

After a disastrous Uber ride last year, the company's chief economist examined the economics of apologies — and discovered there's something more important than 'I'm sorry'

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Mark Abadi Oct. 16, 2018, 8:59 AM

- A team of economists studied how Uber customers respond to different types of apologies after they have bad experiences with the company.
- The idea for the study came when one of the researchers, who was Uber's chief economist, had a terrible Uber ride and noticed he never received an apology.
- They found that effective apologies need to be coupled with some sort of cost, such as a \$5 coupon on future rides.

We've all said "I'm sorry" at some point in our lives, but that doesn't mean we've always been forgiven.

As it turns out, we may be doing apologies wrong.

That's what University of Chicago economist John List found out after studying the science of apologies as it related to disappointed Uber customers. Last year, List was chief economist at Uber, and in a recent episode of "Freakonomics," he recalled talking to then-CEO Travis Kalanick about a bizarre experience in an Uber car that made him late for his own panel.

"What I told Travis was, 'You know what is the worst part about getting a bad trip, is I never received an apology,'" List said on the podcast.

The experience inspired List to examine how different types of apologies — and how not apologizing at all — would impact Uber's bottom line when customers had bad rides with the company.

List teamed up with three researchers including Ben Ho, an economist at Vassar College who has argued that effective apologies all share one thing in common: They show that the person or company apologizing is suffering a cost.

Take what Ho considers a "status apology," like if someone said, "I'm sorry. What I did was completely idiotic." As Ho said in the podcast: "These are the ones where you basically admit your own incompetence and you beg for forgiveness by sort of making yourself look dumb."

There's also what Ho calls a "commitment apology" — "a commitment to do better in the future," he said — which carries the cost of being held to a higher standard.

In Uber's case, the team found that the most effective apologies were coupled with a literal cost – a discount on future Uber rides.

As part of its experiment, the team analyzed data from 1.5 million Uber riders who had arrived to their destinations late. The team divided the customers into various groups, each of which were emailed a different type of apology from the company, or received no apology at all. Half of the groups also received a \$5 coupon along with the email.

The researchers found that money spoke louder than words: The groups that received the \$5 coupon actually spent more money than usual on Uber rides over the next few months, while those that only received an apology went on to spend less than usual on future rides.

It reinforced the idea that a proper apology should come with some kind of a cost attached.

"What's important here is that the firm needs to make sure that when they apologize, they take proper discretion in that the consumer understands that there was a true cost to that apology," List said.

"When we talk about apologies more generally, if you show some empathy and some embarrassment to a broad reach of people, it might not be a true dollar cost, but it's a true reputational cost."

Sociologist Karen Cerulo echoed that thought later in the podcast.

"The why of what you did is less important to people than your regret and your remorse," she said. "And finally there's really a successful formula that you need to use: Identify your victim right up front, then express remorse, and, if it's possible, make restitution."

"That's it. That's really what people want to hear in an apology."