Tightwads and Spendthrifts with Scott Rick

Resources: https://www.rogerdooley.com/tightwads-spendthrifts-scott-rick/

Roger Dooley [00:00:06]:
Welcome to Brainfluence. I'm Roger Dooley. Today's guest is Scott Rick, a marketing professor at Michigan's Ross School of Business. He holds a PhD in behavioral decision research for my alma mater, Carnegie Mellon. Scott teaches courses on consumer behavior, judgment and decision making and marketing management. Scott has won awards for both research and teaching, no small feat. And his work has been covered in the New York Times, the Wall Street Journal, Washington Post, NPR, and more. Even more significantly, his work has been made at least one appearance on my blog, neuromarketing.

Roger Dooley [00:00:37]:
Scott's new book is Tightwads and Spendthrifts: Navigating the Money Minefield in Real Relationships. Welcome to the show, Scott.

Scott Rick [00:00:44]:
Oh my gosh. Thank you so much for having me.

Roger Dooley [00:00:47]:
Well, it's really great because it's so fun to connect with somebody. I think it was probably about ten years ago or something that I wrote about your tightwad and spendthrift research, I think more than once. And so to connect at this point, to see you've got a book out about the whole topic is really wonderful. I'm curious. That kind of dates your work, but you've been working on tightwads and spendthrifts for a long time, Scott. How did you happen to go down that rabbit hole?

Scott Rick [00:01:13]:
I'm a spendthrift raised by spendthrifts. And I started to notice kind of as I moved through life that not everybody had that orientation. And there were a bunch of tightwads in my midst. And I kind of got curious about these vast

differences. And, you know, my research over the years has kind of tracked my own life developments. I married a tightwad and got interested in those differences in relationships. And now I'm doing work on how parents pass these on to kids, these tendencies. I have three kids of my own now, and so there's a me search flavor to all of this.

Roger Dooley [00:01:53]:
Very interesting. You know, I was excited to see that at CMU you work with George Lowenstein, who has been an early influencer of my neuromarketing blog and my original book, Brain Fluence, although he might not be super excited to hear that since he is concerned about the ability to influence the behavior of consumers using the techniques of behavioral science and neuroscience. But, I mean, I think it has to be done ethically. And we probably would not disagree on that. But, you know, one of his early topics was the pain of paying. Explain how that was sort of discovered, if you will, and what it is.

Scott Rick [00:02:34]:
So the idea is that we're not always kind of carefully calculating what it is we're giving up later by spending now. And so instead of careful calculations, we might rely on gut feelings, kind of distress, feelings of anxiety, and those might serve as the breaks when we're thinking about spending money. And so that had been proposed to explain some odd patterns, like the fact that many people in the old days kind of preferred flat rate calling plans over kind of paying for each call, even though they would have saved paying for each call. They didn't like the feeling of the meter running. And so it had been kind of an idea that was out there. And then I think the work that you noticed years ago was when we measured it in functional MRI, we had people shop while having their brains scanned, and

we found some neural evidence consistent with distress kind of being a signal to the person saying, stop, maybe don't buy this.

Roger Dooley [00:03:37]:
And that certainly influences decision making. And we found that people were different, right, that they, some were, felt this pain far more than others, I guess, like any other external stimuli. But, you know, from a marketing standpoint, that's, I think, significant multiple ways. First of all, looking at the product aspect, are there some products that you're only going to sell to spendthrifts and only sell to tight wands, do you think?

Scott Rick [00:04:06]:
I think you can take many products and frame it one way or the other. Spendthrifts, we are really skilled at viewing a broad range of products as an investment in our future well being, whereas tightwads need more help to get there and look at it that way, like a massage. Is it a pleasurable experience or is it an investment in your future comfort and productivity and happiness? And so spendthrifts can see it kind of both ways immediately, whereas tightwads need help with the framing of it. So theres a lot of ambiguity out there, and tightwads just going to benefit from that kind of investment framing.

Roger Dooley [00:04:49]:
So if youre a marketer trying to craft an appealing message for a broad audience where you really dont know whos who, obviously, if youre in a sales situation, a one on one sales situation, then that's really useful information. If you detect that you've got one type or the other, you can really either appeal, if they're spendthrift, to the sort of hedonic aspects of what you're offering and some of the fun things, the prestige, the enjoyment, all of that, where if you're selling to a tightwad, then you're going to want to emphasize the long term value and the fact you're not

going to have to replace this thing or whatever the sort of the long term benefit is, that might justify the, the price. But if you're a marketer who is doing more or less mass marketing, how can you try and appeal to both? Should you be incorporating both types of elements in your message?

Scott Rick [00:05:40]:
Marketers and retailers are good at trying to make all of us into spin thrifts and things that are aimed at helping tightwads. They usually don't hurt spin thrifts, spend thrifts might not need that extra push. So really, it's in the retailers and the marketers best interest to kind of think about how to loosen up tight wands. It's going to help with them and it's not going to hurt elsewhere. And when you look at the landscape marketers, they're pretty good at it. They're pretty good at taking our attention away from the money, leaving our possession and framing things in a way that it makes it feel like, oh, this is a reasonable long term investment. This is not an indulgence. So, yeah, I think their attention should really be on the people on the tight, wide end of things.

Roger Dooley [00:06:32]:
Thinking about it, it really sort of plays into the old advertising maxim that people buy an emotion, but they justify with logic, which gets, it typically means that you need both kinds of messaging in your advertising. You know, you, if you're selling a cool sports car, you know, you want to emphasize, you know, how fun it is and sexy and everything else, but you also want to emphasize it's perhaps its economy, its lasting value, the fact that its resale value is higher than your typical sedan or whatever, because that way even the spendthrift who has to justify the purchased to a tightwad, spouse or friend or something has that ammunition. So really, I think it probably does work sort of across the board, right?

Scott Rick [00:07:20]:
Yes. Yes, exactly. So they can justify it to themselves, but it's good to help them justify it when they get home and have to explain it to others. That's absolutely true.

Roger Dooley [00:07:31]:
Scott, you said that you're working on how these values are passed along through generations. And I guess we've had the experience of growing up with parents or grandparents who went through the depression, and that is certainly a huge influence in some of my background. I expect that's one part of it. How much of this divide between tight watt and spendthrift is innate or sort of genetically inherited, if any of it is? Or is it really all learned from one's environment? And, you know, whether it's parents or people you go to school with or work with or whatever, I think there.

Scott Rick [00:08:08]:
Is something built in. I think that is a component of your capacity for mathematical thinking. Tight woods are more mathematical, I think, sometimes to their detriment, and, you know, your kind of tendency to ruminate about things. And that also helps with tight watt ism. But I do think a lot of it is environment and how you're raised. And a lot of tightwads seem to have gone through a really hard moment in their life where they thought money was tight. Maybe money was tight, or they just felt it was tight, and they developed this protective shell to make sure they didn't overspend. And maybe that helped them get through a hard time.

Scott Rick [00:08:49]:
But for a lot of tightwads later in life, things loosened up. They looked better on paper financially, but they just didn't feel they couldn't shed this kind of well learned response. So there's a lot of tightwads who you would think

they'd be quite comfortable spending if you just looked at their bank accounts. But they can't shake those earlier feelings they developed.

Roger Dooley [00:09:12]:
Is there an age range that you've discovered that seems to be significant, or is it just sort of an ongoing thing?

Scott Rick [00:09:18]:
I don't have a precise answer. I mean, we've started measuring it in kids as young as five. We have a scale for children. It does seem like adolescence is a big, important moment that seems to stick with people, and it doesn't manifest immediately. Like, you don't start looking like your parents when you go off to college because you're just not facing those decisions that they faced when you were growing up. But when you grow older and it is time to buy the house or decide where to send your kids to school, we do see that people start emulating what they saw earlier in life.

Roger Dooley [00:09:58]:
You keep talking about how logical and mathematical and whatnot. Does this sort of divide map a little bit between Kahneman system one and system two decision making, where system one being that sort of quick, emotional fast, and system two being the more reason logical type.

Scott Rick [00:10:14]:
Yeah, but I think there's a lot of interplay. Like, tightwads are too logical and they're too obsessed with what I'm giving up later. And I think that causes a lot of anxiety and feeling and, no, I just can't do this. It's like a quick decision. No, when. If they sat with it, they might get to. Yes. So it's.

Scott Rick [00:10:37]:
You can be kind of impulsive and be an impulsive. No, not just impulsive.

Like, yeah, I want to buy that. So it's. Yes, but it's a very interesting mix of the two.

Roger Dooley [00:10:47]:
Right. Okay. That's interesting. So actually, perhaps the, although one associates the tightwads with being very sort of rational and mathematical, but they might make some snap system one decisions by looking at a price tag or a product category and say, no, I don't need that. That's ridiculous. That's a waste of money without actually analyzing it. Okay, good. Good explanation, Scott.

Roger Dooley [00:11:10]:
I like that we've got audience members from countries around the world. Are there cultural differences that you've seen where have sort of in entire cultures that seem to behave in one manner or the other, or at least differently from other cultures?

Scott Rick [00:11:26]:
I'd love to do more research on that. I don't have much data. I will say that in Canada, we've done the survey there, and they tend to be more tight wide than our us respondents. And you certainly hear stories, dutch people tell me that they're pretty tight. But no, I would love to learn more about that. I think the scale would need some kind of careful translating. We have this scale of questionnaire to measure where people are. But it's a great question.

Scott Rick [00:11:52]:
But yeah, it's on my to do list.

Roger Dooley [00:11:54]:
I would guess maybe, Scott, that some nations that went through periods of great deprivation, like after war, where, you know, for a while people were

starving, could barely get enough food to eat and so on, and had no resources, they might tend to behave kind of like the depression people that we have in the US where, you know, those people who lived through the depression and their kids really had this feeling of, wow, you know, don't spend anything unnecessarily. And so I hope your research shows that. I would imagine you might find some differences if you do that. Now, you mentioned that you married a tightwad. Right. And yeah, I understand that divide as well, although I don't think I fall really closely into one category or the other, but I probably have evolved into leaning towards spendthrift. But not that this is a relationship advice show, but if you are in a relationship with somebody, how do you sort of navigate that divide where you're not constantly arguing about every purchase, assuming you solve that yourself?

Scott Rick [00:13:01]:
Scott, we're doing okay on that, but it does need to be managed carefully. And I think bank account structure is one way to do it. So we have a system where we kind of launder all incoming money through a joint account. So it's all our money. There's no mine in yours. It's just all ours. And that helps to take attention away from income differences. So you need it.

Scott Rick [00:13:27]:
You want to get away from scorekeeping what we're each contributing to the relationship. But then on the back end of that joint account, we each have separate accounts where we each know how much we're moving from the joint into our separate accounts, but we're not getting into the details of what everyone's spending. I know you spend x per month, but I'm not doing like a line item inspection of what you're up to and vice versa, because I think that gets into unnecessary arguments over little things, especially if you have mismatched spouses. So it's, I call it kind of financial translucency instead of financial transparency. We each have a sense of what we're up to,

but the details are just available upon request, and hopefully the requests are few and far between.

Roger Dooley [00:14:16]:
I guess that makes sense, really what you're saying is you mix the money as it comes in, so you've got one big pot of money, and then you divide that in some appropriate way into individual accounts where those are really each person's business. By and large, the individual expenses aren't really accountable to the other if they come out of that personal account. Now, if you were going to buy a new house, for example, then you probably have to negotiate that in some way. But that actually seems like a very good idea. Hopefully some of our listeners can, audience members on the video side can benefit from that. I like that a lot.

Scott Rick [00:14:52]:
There's always time. We did an experiment with newlyweds, but I think I can help at any point if you want to retool, and it's just good to have some sense of individuality. And we might have different hobbies and interests, and I might not understand the cost of your hobby, let you enjoy it. I don't need to know those numbers as long as it's not kind of tanking the family. Have fun.

Roger Dooley [00:15:14]:
Go for it now, I guess, too, Scott, you could have a business relationship that had those same characteristics, and I doubt if you've, I guess you can explain if you've got any research on it, but, you know, if you have two decision makers in a business and maybe they're partners in the same business or, you know, CEO and CEO or something like that, and they have very different approaches to things. Any ideas on how to sort that out, too? So that, again, you're not constantly battling about one wants to spend to expand and the

other is saying, well, no, we need to hoard our resources in case there's a downturn. Any ideas on that?

Scott Rick [00:15:52]:
I think it's finding the appropriate division of labor and letting each one do what they're good at. You want a balance of both in a business, in a house, in any kind of joint venture. You know, you don't want to necessarily. If you're looking to wow a client, you don't want to take them to Olive Garden. Like, no offense, but you need to wine and dine. You got to spend money to make money sometimes. And so it's, you know, if you want to expand and take chances, you need a bit of a spendthrift mentality. But, you know, when I'm kind of keeping an eye on the books and making sure things aren't getting too wild, I'd love to have a tight, wide voice in the room speaking up.

Scott Rick [00:16:36]:
So it's that balance of perspectives, I think can be quite useful. It's just kind of putting people in the right places to kind of play to their strengths.

Roger Dooley [00:16:46]:
That makes a lot of sense. And I think maybe one possibility would be to also have third party involvement in the entire process. In other words, a board that sets broad parameters. And, you know, if ideally, you shouldn't need a ton of rules, like, okay, you can go to a fancy restaurant if the client is this big or something like that. You don't want to get into that level of detail where people feel like their behavior is being totally controlled by rules. But on the other hand, having an agreement overall that's established for the company of this is going to be our approach to the business. And maybe with a few examples here and there to guide the decision making, you know, that that could be one way of doing that, because you can't really have separate accounts like you do in your relationship. But, you know, at least if there's sort of a third party, that.

Roger Dooley [00:17:39]:
Whether that third party is a board or a management committee or even just sort of a strategic plan, you know, that might. Might be one way to do that.

Scott Rick [00:17:48]:
This might be too permissive for some companies, but I like the way Netflix phrases it. They say our expense policy is, you spend in the best interests of Netflix.

Roger Dooley [00:17:57]:
Right. I highly recommend no rules. Rules. That's an excellent book. And I would say it's not necessarily an approach that's going to work for every company, because not every company can hire really exceptional individuals who have that ability to navigate that sort of thing. If you've got a call center with 1000 people in it, you can't just let them all do their thing. But on the other hand, for companies that are dealing with managerial people, technical people, that's really, I think, an excellent approach, because I sort of take the same approach when I talk about friction in businesses and unnecessary effort, wasted effort. And because when you are having people spend hours filling out expense reports or other bureaucratic forms, trying to justify every little detail, you're wasting their time.

Roger Dooley [00:18:50]:
Not only are you wasting their time, they know you're wasting their time, and you're sort of telling them that, well, yeah, your time just isn't that important. We want you to do this thing so that everything is done exactly according to the book. And maybe, as Reed Hastings suggested, you ought to throw the book out and people get a lot more done, and maybe actually, with responsibility, might behave in a more responsible way. Because if you've got this very tight set of rules for anything, how you spend your

expense report money, if you find, gee, you know, I've got an x per diem here, I can spend up to that amount per day. I haven't used it all. Maybe I'll go, go have an extra meal or something. Really? You don't want people doing that either. You know, if you're.

Roger Dooley [00:19:34]:
If you need to have a meal, if you need to take a client out, do it. You know, if. But don't feel obligated to spend it just because you're, gee, didn't hit your limit.

Scott Rick [00:19:44]:
My approach in the book is very much in that spirit of kind of high trust. It is risky. You know, I think my advice, if the couples are fighting and on thin ice, I'm not sure I would follow all my recommendations, like, oh, go all in on a joint account like that. That's risky. So my approach is for things that are couples that are going good, and maybe it could be even better.

Roger Dooley [00:20:11]:
Scott, over the years in your research, I'm sure you've had a few surprises in. Once you got analyzed your data, what would you say is one of the biggest surprises you've encountered?

Scott Rick [00:20:21]:
I am often surprised at advice that I've seen in the world, and that kind of prompts ideas for projects to see. Is that reasonable? You know, I've seen advice about, like, retail therapy as, like, it's such a bad idea to shop, to feel better. Like, that just seemed like an obvious conclusion that everyone came to, that everyone that I could find, everyone that was writing about it. And it just seems so at odds with my own experience, where I guess retail therapy has been helpful here and there over the years. And so when I see advice that seems wrong, it prompts me to kind of study the topic more closely.

And, you know, I have some work showing that shopping can help with feelings of sadness, can help you recover more quickly from those feelings. And it doesn't have to be expensive. It can even be kind of hypothetical shopping, but it does help to restore a sense of choice and personal control, and that's what's missing when we're sad.

Scott Rick [00:21:26]:
So, yeah, I think I let myself just consume what's out there, kind of what are people talking about? What are they advising others to do? And I react. And the research kind of goes from there.

Roger Dooley [00:21:39]:
What do you mean by hypothetical shopping, Scott?

Scott Rick [00:21:42]:
We would have a study, for instance, where you go through the motions, you kind of drag things into your cart. But, you know, this is just that you're not going to get any of these items. It's just kind of simulated shopping. But we also did kind of low stakes shopping that worked, too. Certainly retail therapy can get out of hand if you kind of go off the deep end and get yourself in debt, and that's going to make you even more sad. I'm not advocating that, but kind of isolated, responsible shopping that actually can't help with sadness.

Roger Dooley [00:22:17]:
I can see that just even a small purchase of something that interests you, like, I kind of collect travel gear. I don't collect it, but I mean, I'm always looking for something that's a little bit better than whatever I've got right now. And it could be something as, you know, a little cable adapter or something. But if I see one that's a bit better and buy it, I mean, to me, that's the sort of thing that can cheer you up. I'm not usually troubled by

feelings of sadness, but I can imagine that, you know, a small purchase like that can be a little bit of a mood enhancer.

Scott Rick [00:22:45]:
Yes, exactly. Yeah. It doesn't help with things like anger. So it's kind of a narrow band of bad feelings it can help with, but it's just I felt it was kind of a necessary counterpoint to all the kind of very general advice I was seeing out there.

Roger Dooley [00:23:00]:
Scott? Yeah. If there is one takeaway from your book that you like people to go away with, what would that be?

Scott Rick [00:23:05]:
So, I mean, for individuals, you can change your own habits. You can, I say that everyone's trying to influence us. You can take the principles that marketers and retailers use to influence you and use it to influence yourself by either kind of turning up or down the dial in terms of the psychological speed bumps you put up to spending. You can put up more or you can put up less, depending on what you need to do. And then for couples that too can be managed. Like if you just a simple rearrangement of bank account structures can really have profound effects. You often hear people saying oh, when people fight over money they're actually fighting over something more fundamental. The money's just this superficial layer and that can be true but sometimes it is about the money.

Scott Rick [00:23:58]:
The money can create psychological dynamics that wouldn't be there otherwise. And so you can change that. You can change how the money moves and how things are monitored and really have a better relationship.

Roger Dooley [00:24:10]:
That's great Scott. How can people find you and your ideas online?

Scott Rick [00:24:14]:
You can go to scottrick.com and there you can find the research I've done and that kind of inspired the book and you know, there's a link to the book and all that.

Roger Dooley [00:24:25]:
Fantastic Scott. It's been a lot of fun. Thanks so much for being on the show.

Scott Rick [00:24:29]:
Thank you so much for having me.