

The IKEA Effect: When Labor Leads to Love

BY MICHAEL I. NORTON Labor is not just a meaningful experience – it’s also a marketable one. When instant cake mixes were introduced, in the 1950s, housewives were initially resistant: The mixes were too easy, suggesting that their labor was undervalued. When manufacturers changed the recipe to require the addition of an egg, adoption rose dramatically. Ironically, increasing the labor involved – making the task more arduous – led to greater liking.

Research conducted with my colleagues Daniel Mochon, of Yale University, and Dan Ariely, of Duke University, shows that labor enhances affection for its results. When people construct products themselves, from bookshelves to Build-a-Bears, they come to overvalue their (often poorly made) creations. We call this phenomenon the IKEA effect, in honor of the wildly successful Swedish manufacturer whose products typically arrive with some assembly required.

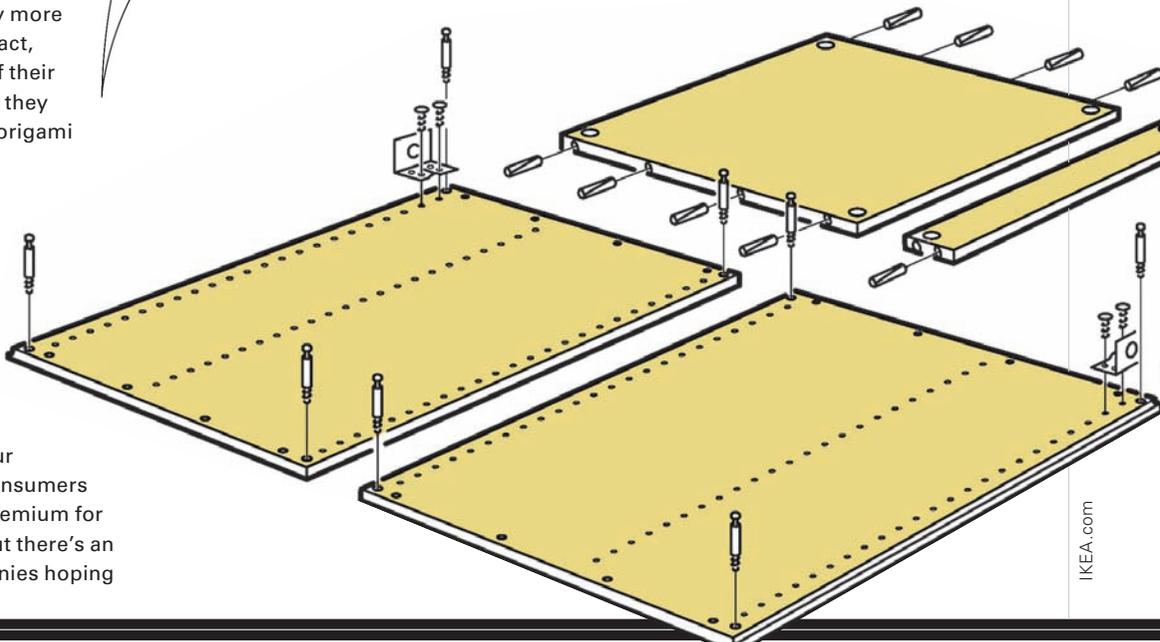
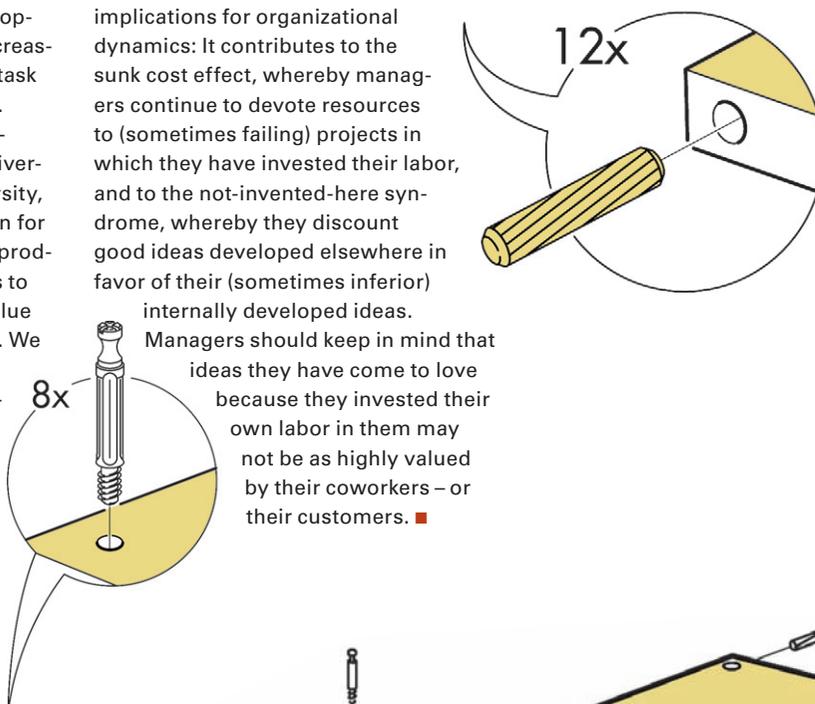
In one of our studies we asked people to fold origami and then to bid on their own creations along with other people’s. They were consistently willing to pay more for their own origami. In fact, they were so enamored of their amateurish creations that they valued them as highly as origami made by experts.

We also investigated the limits of the IKEA effect, showing that labor leads to higher valuation only when the labor is fruitful: When participants failed to complete an effortful task, the IKEA effect dissipated. Our research suggests that consumers may be willing to pay a premium for do-it-yourself projects, but there’s an important caveat: Companies hoping

to persuade their customers to assume labor costs – for example, by nudging them toward self-service through internet channels – should be careful to create tasks difficult enough to lead to higher valuation but not so difficult that customers can’t complete them.

Finally, the IKEA effect has broader implications for organizational dynamics: It contributes to the sunk cost effect, whereby managers continue to devote resources to (sometimes failing) projects in which they have invested their labor, and to the not-invented-here syndrome, whereby they discount good ideas developed elsewhere in favor of their (sometimes inferior) internally developed ideas.

Managers should keep in mind that ideas they have come to love because they invested their own labor in them may not be as highly valued by their coworkers – or their customers. ■



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