help give you the information that you want to hear about. So we hope to see you all next week on Designer Discussions. This episode is brought to you by Design Apple Designappy is the perfect appetizer for your five course design experience. It helps you to create the best first impression ever. Designappy.com.

Outro: (17:13)

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