



**SPI 262**

# **Habit Forming Products with Nir Eyal, author of *Hooked***

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Pat: This is the Smart Passive Income podcast with Pat Flynn, Session number 262. Hook it up.

Announcer: Welcome to the Smart Passive Income podcast where it's all about working hard now so you can sit back and reap the benefits later. And now your host, when it comes to his oatmeal, no berries. No thank you. Pat Flynn.

Pat: Yo yo, what's up everybody? Pat Flynn here. Thank you so much for joining me in this session of the SPI podcast. This is 262 and first of all, I just want to thank everybody who has left a review on iTunes. It's super encouraging and I'm just honored that you would take the time to do that, thank you very much. Today we have a great guest on, an author of a book that I picked up. And I picked it up specifically for something that I'm working on

So, a lot of you might have seen on the blog, recently I've been working on a physical product. This isn't a book about physical products but it's a book specifically on how to create habit forming products. Products that people are going to use over and over and over again and often, subconsciously, continue to use those things. This book is called *Hooked*, authored by Nir Eyal. And he has a great website also for everything he's got going on, actually, Nirandfar. And actually it's a great interview because we go over the structure of exactly how one can create habit forming products and for the product that I'm working on—you'll find the links to the posts that I've been publishing on SPI, we're doing one a month for a while now—related specifically to that new experiment that I'm working on. It's a total different ballgame than anything I've ever done. Completely out of my wheelhouse, which is why I'm doing it. That's what I love to do; just try new things, experiment and see what works and see what doesn't. But along the way I like to research and interview and talk to people who have done it before or who have created things and resources that can help me. And that is why I'm interviewing Nir today. So, here is Nir, the author of *Hooked*, and sit back and enjoy. Here we go.

Hey everybody, what's up? I'm so happy to welcome the author of

an amazing book I just finished called *Hooked: How to Build Habit Forming Products*. And this is none other than Nir Eyal. He has a blog also at [Nirandfar.com](http://Nirandfar.com), which is awesome. So Nir, thank you so much for coming on the show. I'm really excited about this. Thanks for being here.

Nir: Thanks Pat, it's a pleasure to be here. I really am glad that you've asked me to come and chat.

Pat: Yeah, well, I'm glad you had the time today. You know, how to build habit forming products, I think this, for any entrepreneur, no matter what they're doing, whether it's building apps or creating website, they want to build things for their audience that create habits; meaning people will continually come back again, and again, and again.

When I read the title of this I was like, "Is this really something that can be sort of formulated?" I thought it just kind of happened randomly, but you broke it down and we're going to into that process today. So guys, stick around. This is going to be great information. But before we get to that, Nir, I just want to talk about you really quick and, you know, why don't you tell us what it is you do? How did you get to where you're at today? And what inspired you to write *Hooked*?

Nir: Sure, so, let's see. So I started a couple tech companies. The last of which was in advertising and gaming space and those are two industries that I can admit to you are really dependent on mind control, right? On changing people's behavior, and the advertisers don't send those billions of dollars for their health and game companies . . . What other industry knows how to manipulate user behavior better than the gaming industry? And so I kind of had this front row seat, learning about these psychological techniques that companies use to change your behavior. And I wanted to figure out how to use that for good. How could the rest of us use these tactics to change customer's behaviors to get them to use products that we know would benefit them? Right, would really help improve people's lives, if they would only give it a shot. And once they give it

a shot, continue using it to help build healthy habits.

And frankly, I didn't see any guidebook for how to do that. I didn't see any book on how to build customer habits. I saw a lot of interesting books for dinner party conversation but not for a practical guide for "How do I do this in my business?" So that's really the book I wanted to write. So after my last company was acquired, I had some time on my hands. I spent a lot of time in the Stanford library. That developed into a course that I taught at the graduate school of business and then at the design school of Stanford. And then I wrote this book *Hooked* to kind of take all these learnings, combine them, and make them into a really practical book that every entrepreneur can use to make their business more engaging and habit forming.

Pat: And I love that you mentioned use for good because when I was reading this book and really started to realize that there was a formula here, I was like, "Wow. This is really powerful stuff." And then you, right when I was thinking about the whole, "Well, this could be used for bad," you had just dropped in a chapter about, "Okay, let's talk about why this should be used for good. There's like moral things that happen and ethics involved with this." And when you say gaming, when you first started out, did you mean like video games, right? Or did you actually mean like—

Nir: Video games.

Pat: Okay, so not like casino and that sort of thing? Like, which also involves habit forming.

Nir: No, no, there's some . . . Yeah, yeah, habit formation, it's not all-out addiction, and thank you for reading the whole book. It's funny because sometimes people come up to me and say, "Oh, I read your book about addiction," and that's not what my book is about. There's a big difference between addiction and habit formation. I don't recommend that anybody tries to addict people because addictions hurt the user, right. These are compulsive dependencies on a behavior or substance that harms the user. So we would never

want to actually addict people. But habits are a different story. Habits, we have good habits, as well as some bad habits.

Look, this is some powerful stuff. I mean, I'm not going to beat around the bush here; I mean, this can be used to manipulate people in negative ways as well. But I think that by learning how these techniques work, one, we can build products and services that improve people's lives. We can help them build healthy habits, help save money, help them exercise, help them eat better, communicate with their family, be more productive at work. I mean, these are all habits that technology can facilitate. And then, two, on the other side, I think the other value of knowing this information is that, you know, look, I'll share a little secret with you, that a lot of people buy my book thinking, "Hey. They're going to build the next Facebook," and that's great. I love that entrepreneurial zeal, but what ends up happening at the end, when they read the book, they realize, "Wait a minute. This is being done to me. I am being manipulated. That Facebook and Instagram . . . Now I understand why I keep using these products so much, why I keep checking and checking and checking." And of course that's the first step to putting these technologies in their place and begin productive in our own lives; and not slaves to these technologies. To actually understand, "Wait a minute, there's some deeper psychology at work here that keeps us checking."

Pat: I love that. Now I remember when I was in college, there was a video game that I got hooked on for about four months. Although, you could call it an addiction because it did have a negative impact on my grades. It was called WOW, or World of Warcraft, and . . .

Nir: Yes.

Pat: I remember in the first, like, five minutes that I was playing this game that I knew I was going to be hooked because there's all these things happening. I'd love for you to speak on just like the first step. Because obviously, in order to use something over and over and over again, you have to use it once first. And with all the things fighting for our attention out there, it can be difficult to kind of get a

person to even look at us, let alone build a habit using our stuff. So what are the first steps in actually this whole process that you talk about?

Nir: Right. Well, the first step is understanding whether you even need to form a habit in the first place. Because look, there's lots of companies out there that don't need to form a customer habit. If a customer uses your product once and that's it, then you don't necessarily need to form a habit. Now, the question then is, of course, can you use a habit, can you build a habit around your product or service even if it isn't used as frequently as maybe a Facebook or a World of Warcraft or whatever else that you might insert there? So that's the first question, is the core product a habit or do you need to bolt on a habit?

So, the best, of course, is if you can make the product itself a habit. And so that's why in the book, I profile companies like Facebook and Twitter and Instagram and Slack and Snapchat and even in the enterprise space, companies like Salesforce, all of these companies, the product itself is habit forming. And I teach this four-step model of how to make sure your product has this habit forming process built into it that I call "the hook." So, it's kind of a diagnostic tool. The first step should be, if your business model requires a habit, do you have these four fundamental steps of a hook built in? And if you don't, you need to make sure you get those built in.

Now, if your product is not used frequently . . . For example, I was in Las Vegas recently at a convention of real estate agents and I was about to get up on stage and give my talk to about 700 real estate agents and the women who hired me introduced me to and said, "Now we're going to hear from an expert on how to build consumer habits and he is going to teach us to make home buying and selling into a habit."

Pat: Oh man.

Nir: And I said . . . First thing I said when I came on stage, I'm like, "Let's be very clear here, you are never going to make home buying

and selling into a habit.” That is the antithesis of a habit. It’s not a behavior done with little or no conscious thought and it doesn’t occur anywhere near as frequently as you would need for a habit to take hold. You know, buying a house is something people do every five to ten years, not every day. So it’s never going to become a habit.

But I still gave my talk. You know, I’ve been working on this stuff for years and years and it was fascinating because even though you wouldn’t think home buying and selling can be a habit, these real estate agents, after I talked in this material, they came up later to me and they said, “Oh. I know what I’m going to do. I understand that home buying and selling is not going to become a habit but I can form habits around my business.” So for example, one lady came up to me and said, “I’m going to create a content habit. I’m going to create this habit around any time people in my community feel uncertainty, what I call an internal trigger. This negative emotional state. I want them to turn to me for information about how to fix their financial problems.” Is financial insecurity something people experience all the time? You bet it is. And they’re constantly looking for a solution for something to make them feel better about that problem. And so she started this content habit and there’s lots of companies, Williams Sonoma, is a great example of a company, doesn’t have frequently bought products, but has this habit of content creation. That’s why we see this rise of content marketing today.

The other thing you can do is to form a community habit. Another one of these real estate agents wanted to form this community of other people in his neighborhood who would share information and have a little community around what was going on in their neighborhood. Who was the football team playing? What new movies were opening up in town? What was going on in their community? So they formed this habit around a community of people and then of course, the result of this community, or content, habit, would be then when it was time to buy or sell a home, guess who the customer would come to? Of course, they would come to these real estate agents.

There's another company that does this really, really well, but with community habit, Hallmark. Hallmark has this Keepsake Ornament Club. I mean, if you think about a product that's not bought frequently, can't think of a better product than Christmas ornaments, and yet there are over a hundred thousand people in America subscribe to this Keepsake Ornament Club because they have this community habit. It's not about the product they're buying, it's about this need to be understood and understand other human beings. It's this core fundamental human need to associate with other people. The byproduct of that habit is that they buy what's on sale, they buy from Hallmark these Christmas ornaments. So it's not that your product itself has to be habit forming, you can still attach these habits around your product so that the result of engagement is monetization.

I mean, that's what I'd love people to post somewhere in their office; that monetization is a result of engagement, not the other way around.

Pat: Love it. And you had mentioned triggers earlier, which I know is a major point in your book. You had mentioned an internal trigger. I think the example you used in the book was, you know, somebody who's just kind of strolling, they see something interesting that they want to snap a photo of and they just feel this internal need to want to share it with their friends and family on Instagram. There's other triggers too, right? Beyond just, you know, kind of the internal stuff.

Nir: So this is super important. I mean, so this is one of those concepts from consumer psychology I think that changes the way you view the world, that there is only one reason, and one reason only, that we buy anything, okay? The only reason we buy is to change our internal state. To modulate our mood. That's it. We are relieving pain when we use products and services. So your job, as someone who makes stuff, is to figure out what pain you're going to address, and if you're going to build a habit forming product, you need to think of frequently occurring itch. You need to think of something that occurs often enough in the user's life, so that when they feel that trigger, your product is how they find relief.



So I'll give you some examples of internal triggers. If you think about when you're feeling lonely, you'll open up Facebook, or maybe, some people open up Tinder, right? When you're feeling uncertain, what do you do before you even think about it? You're already Googling. And when you're bored where do you go? You go to YouTube, you check Reddit, you check stock prices, sports scores, the news. The reason these products are habit forming is because they have all attached to these frequently occurring itches, these internal triggers. And so that's the very first step. Before you build anything, if you're going to build a habit forming product, you have to be able to tell me what the frequently occurring itch that people are going to turn to you to scratch.

Pat: I see it. Now are there triggers that can happen from the outside? For example, just from a company point of view, like I can continually remind people to begin using a product again and thus, they will go through the cycle and actually start using it and hopefully kind of get the wheels going again?

Nir: Absolutely. So there are two types of triggers and the one that people are most familiar with are what I call "external triggers." These "external triggers" are things in our environment that tell us what to do next. "Click Here," "Buy Now," "Play This," a friend telling you through word of mouth about a great new app or website or product you should try, all examples of external triggers. Now, the goal, what you have to do, the secret here, is to closely attach the external trigger to the internal trigger. This is the difference between a notification or a piece of marketing or something that comes to the user that feels like spam and that's annoying and just wastes your money, and something that actually gets a response. And the secret between something that feels like spam and something that feels like magic is one word. And that one word is "context." Context is all about closely coupling the internal trigger and external trigger together.

You know Paul Graham said that the secret of succeeding in business is to give people what they want. I would add to that, that the real secret to giving people what they want is to give it

to them when they want it. I can't tell you what a rookie mistake it is, and I see it happening all the time, that ad makes and product makes, they keep sending things to people on their schedule, without thinking about the customer's schedule. When is your user, your customer, most likely to be in pain and your product solves that pain? And there is so much we can do today. I mean, there is so much data that we can access. Time of day data, place data, all kinds of information that we can try and ascertain: when is a customer most likely to need our solution? And that's when we reach out. Not just whenever we feel like it.

Pat: Right. Right. Now, triggers are obviously the first part, right, that's what kind of initiatives. But, you know, I see things all day that don't get me to take action. Like buttons here and advertisements here and probably even internal triggers that happen that I just don't act on. So how does one get from trigger to action?

Nir: Right. So big picture, the ultimate goal is to no longer require those external triggers. All right? When a company wins is when they attach their product's use to just the internal triggers so that you don't need a notification or an email or something spammy to get you to open the product or the app. It's just the feeling, right?

Pat: Right.

Nir: Boredom, loneliness, insecurity . . . whatever it is.

Pat: Facebook doesn't tell me to open it.

Nir: Exactly. That's the ultimate win. I mean, Facebook spends almost no money on ads. Have you noticed that?

Pat: Yeah. Except for the live video.

Nir: Right. Almost no money. You didn't see a Super Bowl commercial, right? I mean, very, very little money that they spend compared to companies of that massive size almost no dough do they spend on ad, because their strategy, and this is really . . . when it comes to

how companies are built today. Their strategy is that the company itself is habit forming, right? That's what makes you remember to come back is the association with a negative feeling, but after they do that, right, they . . . through the process of running you through these four steps, the next step being the action. The action phase of the hook is defined as the simplest thing that you can do to get a reward. The simplest thing that you can do, so what these companies are specialists in, is using this principle of the easier something is to do, the more likely you are to do it. So, something as easy as just tapping on that notification, and scrolling through your feed. That's it. That's the core habit for a product like Facebook, and many other online products is just opening the app, and scrolling some kind of feed, that's the action.

So, your goal as a product maker is to figure out that repeat behavior, that habit, how can I make it as easy as possible. The mistake I see a lot of folks make is that they think they should motivate their users that if people just knew how great the product was. If I just sold that them, if I just showed them more videos and explanations, testimonials, then they'll use, and it turns out that motivation is typically not the problem. The problem is usually ability, it's that the product is just too hard to use.

Pat: Right, understood. Now what really surprised me when I was reading your book was there was, you know when we usually hear about habits, we usually hear things like, "Oh, the person has to do it for seven days straight or 21 days before it becomes a habit." And I don't know, maybe I missed it, but I don't think it was in there, and I'm curious to know why it wasn't? Because we always hear that, and obviously, I agree with the way that you kind of framed everything here, and I feel like it's just not as simple as saying, "Hey, just get somebody to do something for this many days, and then they're in."

Nir: So, it's a myth. That's why it's not in there.

Pat: Okay. Well, F that.

Nir: Because the magic number theory . . . Yeah, they magic number theory of 60 days or 25 days, or 45 days, there's no magic number for the number of days you have to do a behavior for it to become a habit. What we do know that's backed by good research, that happens to be an urban legend, but what we do know from good research, is two things when it comes to frequency of habit formation. Number one, the more frequently you do a behavior, the more likely it is to become a habit, and when you think about the habit forming potential of online products, right, how often do people use Twitter, and Tinder, and Facebook, and Instagram, how often do people use these things? Well, multiple times a day, the stats are telling us that people check their home screen a hundred and fifty times a day. So, very, very high habit forming potential. The second thing we know is that the likelihood of forming a habit goes down precipitously if the behavior does not occur within a week's time or less. That seems to be the cut off. That if you can't get your customer to do that key action within a week's time or less, you're kind of screwed, you have to figure out how to make a habit around the product, not make the product itself the habit.

Pat: Got it. Okay, cool. Thanks for clarifying that, and kind of just putting the foot down there. I think it makes perfect sense. Now, the next step, so we talked about triggers and then the action that's sort of phase two here. Phase three now, which is one of my favorites, and one of my favorite parts of the book is reward. I talk a lot about reward on my own site. Going back to the World of Warcraft example, I knew that this was going to be a game that I wanted to play, because within the first five minutes, I was rewarded with level number two, unlocked abilities, all these other cool things. But the way that you dove into it, and talked about the different kinds of rewards was really interesting. Can you speak on rewards and the different types that are available to us product developers out there?

Nir: Sure, sure. So, after we figured out the internal trigger, the itch that the customer has, the external trigger prompts the action, the action phase is the simplest thing the user can do to get the reward. Now, it's time to actually give them the reward. So, the goal of the

reward phase is to give the user what they want, but that's not good enough. It's not good enough to just give people what they want. We also have to make them have some kind of uncertainty about what they might find the next time they engage with us. So why do I say that? Why isn't it good enough to just give people what they want? Well, there's a lot of research going back about 70 years now that finds that very ability, that a bit of uncertainty, increases engagement.

So let me take you back to the work of B.F. Skinner, the father of operant conditioning. Skinner was a pioneer in this field and what he did, he did this very interesting experiment. What he did, he took these food pellets and he gave them to these pigeons. At first, whenever they pecked at a disk, so a pigeon would peck at a disk, he would give them a little food pellet, a little reward. And what Skinner could do very quickly, he found that he could condition the behavior of his pigeon. Whenever the pigeon was hungry, they would peck at the disk, get the reward, boom. He trained them how to get the food pellet.

But then something interesting happened. Skinner started to use variability. So sometimes the pigeon would peck at the disk and nothing would come out. The next time the pigeon would peck at the disk they would receive a reward. And it turns out that the rate of response, the number of times these pigeons pecked at the disk, increased when the reward was given on a variable schedule of reinforcement. And of course, we see this variability all over the place. We see it in all sorts of products and services. If you think about what makes a sports game, a match, worth watching. It's the variability, right? Nobody wants to know the score of a game after they've watched it. They haven't got a chance to see it on TiVo or whatever. You don't want to know the score, right? You want the surprise. What makes movies interesting? You don't want somebody to tell you how the ending works out because then it takes away the variability. The news, nobody wants to read yesterday's news because it's not new anymore. And of course, if you think about gambling. The slot machine mechanic of pulling on a slot machine and then you've got this variability of, "Are you going to win the

jackpot?” It’s all about what we call intermittent reinforcement.

And of course, online we see it in social media. Every time you scroll through your newsfeed, or check a photo on Snapchat, or whatever, all that is variable. Email is another great example. I think email is probably the mother of habit forming technology. It’s all about uncertainty, it’s all about variability. We’re in those Skinner boxes opening these messages and sometimes it’s junk, sometimes it’s super interesting, sometimes it’s actually super important and that variability keeps us checking and checking and checking.

Pat: Now is there a way for a person, you know, maybe somebody who’s listening on the other end right now, who is in the ideation phase and they’re creating products and what not, is there a way to determine what the best kind of reward would be or how does a reward come into the product world? Like is it . . . Like I feel like people might want to try and force a reward, that because they’re hearing this and it makes sense but you know, the reward should obviously align with the motivations and what not. So I’m just trying to figure out how to best place a reward into this whole process without just kind of having it be an afterthought.

Nir: Exactly. You don’t want to do what . . . You don’t want to just put points, and badges, and leader boards to make it look like a game and expect it to work. A lot of times that doesn’t work, and the reason it doesn’t work is because it fundamentally has to scratch the user’s itch. Right, that fundamentally, this reward has to give people what they want. So there has to be a connection between the internal trigger that we talked about earlier and the reward. If the internal trigger is loneliness, well then the reward has to connect people together. If the internal trigger is boredom, well then the reward has to entertain. So fundamentally you have to figure out what that itch is in order for the reward to be effective.

And then by crossing that reward, there’s actually three types of variable rewards: rewards of the tribe, rewards of the hunt, and rewards of the self. So rewards of the tribe are all about these social rewards. Competition, cooperation, empathetic joy, feeling good

because someone else feels good, all of these things are rewards of the tribe.

Rewards of the hunt are all about the search for information or material rewards. The search for . . . If you think about a slot machines, what makes slot machines habit forming is not all-out . . . It is of course this hunt for money. Or online, when you think of a news junkie, right? Why are we hooked to watching the news every day? It's because, it's variability of the information we might learn.

And then rewards of the self. So rewards of the self are about mastery, completion, competency, finishing the to-dos in your to-do list, checking the unread messages in your inbox, all of this. And of course, your example earlier, World of Warcraft, getting to the next level, the next achievement, all examples of these variable rewards of the self.

Pat: Love it. Thank you for that. Okay, so let's hone in on the final sort of stage here in this cycle, which is investment. This one I really liked because it sort of builds on itself and it becomes sort of this snowball effect where once you're in, you can't get out. And I feel like a good example of this, and I'll let you talk more about what this mean and how to define it and find it, but a good example for me is Dropbox. So I pay monthly for Dropbox, right? Everybody listening, you all know what Dropbox is for storage, file transfers, and what not. I have gigabytes and gigabytes of files on there. It would be crazy for me not to use that product anymore. I'm in there and I'm committed. It's become a part of my life. I'm invested in that product and it's paying me back because it's helpful. So that's how this product is continually making month over month money from me and tens of thousands of other customers too. So that's an example of . . . That is what we're talking about, right? When we talk about investment?

Nir: Exactly. It's a great example. I mean, investment is super important in the product and when we talk about investing in a product, we're not talking about money. Money is a form of investment but in this day and age, it's not actually not the most important

form. Investments are things that the user does to increase their likelihood of the next pass through the hook. Okay, something the user does to increase the likelihood of the next pass through the hook. And investments do this in two ways. The first way, is by storing value, and storing value is really big deal. When you think about the future of how products will be made, how billion dollar businesses are being made today and will be made in the future, it's all about stored value. And the reason stored value is so important, is that for the first time in history, the customer is making the product with the manufacturer. That's brand new. It used to be when the Model T rolled off the line, it was done and there was only . . . That was it.

But today, if you think about it, that's not the way that Facebook is made. If you logged into my Facebook account, it would be completely boring to you because it's been tailored based on the investment I have made in the product. Who my friends are, what I've commented on, what I've posted, all this data that I've given the company has co-created the product, in real time, just for me. That's a really, really big deal.

So there's a few forms of this stored value. It can be data, it can be content. For example, the example you gave of Dropbox, the more content you uploaded, the more valuable it becomes overtime, the more likely you are to return. Followers . . . so for example, the more followers I have on a platform, the more valuable it becomes, a way for me to reach my audience; reputation, and skill. So all of these things, the more I accrue, the more investment I put into the product, the harder, the stickier it becomes to leave, even if, think about this, even if a better product comes along. I mean if there is one myth I want to smash, it's that it's not the best product that wins. Many people in business today think, "Well, we'll just make the best product and customers will come beating down our door," and I'm here to tell you, that's not good enough. The graveyards of Silicon Valley are full of companies that had the best technology but that's not good enough. You have to own the monopoly of the mind. You have to be the first product that customers think of; that's who carries the market.



So the first way that investments increase the likelihood of the next pass is through stored value. The second way is by loading the next trigger. So, when products can have you do something, as a user, something that you do to bring yourself back. So, for example, take Pinterest. Every time I post something to Pinterest or comment on something, and this example can go for any number of platforms, you can substitute WhatsApp or Slack any kind of messaging type system that has that interface, I will get a message in the future that says, “Hey. Guess what? Somebody interacted with something you did previously,” that notification, that message is an example of an external trigger, which we talked about earlier, that brings me to the hook once again. And now I’m going back through the trigger, action, reward, and investment cycle all over again. And it’s through successive cycles through those four steps that’s how the association with the internal trigger is formed.

Pat: Love it. I love it. Before we finish up here and again, thank you so much for your time. Everybody make sure you check out Hooked, I’ll have a link in the show notes for everybody, of course, and also to Nir’s blog. The last thing I want to talk about is discovering these sort of habit forming opportunities. I think if we keep our eyes and ears open, they’re out there but do you have any tips for people who are running their businesses now, who may have opportunities right in front of them but they are just not seeing it? How do you discover these habit forming opportunities?

Nir: Yeah, the best thing you can do is to look for behaviors that are already occurring. So what I love to hear is when an entrepreneur . . . So I do quite a bit of angel investing myself. I look for only companies that have these habit forming properties and I always love it when an entrepreneur comes to me and says, “Look, we’re just going to take this habit over here that’s currently occurring offline and we’re going to bring it online.” I mean, that’s one of the best things you can do is to say, “Look, people already have this habit. Right now, they’re doing it with scotch tape and bubble gum and they’re stitching together a bunch of excel docs to make this product work. That we’re just going to take that existing behavior and move it online.”

And I think what we're going to see in the next few years is entrepreneurs not just in Silicon Valley anymore. I mean, Silicon Valley is now the entire United States. People all over the country are recognizing these opportunities to use technology in every business. I mean, what business today is not a technology company? And what they're doing is looking for these opportunities where they can move offline habits, online. So what you need to do is to look for frequently occurring habits that are offline and figure out ways to bring them online, as well. Or, take existing parts of your business and bolt on these habit forming elements like content and community that we discussed earlier.

Pat: Is this only an online thing? Can habits be formed in a similar fashion for brick and mortar or sort of offline products?

Nir: They certainly can. There's lots of products that are habit forming that are not online. I mean if you think about our habits with television. People feel very compelled that first thing they do when they come home is plop on the couch and turn on the TV and watch a football game or something. So they definitely have all kinds of habits both online and offline. But I'm most excited about these online habits because the winners of the past century, the big companies, are all being disrupted today by little guys, by little entrepreneurs who see the opportunity that online provides. The missing link for many offline companies is they don't have the investment phase. If you think about the newspaper business, why is the newspaper business disrupted? Well, because there's no way to make the product better with use. Well, here comes Facebook and based on how you participate with the news, what you like, what you watch, what you comment on, the product gets better and better and better with use. Not to mention that it's free, it's easy. So when we think about the action phase, it's easier to get what I want than ever before.

So that's where you see these upstarts using the four steps of the hook to disrupt old industries. And I think we're going to continue to see that in the decades to come and the billion dollar opportunities are out there. They're going to be made by people who are listening to me right now.

Pat: That's awesome. The one story I love at the end of your book, which relates to a product that many people in the audience are familiar with, which is Buffer. You had talked about how Joel, the founder, kind of discovered this thing he was doing all the time but it just kind of cumbersome and he turned that into Buffer, which is obviously sharing information that you find just with one click, essentially, through social media and that's where Buffer came from. I'm on baremetrics.com right now looking at their numbers, and they're now at over a million dollars monthly run rate, which is just incredible and it's all because he just kind of discovered this itch that he had and he solved it and he turned it into a habit. So, I just wanted to inspire everybody out there. It doesn't need to take very much to go and find these things. You just have to kind of have a creative and open mind and sometimes they are just right in front of you.

Nir: Right. And to touch on that, that's one of the points that I make in the chapter in the book around the morality of manipulation, is that when I talk about it in this chapter on how do we use this stuff ethically? How do we make sure we apply these techniques for good? And there's this two-part test I give of number one: You have to look at yourself in the mirror and ask yourself, "Is what I'm working on materially improving people's lives?" and that's something only you can answer. And the second question, to your point about Buffer, is you have to ask yourself, "Am I the user?" Okay? "Am I the user?" And the reason I do that, by the way, the reason it's a two-part test, that it's not good enough to just to work on something that you believe materially improves people's lives, that you have to actually be the user yourself, is that I want you to break the first rule of drug dealing. Do you know what the first rule of drug dealing is, by the way?

Pat: I don't, unfortunately.

Nir: That's probably a good thing. The first rule of drug dealing is never get high on your own supply. So I'm making you break the rule. Why? Because if there are any deleterious effects to what you're doing, if what you're building can actually hurt people, guess who's going to be the first person to know? You are. Because you are

the user. So not only does that put you in a good ethical position, you're building something people really that materially improves people's lives and you're the user, it also puts you in an amazing business position. So the ethics side of this is covered, but also, it's a huge competitive advantage because the hardest part of building a successful company is knowing what your customer really wants. And what better advantage can you get than building something you yourself need to exist in the world? When you think about Google, and Facebook, and Instagram, and WhatsApp, and Slack, every single one these companies was founded by an entrepreneur who met this criteria of building something that they believe materially improves people's lives and they are the user of.

Pat: Drop the mic. Love it. Nir, thank you so much for coming on and sharing this with us. I think everybody's going to be really excited to pick up this book and check it out and see how you can build habits into the product that you're offering. So one more time, Nirandfar.com for your blog and then . . . Where would you prefer people pick up the book? Just on Amazon?

Nir: Yeah. Anywhere they'd like. If they want an autographed copy they can get that at my blog. If they want just an Amazon copy, of course that's available there. And just a quick note, that on my blog, Nirandfar.com, there's actually a free workbook if you want to give this a spin. I have this free workbook that you can actually work through the steps to identify whether your product has the potential to be habit forming. You can get that right on my blog, as well.

Pat: Awesome. You rock, man. Thanks for coming on and we appreciate you.

Nir: My pleasure, Pat. Thank you so much.

Pat: All right. I hope you enjoyed that interview with Nir. Again, you can find him at Nirandfar.com and we'll have all the links on the show notes, like I said earlier. Smartpassiveincome.com/session262 and like he said there is workbook that you can check out there, as well, which is super cool. So thank you so much. I appreciate you and look forward to next week's episode. We got a . . . It's honestly one



of the best episodes we've recorded in a while and that's with a previous guest who has come on and just blown me a way, giving us the strategy on how to actually ladder up in your business. So really starting small and niched down like we talked about; the riches are in the niches. But then how do you scale up from there? He gives us a blueprint for how to do that. So look out for that next week. Until then, keep moving forward. Love you guys. Thanks for all the reviews and I appreciate you. Subscribe. Bye guys.

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