





Universiteit Antwerpen
| Faculteit Bedrijfswetenschappen
en Economie

De Voorspelbare Consument

Economie Ontcijferd

Prof. dr. Barbara Briers

Introducing myself : Barbara Briers

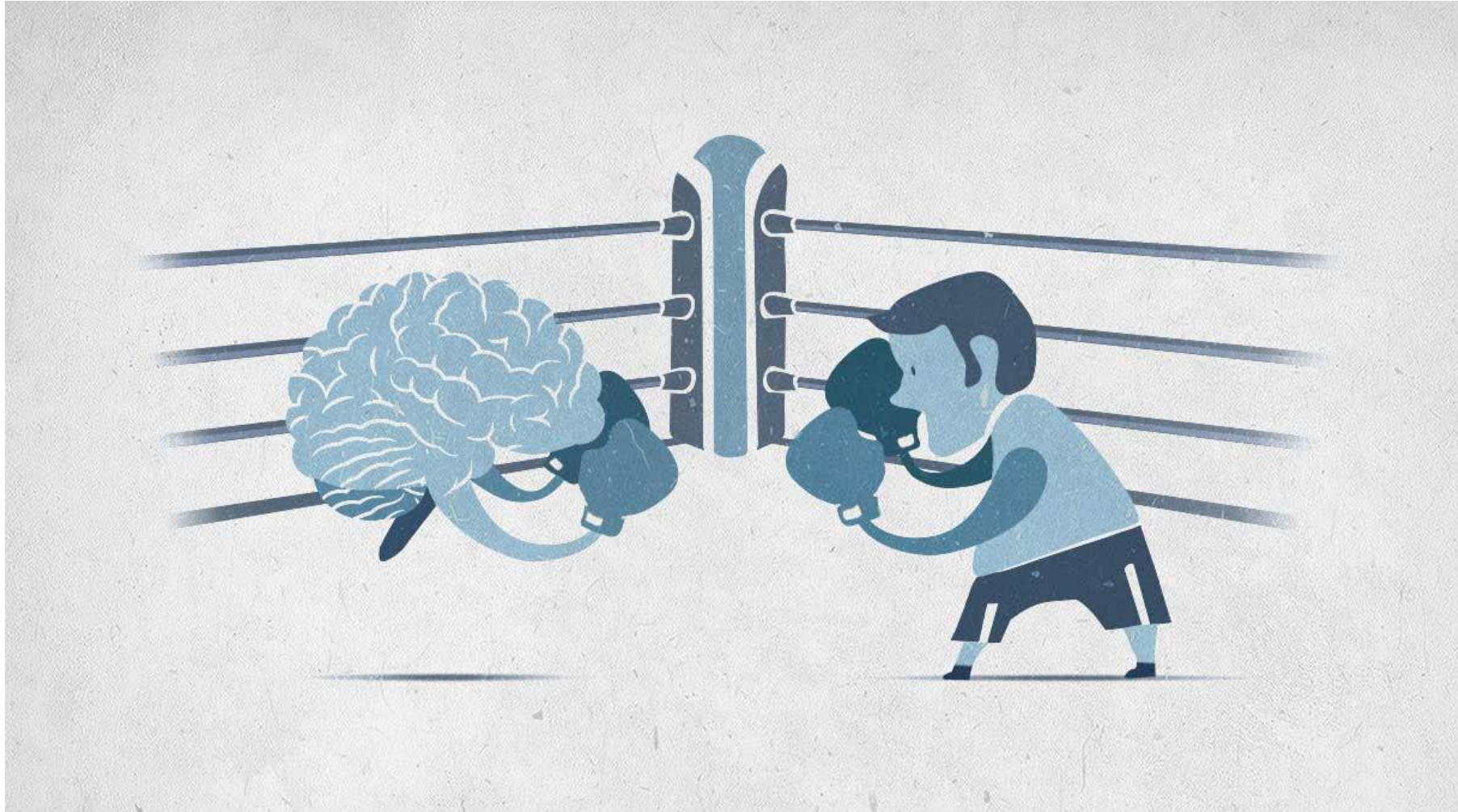
Teaching marketing

- **Professor in Marketing @ UA**
- **Bachelor Y3 & Master in Marketing**
- **Marketing Courses and Electives: Market Research, Consumer Behavior, & Bachelor Thesis**

With an academic life

- **PhD KU Leuven, Belgium**
- **HEC Paris**
- **Tilburg University**
- **Vlerick Business School**
- **Research interests: food consumption, status consumption, social influence, & persuasion**

Standard Economics versus Behavioral Economics



An example

Which one do you prefer?



€ 2,50



€ 3,50

*So, why exactly is this
a typical behavioral
economics study?*

An illustration of a person's head in profile, rendered in a light grey tone. Above the head is a thought bubble containing several dollar signs and coins of various colors (yellow, white, and red). The background is a solid red color.

Rationality in the Standard Economic Model

- Standard economics relies heavily on the assumption that people are rational
- Assumes that people
 - are fully aware of all the options they have
 - can -- always and consistently -- rank their options in accordance with their preferences, and
 - always choose the option they like best



Assumptions of the Standard Economic Model of Decision Making

1. People act with full information

Full external knowledge

No matter how complex the situation, a human being can always figure out which choices are available, and which are unavailable

Assumptions of the Standard Economic Model of Decision Making

1. People act with full information
2. People have known preferences

Full external knowledge

Full internal knowledge

No matter what set of choices are put before a human being, he or she will know how to rank the choices, from best to worst

Assumptions of the Standard Economic Model of Decision Making

1. People act with full information
2. People have known preferences
3. People choose the best option available

Full external knowledge

Full external knowledge

Rational choices

A human being will always pick the highest ranked choice that is available



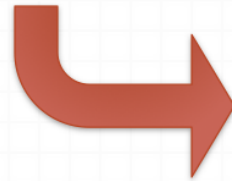
???

Which one do you prefer?



€ 2,50

€ 3,50



Which one do you prefer now?



€ 2,50



€ 3,50



€ 5,00

Advantages of the standard model

1. From these **assumptions**

- a) a logically **consistent theory** of decision making can be built,
- b) that theory can be used to make **predictions** about decision making, and
- c) those predictions can be compared with **reality**

2. These models often correspond to actual behavior

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2. These models **often** correspond to actual behavior



In practise: pollev.com/barbarabriers089

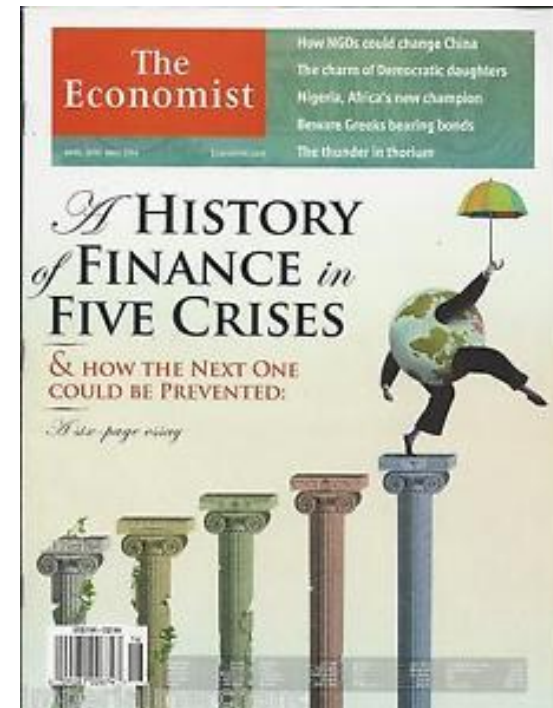


Question 1

Assume, you want to get a subscription on The Economist for 12 months ...

What would you choose?

1. Internet for 59 Euro
2. Print-and-internet for 125 Euro



Question 1: estimated statistics (Ariely)

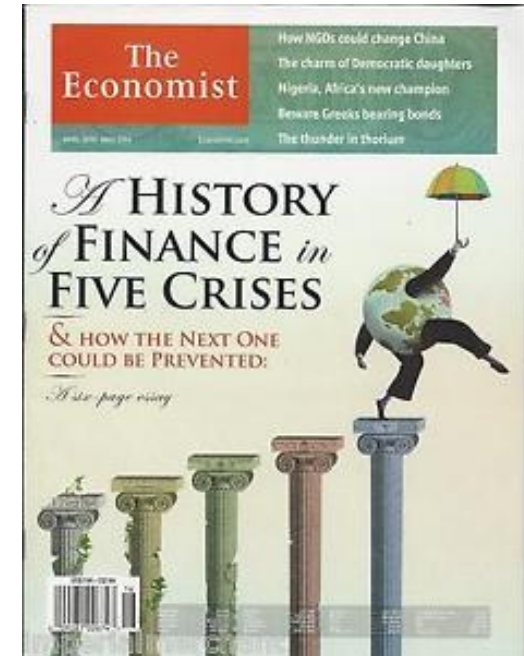
	2 options	3 options?
Internet-only	68%	
Internet-and-print	32%	

Question 1B

Assume, you want to get a subscription on
The Economist for 12 months ...

What would you choose?

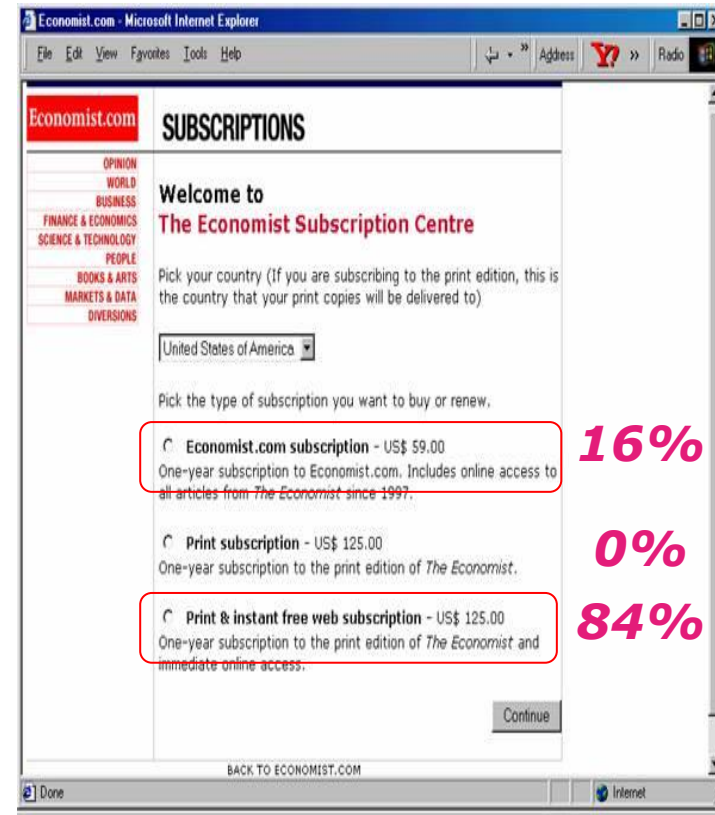
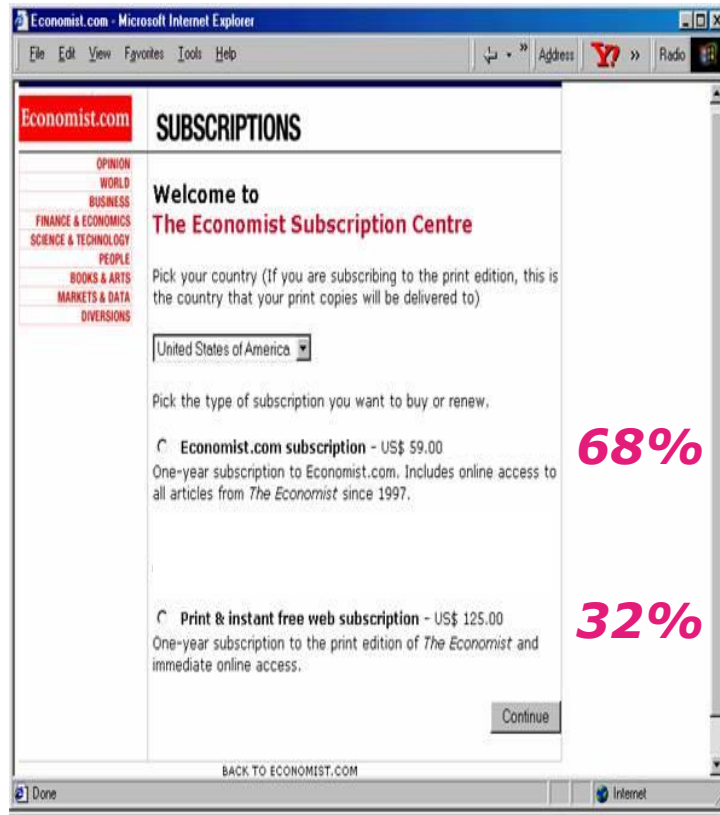
1. Internet for 59 Euro
2. Print for 125 Euro
3. Print-and-internet for 125 Euro



Question 1: estimated statistics (Ariely)

	2 options	3 options
Internet-only	68%	16%
Print-only		0%
Internet-and-print	32%	84%

Actual experiment (Ariely, Predictably Irrational)



Question 1: statistics Vlerick EMBA Group 2017

	2 options	3 options
Internet-only	71%	50%
Print-only	-	0%
Internet-and-print	29%	50%

Question 1: statistics Tilburg decision making group 2014

	2 options	3 options
Internet-only	61%	46%
Print-only	-	0%
Internet-and-print	39%	54%

Question 1 = context

- Value is context dependent
- **Everything is relative**, without context choices (in absolute terms) mean nothing
- We compare jobs with jobs, candidates with candidates, wines with wines, lovers with lovers
- Unlike standard economics

1. Context



Question 3: museum ticket

MUSEUM TICKET

You are going to a museum by yourself. As you stand in line at the ticket office to buy your entree ticket, you discover that you have dropped a **€ 20 bill** on the Metro. You are disappointed, of course, but would this affect your decision to buy the museum ticket?

Will you still pay for the museum ticket?

Question 3B: reframed

MUSEUM TICKET

You are going to the museum by yourself. As you are about to enter the museum, you reach into your pocket and find to your dismay that you have **lost your entree ticket**. You don't have a receipt, so if you still want to see the museum, you have to pay another €20 for a new ticket.

Will you pay again for the museum ticket?

Question 3 = mental accounting (Thaler)

Same question but 10 \$ movie

- 88 % in case 1 (HEC Paris: 82 %)
- 46 % in case 2 (HEC Paris: 66 %)

Loosing money = different mental account

Behavioral Economist Richard Thaler wins the Nobel

article by ROSE FRES FAUSTO







1. Context
2. Mental accounting



Chocolates during the break



14 cents



FREE

Chocolates during the break B



15 cents



1 cent

Chocolate experiment A

“One chocolate per customer”



14 cents
31%



FREE
69%

Chocolate experiment A

“One chocolate per customer”



15 cents
73%



1 cent
27%

Free is an emotional hot button

- Free dessert
- Free T-shirt from a radio station
- Free teddy-bear at the toyshop
- Free pencils
- Free hotel shampoo, soap,...

Getting something for free feels good

but: FREE can lead to making a bad decision

Real life examples

- **FREE shipping over a certain amount**



INTRODUCING

free shipping
on all orders of \$25+.

Free Standard Shipping
(3–5 business days).



1. Context
2. Mental accounting
3. The cost of zero

Question 5: CEO choice

You are the **CEO** of a company faced with a difficult choice. Because of worsening economic conditions, there is a **proposal to fire 600 people** to reduce the payroll costs and avoid serious financial problems. To avoid this, two alternative programs are designed. Their consequences are as follows:

Question 5: which of the two programs would you support?

1. If Program A is adopted, 200 jobs will be **SAVED**.
2. If Program B is adopted, there is a one-third probability that 600 jobs will be **SAVED**, and a two-third probability that no jobs will be **SAVED**.

Question 5B: which of the two programs would you support?

1. If Program A is adopted, 400 people will be **FIRED**.
2. If Program B is adopted, there is a one-third probability that nobody will be **FIRED**, and a two-third probability that 600 will be **FIRED**.

Value = reference dependent

- In the Saving frame, with A, the reference point is 600 redundancies and you **are sure to save** 200 jobs, and this is **good**. So you pick A, the risk-averse option.
- In the Firing frame, with A, the reference point is no redundancies and you are **sure to fire** 400 people, and this is **bad**. So you avoid A, and you pick B, the risk-seeking option.

		Version 6a Saving frame	Version 6b Firing frame
Program A		200 saved	400 fired
Program B	$p = 1 / 3$	600 saved	0 fired
	$p = 2 / 3$	0 saved	600 fired

Preferences (EMBA 2017)

	Choosing Option A	Choosing Option B
Saving Frame	56%	44%
Firing Frame	38%	62%

Preferences (Tilburg 2014)

	Choosing Option A	Choosing Option B
Saving Frame	57%	43%
Firing Frame	47%	53%

Preferences (HEC 2009)

	Choosing Option A	Choosing Option B
Saving Frame	81%	19%
Firing Frame	46%	54%

Prospect Theory 1979



Kahneman & Tversky

Nobelprize Economics 2002

Implications: perception of value and framed problems

Attribute Framing

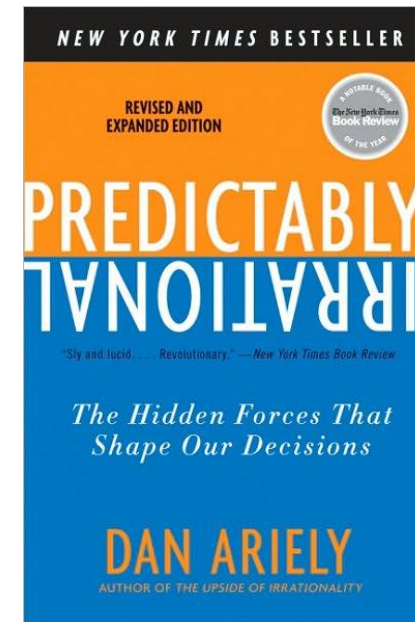
- **Emitted carbon dioxide** (Hardisty et al. 2010)
 - Tax
 - Offset
- **Beef** (Levin & Gaeth 1988)
 - 75% lean
 - 25% fat



- 
- A close-up photograph of a person wearing a white button-down shirt, holding a white smartphone in their left hand and using their right index finger to tap the screen. The background is a plain, light-colored wall with a circular vent or light fixture visible on the right side.
1. **Context**
 2. **Mental accounting**
 3. **The cost of zero**
 4. **Loss Aversion**

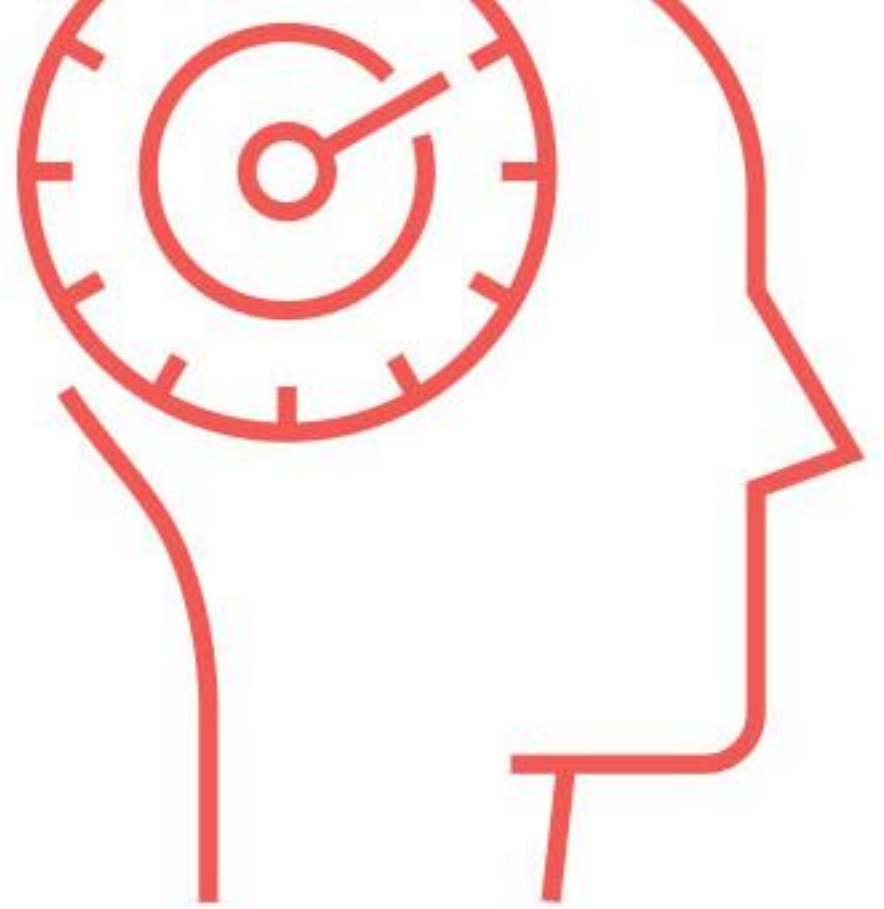
Anomalies

- A series of observations shows that the rationality assumptions of standard economics are wrong!
- Evidence from psychology has shown that
 - That we often are irrational, and
 - That we are *predictably* irrational





SYSTEM 2
Slow Thinking



SYSTEM 1
Fast Thinking



DANIEL KAHNEMAN

Ph.D.

SCHOLAR
PROFESSOR
NOBEL LAUREATE.



THE NEW YORK TIMES BESTSELLER

THINKING, FAST AND SLOW



DANIEL
KAHNEMAN

WINNER OF THE NOBEL PRIZE IN ECONOMICS

"[A] masterpiece . . . This is one of the greatest and most engaging collections of insights into the human mind I have read." —WILLIAM EASTERLY, *Financial Times*

Economics

Why Behavioral Economics is Cool, and I'm Not

The boundaries between economics and psychology



By *Adam Grant*

Here are some of my favorite surprising studies. What do they have in common?

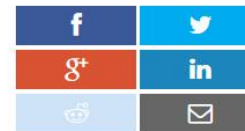
- People are more likely to [buy iam](#) when they're presented with 6 flavors

ADAM GRANT




Adam M. Grant is a Professor of Management at the University of Pennsylvania's Wharton School and the author of *Give and Take: A Revolutionary Approach to Success*.
Twitter: @AdamMGrant

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DONATING = CHANGING

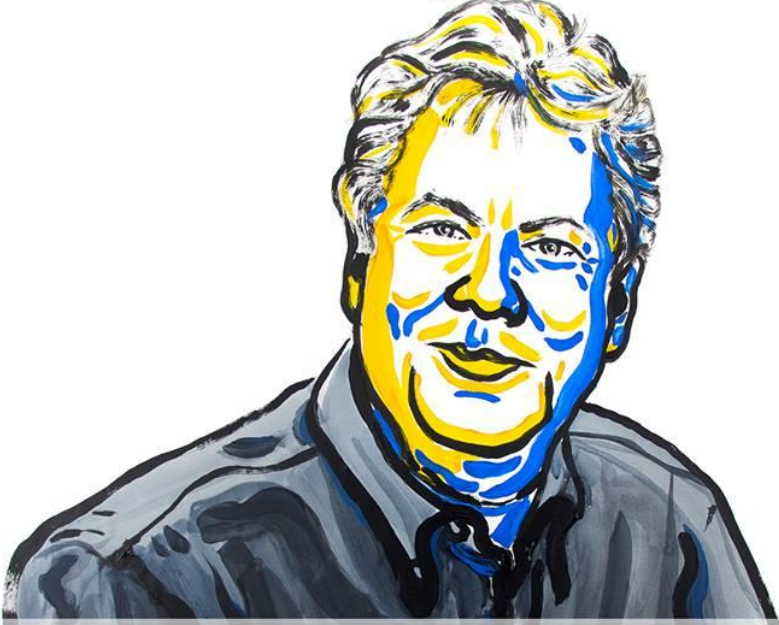
"For the greatest benefit to mankind"
Alfred Nobel



The Royal Swedish Academy of Sciences has decided to award the

2017 SVERIGES RIKSBANK PRIZE IN ECONOMIC SCIENCES IN MEMORY OF ALFRED NOBEL

to:



Illustrations: Niklas Ehrenhed, Nobel Prize Medal: © The Nobel Foundation, Photo: Lovisa Engblom,

Richard H. Thaler

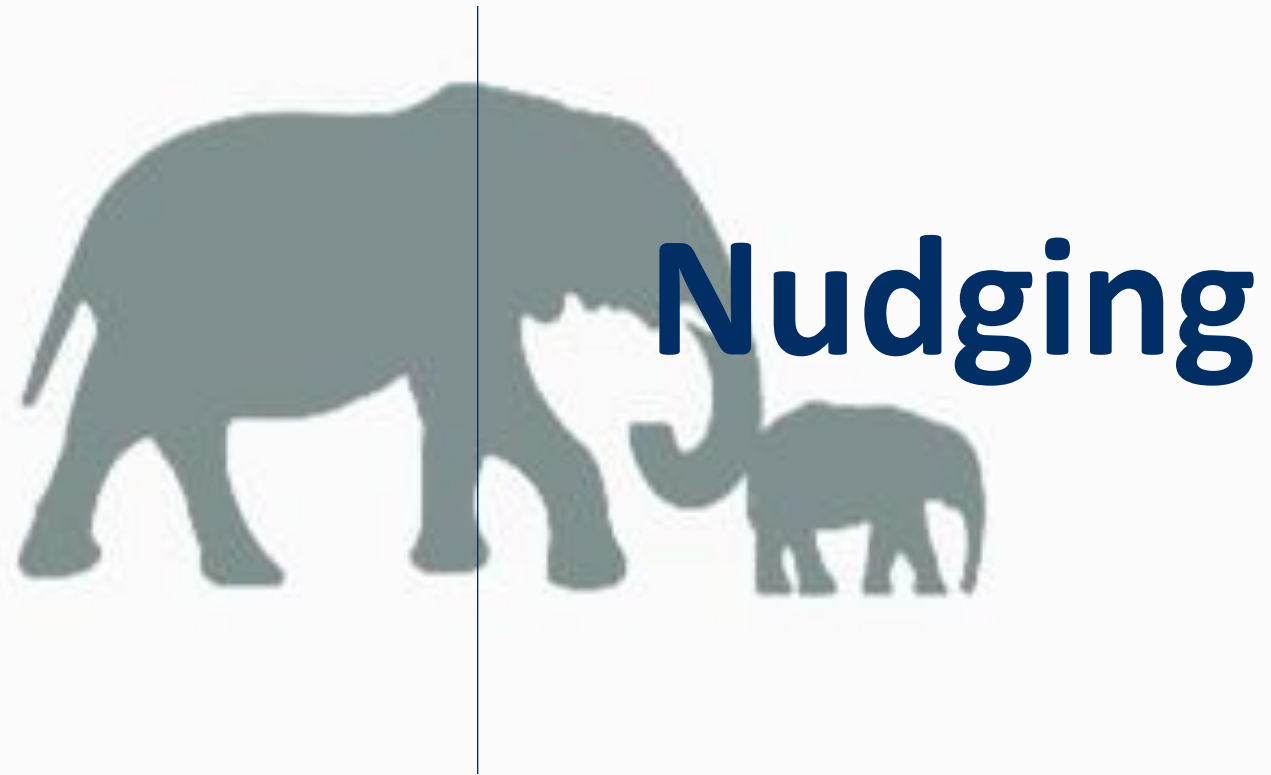
"for his contributions to behavioural economics"

Nobelprize.org



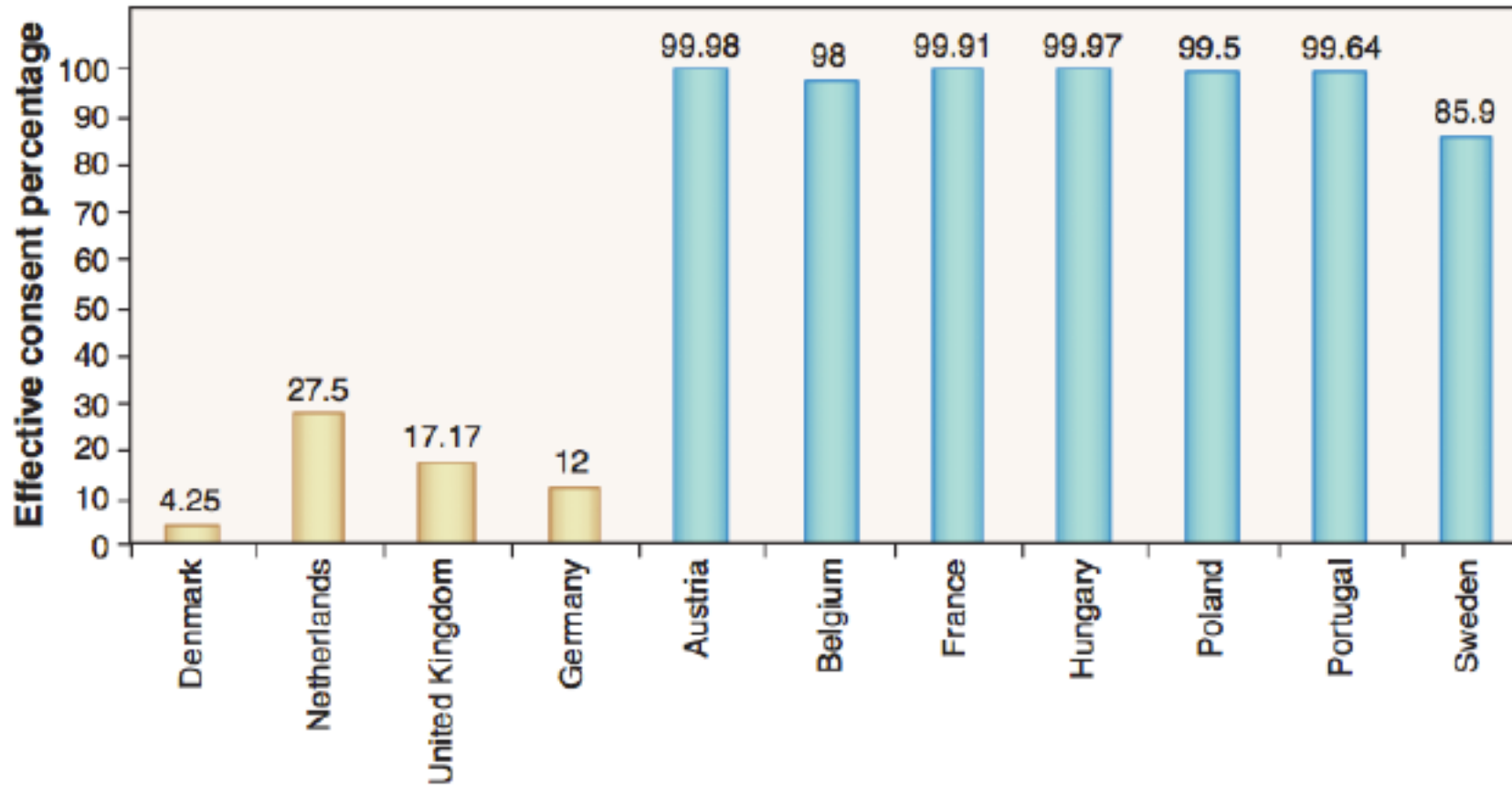
Real-world applications

- Pretty quickly, behavioral economics moved out of the lab
- If people make so much ‘irrational’ decisions, how can we design the **choice architecture** to help make people better choices
- Applications in health, finance, planet
- Companies use **nudges** for managing people (and seducing customers)





Defaults can save lives



Effective consent rates, by country. Explicit consent (opt-in, gold) and presumed consent (opt-out, blue).

(Johnson & Goldstein 2003)

Retail display and healthy food consumption



Healthy left
Unhealthy right

influences

Preference
Consumption volume

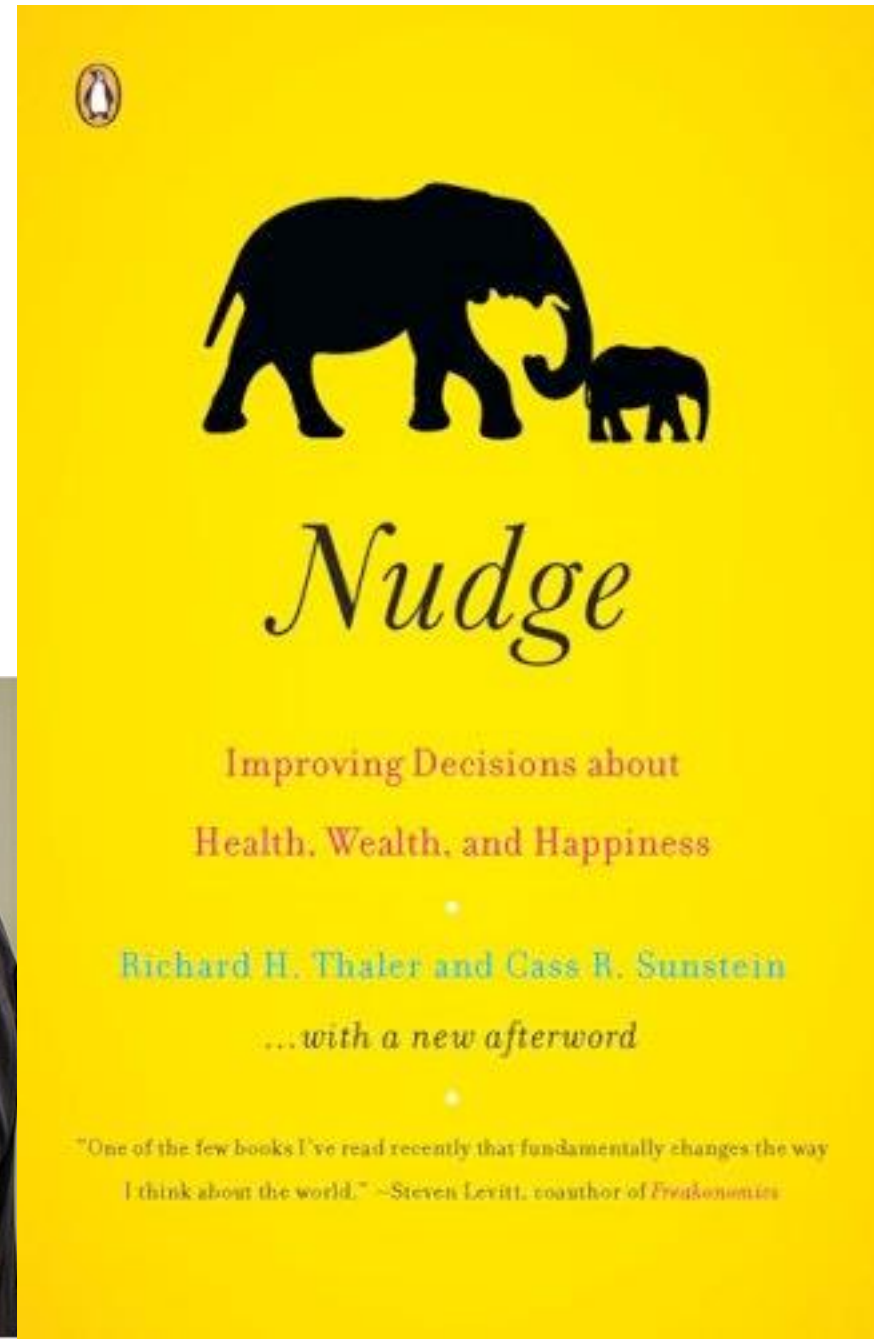
Romero & Biswas 2016

Executive Order -- Using Behavioral Science Insights to Better Serve the American People

EXECUTIVE ORDER

USING BEHAVIORAL SCIENCE INSIGHTS TO
BETTER SERVE THE AMERICAN PEOPLE

A growing body of evidence demonstrates that behavioral science



NUDGE UNITS AROUND THE WORLD

