

# Auditing sludge



**Y**ou'll have heard of 'nudge', and although you might not have heard the term 'sludge', you'll be familiar with what it means in practice. It's when consumers or businesses face high levels of friction that obstruct their efforts to achieve something that is in their best interest, or are deliberately misled or encouraged to take action that is not in their best interest.

Here are some examples that you've probably experienced first hand:

- Clunky and badly designed benefits application processes
- Subscriptions that are hard to cancel
- Overly complex and time-consuming registration processes; or
- Trying to purchase an insurance policy or flight without unnecessary add-ons.

Some are intentional – put in place knowingly to help maximise profits and customer base – but many are unintentional and are simply the result of poor or rushed design or oversight.

The impacts of sludge can be both physical and psychological. Physical impacts include loss of time and money, as well as being saddled with sub-optimal products and services, like a bad internet service provider or gym membership.

Meanwhile, psychological impacts include frustration, stress, anxiety, anger, embarrassment, shame and helplessness resulting from sludge tactics that aim to – or unintentionally – confuse, shame or control the consumer.

Regardless of whether it is intentional or unintentional, monetary loss is a common impact of sludge. This could be from purchasing unneeded add-ons such as extra insurance or abandoning a refund claim.

We might also end up with a product or service that is sub-optimal. A 2019 study found the first evidence of how 'sticky defaults' can lead to consumers opting for something they would not otherwise have chosen. A typical example is how these can 'force' consent of data sharing. Opting out is not always easy; consumers are often given a highlighted option to 'accept' or an alternative option for 'settings' which they must muddle through to find out how to opt out.

The 'sticky' defaults example often generates feelings of helplessness and frustration. Psychological impacts may also

relate to social factors; some individuals are deterred from accessing a service such as welfare benefits because of shame or embarrassment, not wanting others to know about their need to claim.

There are also negative impacts for organisations. High levels of friction can often drive up call centre costs because of customers needing to get advice and resolve simple queries rather than experiencing a seamless customer journey online.

Over the long term, sludge might also lead to or contribute to a loss of reputation and trustworthiness for the organisation responsible. In turn, this could harm business or have other negative consequences.

## The rise of the 'sludge audit'

Many experts believe all organisations – private and public – should be carrying out regular 'sludge audits' – a term coined by behavioural scientist and consumer rights advocate Cass Sunstein. In the same way that accountants ensure company books are balanced and above board, behavioural science practitioners and user experience designers have the frameworks and concepts needed to analyse the consumer journey for purchasing a product or service and ensure it's free of sludge.

Companies conducting their own sludge audits might check for any unnecessary friction in the consumer journey that causes either sub-optimal decision-making or feelings of frustration and other emotions and take action to ensure their products and services are consumer-friendly.

In May 2020, Netflix announced it would start asking inactive users if they want to keep their subscription. If they don't want it, or if they don't respond within two weeks, the company will automatically cancel their service. Netflix has segmented inactive users and applied different approaches: subscribers who haven't watched anything since they joined will receive a notification after one year; subscribers who have used their account in the past but no longer do so will receive the notification after two years of inactivity. Since Netflix is so prominent, its action may inspire others to follow suit.

## How can companies start a sludge audit?

We think taking an objective approach is the most robust:

- Find out how many customers you are losing because of sludge

- Identify areas of potential friction – for example, sign-up processes for new customers – by analysing where people drop off the journey and conducting qualitative research
- Assess the readability of your communications. Is everything in plain English or is it acronym and jargon-heavy?
- Assess the monetary impacts – what is sludge costing your customers? What is it costing you?
- Assess the different psychological costs – what emotions are people experiencing and to what degree?
- Find out how many hours are spent with unnecessary sludge by customers and employees.

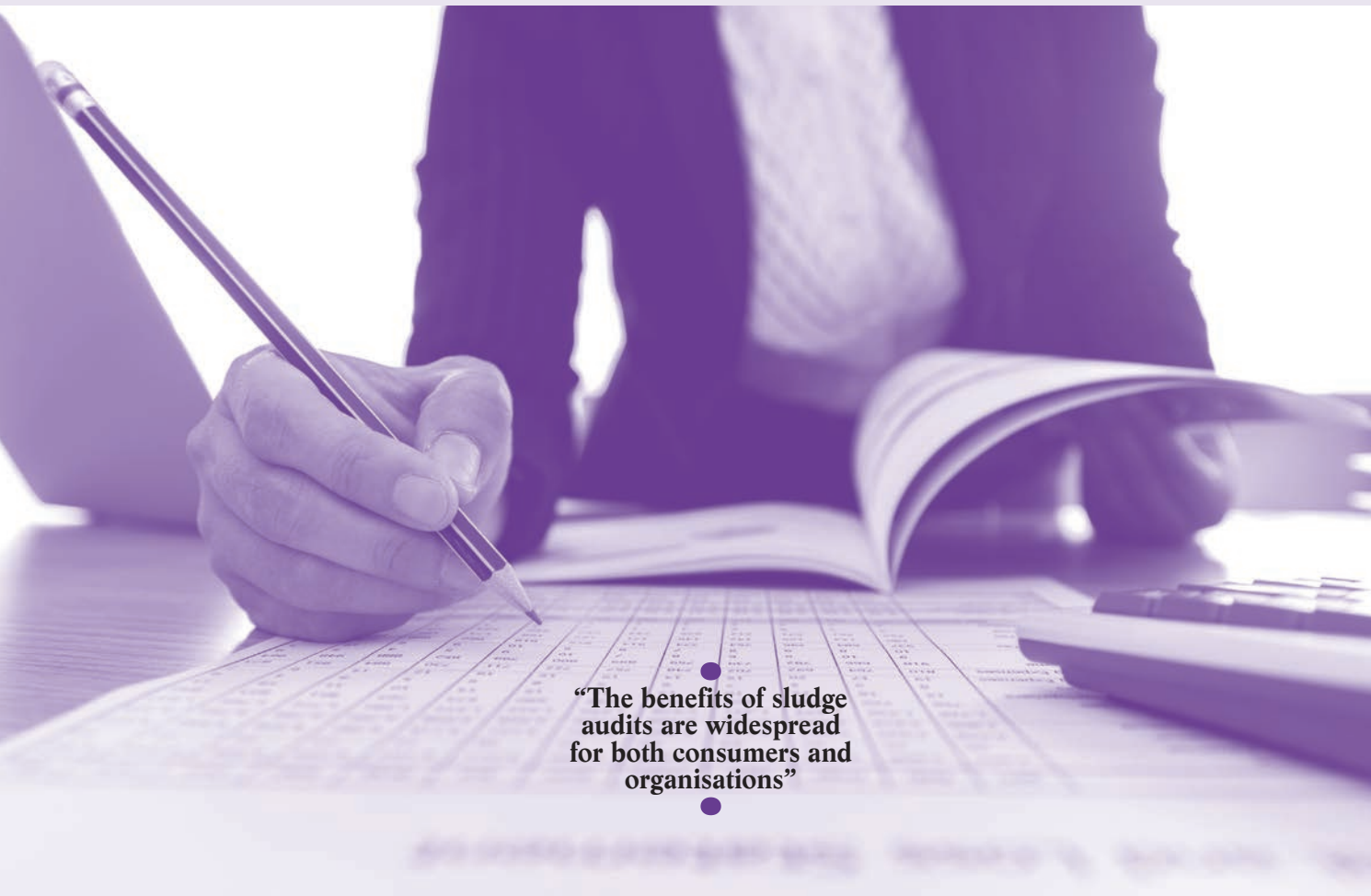
This type of approach has been adopted by Professor Dilip Soman at the University of Toronto, who has spearheaded an initiative to create a scorecard to allow organisations to conduct their own sludge audits. It assesses three components – process, communication and inclusivity. Inclusivity is a novel component; his team noted that some individuals are deterred from accessing a service because of shame or embarrassment.

One final point is how best to frame a sludge audit to your colleagues. Sludge can be an off-putting term, but framing an

audit as aiming to make behaviour easier or identifying and removing friction using behavioural science is a more positive approach. Reframing it as a ‘friction audit’ could make companies much more receptive to the process.

### Implications

- Awareness of sludge is growing rapidly in many fields and sectors
- There is a huge opportunity to develop sludge audits or friction audits to eliminate it from much of our daily lives, giving consumers back time and money and removing high psychological costs
- Investing in developing an objective toolkit for assessing sludge in any organisation will reap rewards
- The benefits of such audits are widespread for both consumers and organisations. One of the most significant is a better customer experience, which in turn often leads to more loyal, happier customers and an improved company reputation. Consumers save time and energy and end up with products and services that meet their needs. Companies may also be able to reduce costs if call centres are less overwhelmed.



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