

**WHAT YOUR  
CUSTOMER  
WANTS  
AND CAN'T TELL YOU**

*with*

**MELINA PALMER**

APPLIED BEHAVIORAL ECONOMIST

*and host of*

THE BRAINY BUSINESS PODCAST

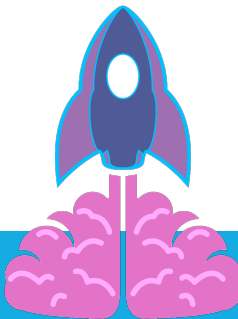


# Behavioral Economics

Traditional  
Economics

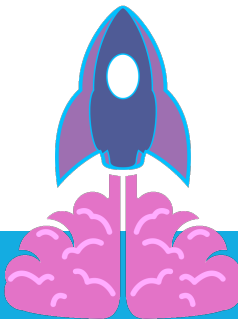
+

Psychology

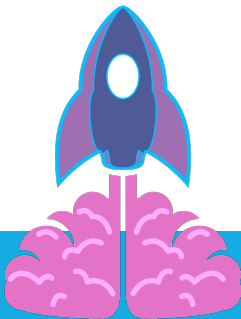


# The Problem

Traditional economics  
assumes  
rational people  
making  
logical decisions...  
(oops)



**Why does this  
matter to you?**



Sign In

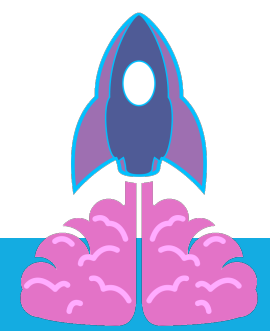
Bloomberg

Q Search

Economics

# Top Jobs for Next Decade Are Behavioral Scientist, Data Analyst

By [Lucy Meakin](#)  
December 29, 2019, 4:01 PM PST



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 Zillow®



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amazon 

 Microsoft



# Simplicity at Amazon









“Elephant and the Rider” by Jonathan Haidt, psychologist NYU

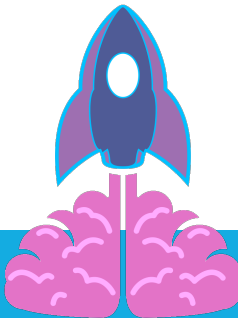
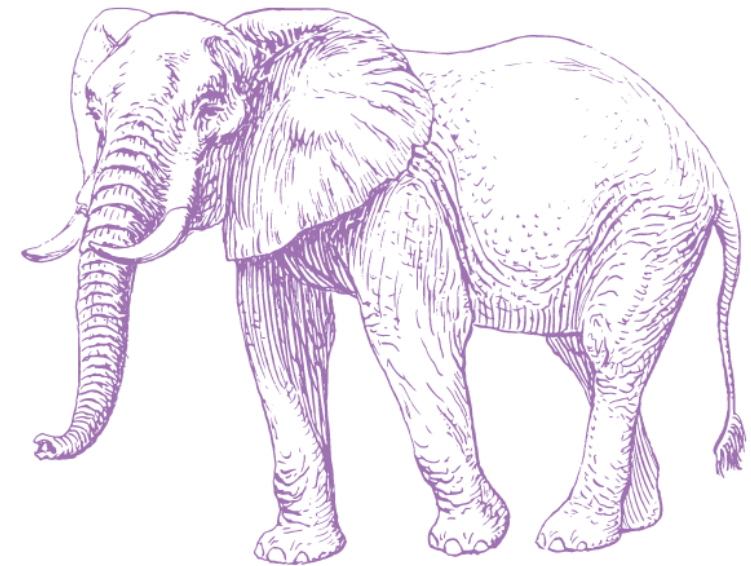
The image features a repeating pattern of human brains, rendered in a light peach or pinkish-orange color, set against a solid light pink background. The brains are arranged in a grid-like fashion, with each brain casting a soft shadow to its right. A semi-transparent white horizontal bar is centered across the middle of the image, containing the text "Cognitive Processing" in a bold, dark blue, sans-serif font.

# Cognitive Processing

# Subconscious Processing

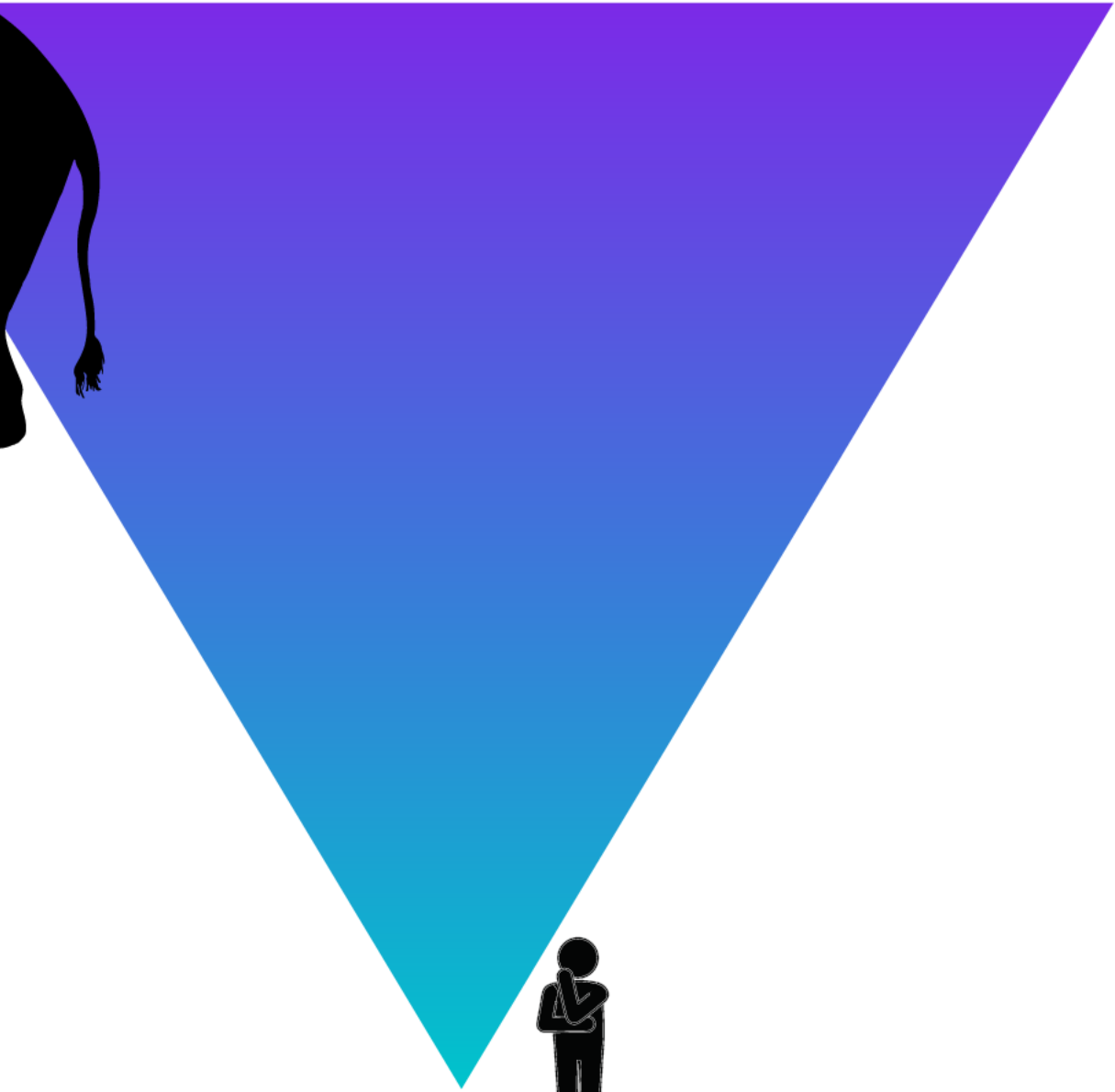
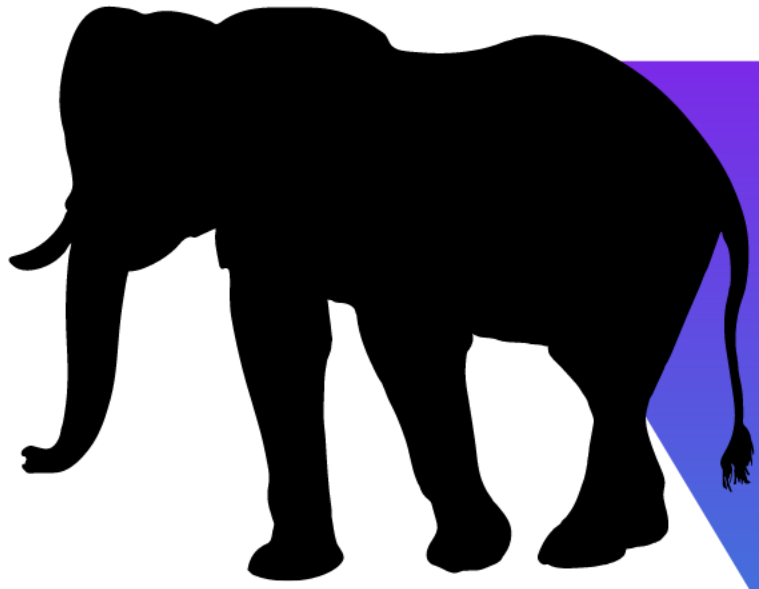
How many decisions do you make per day?

- 25
- 500
- 5000



**HOW  
DOES IT  
WORK?**





**Fairness Halo Effect Herd Behavior Myopic Loss Aversion Framing Effect Less-Is-Better Effect Trust**

**Social Proof Fast And Frugal Social Preferences Disposition Effect Hindsight Bias Zero Price Effect**

**Prospect Theory Precommitment Ambiguity Aversion Regulatory Focus Theory Cognitive Dissonance**

**Risk-As-Feelings Honesty Overconfidence Effect Gambler's Fallacy Habit Intertemporal Choice**

**Present Bias Cognitive Bias Endowment Effect IKEA Effect Satisficing Behavioral Game Theory**

**Naïve Allocation Choice Architecture Action Bias Social Norm Elimination By Aspects Decoy Effect**

**Decision Fatigue Reference Dependence Overjustification Effect Homo Economicus Affect Heuristic**

**Status Quo Bias Preference Inertia Dual-System Theory Partitioning Myopic Procrastination Utility**

**Altruism Ratio Bias Scarcity Bounded Rationality Fresh Start Effect Hot-Cold Empathy Gap Nudge**

**Time (Temporal) Discounting Peak-End Rule Information Avoidance Sunk Cost Fallacy Regret Aversion**

**Identity Economics Reciprocity Decision Staging Hedonic Adaptation Dual-Self Model Self-Control**

**Licensing Effect Loss Aversion Representativeness Heuristic Preference Reversal Availability Heuristic**

**Choice Overload Inequity Aversion Economic Bubble Ego Depletion Recognition Heuristic Anchoring**

**Defaults Efficient Market Hypothesis Incentives Mindless Eating Projection Bias Mental Accounting**

**Physical Representation Certainty / Possibility Effects Commitment Optimism Bias Take-The-Best Heuristic**

**Mental Accounting Priming Pain Of Paying Control Premium Confirmation Bias Diversification Bias**

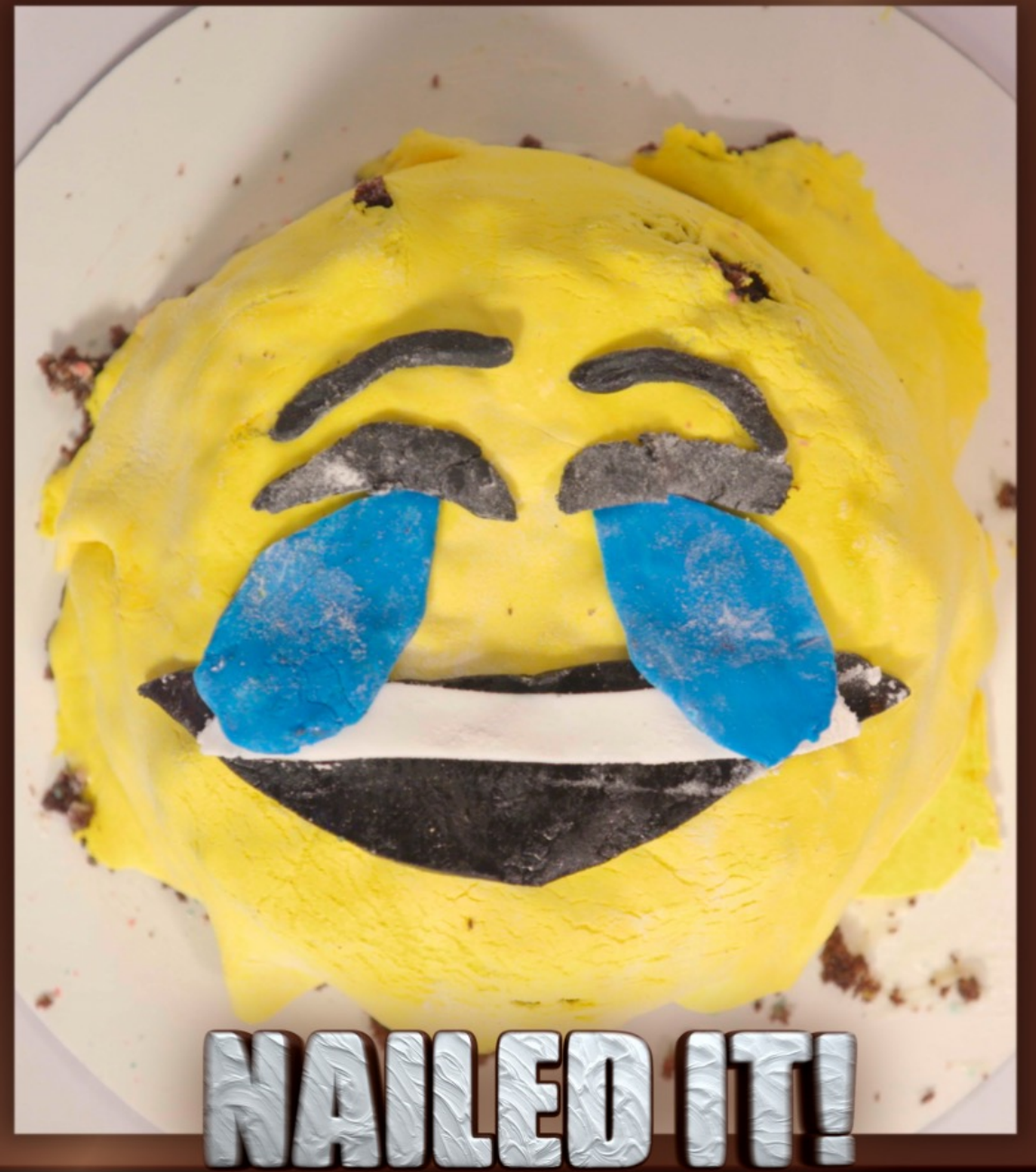
# *Behavioral Baking*



Episode 155

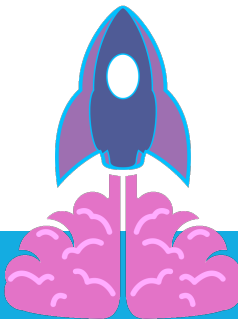






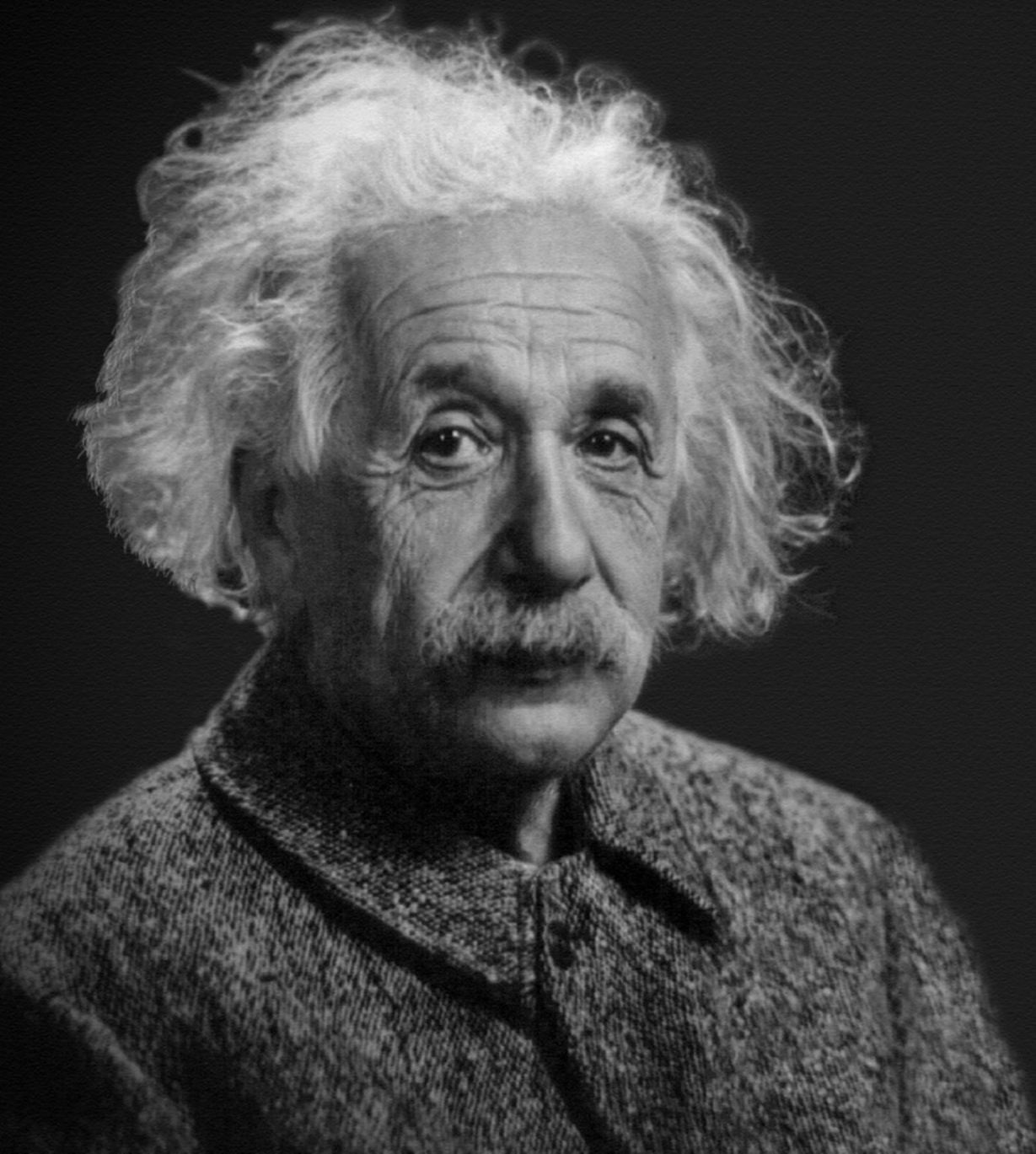
# A Recipe to Follow

- **What problem are you solving?**
- What is the most important thing for them to do?
- What is keeping them from doing that thing? (It might be you)
- **How can you showcase it as the best choice?**
- **Where could you nudge them along the way?**
- How can you make it easy?
- **What will be your first test?**



**BIGGEST  
MISTAKE**

**What problem  
are you solving?**



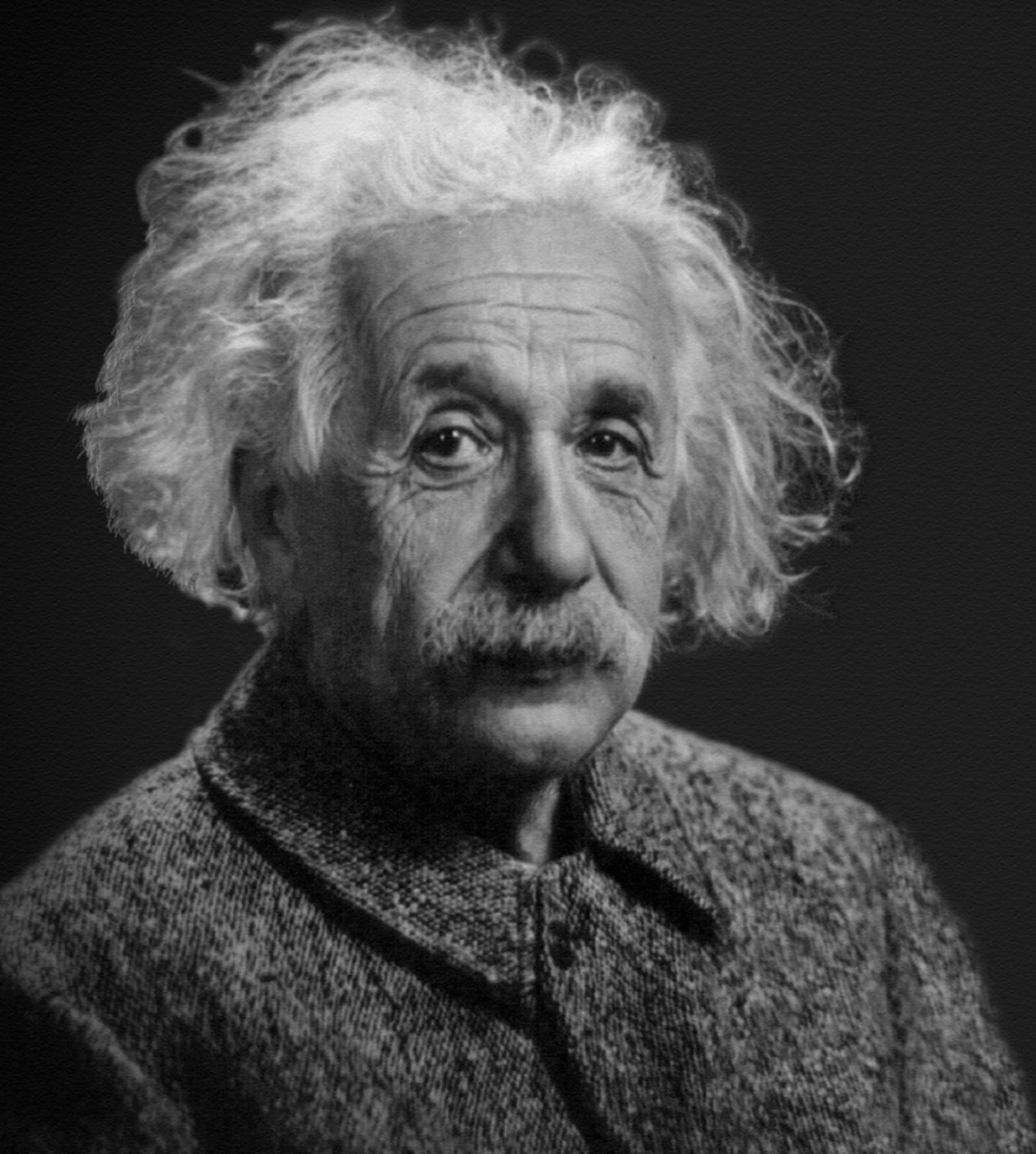
"IF YOU ONLY HAD

**1 HOUR**

TO SAVE THE WORLD

HOW WOULD YOU SPEND

**THAT HOUR?"**



"I WOULD SPEND

**55 MINUTES**

UNDERSTANDING THE PROBLEM AND

**5 MINUTES**

SOLVING IT."



**What's your  
ratio?**



# QUESTIONSTORMING







BEHAVIORAL ECONOMICS IN ACTION:

# THE LITTERY



# shoppa

interview with co-founder

Dan Ariely



PODCAST EP 101



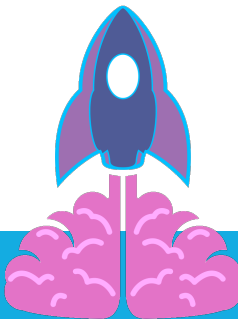
# FRAMING

Episode 16



90% Fat Free  
LEAN Ground Beef


**10 % FAT**  
LEAN Ground Beef



**Earn 1.26% APY  
for up to  
\$25,000 in  
balances!**

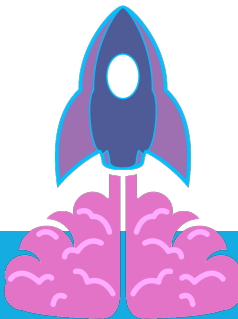
**Did your checking  
account pay you  
\$315 last year?**

60% increase  
in month over month  
account openings

The background of the image is a deep blue and green gradient, resembling a night sky with a green aurora borealis at the bottom. The text is centered in the middle of the image.

**What do you want  
people to do?**

**Are you inadvertently  
pushing people away from  
your best offer?**









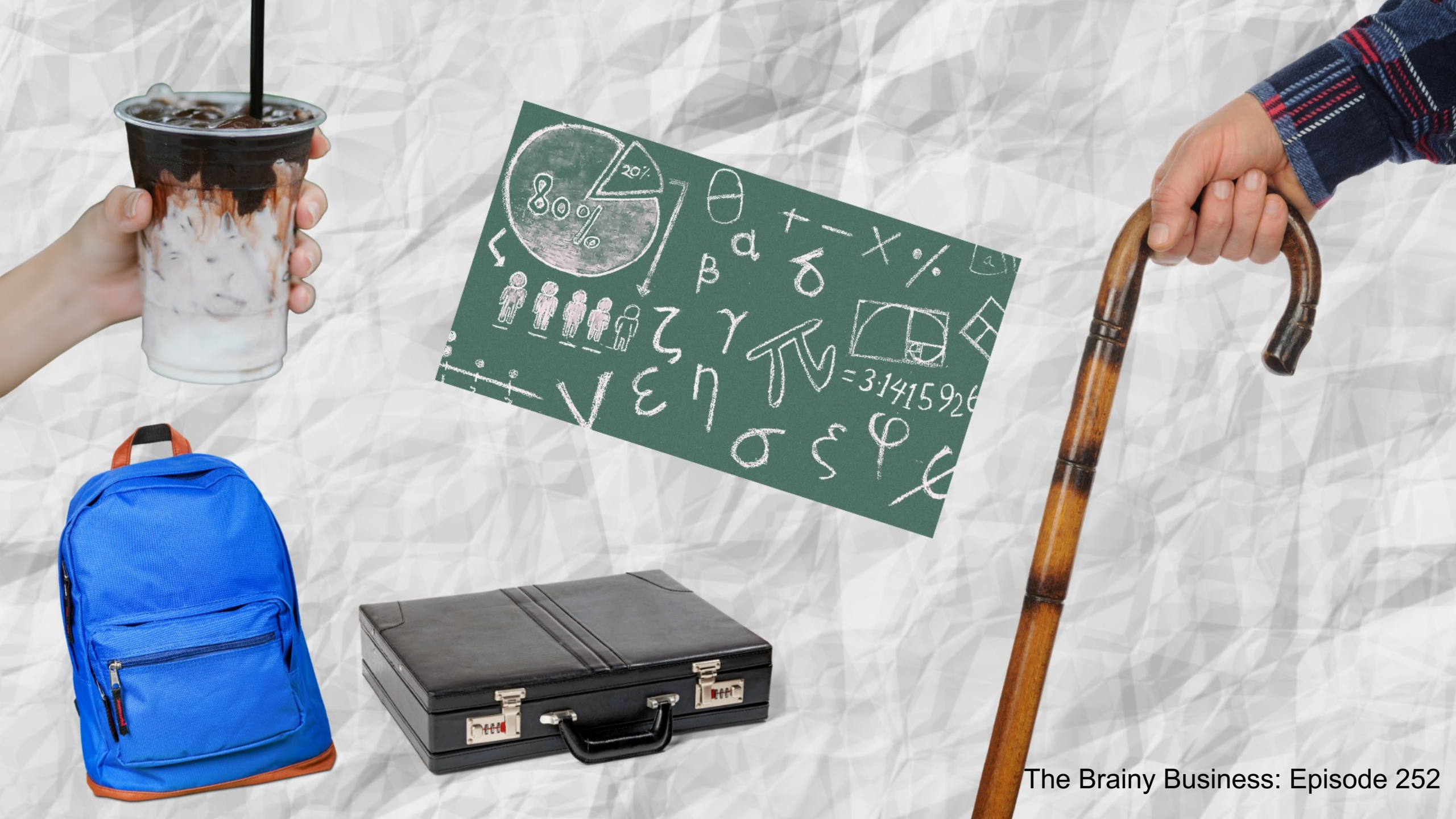
**HERDING**  
Episode 18



**Social Proof**  
episode 87



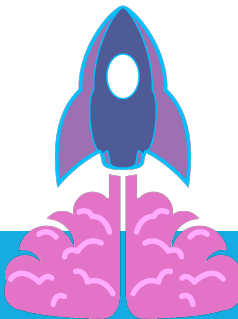
**PRIMING**



**Once you know  
something is the best  
choice, how can you  
showcase it?**

# **LET'S TEST...**

(no Googling)



- Are there more or less than 100,000 penguins in Antarctica?
- How many are there?





# Let's try again...

- Are there more or less than 25 million polar bears in the world?
- How many do you think there are?

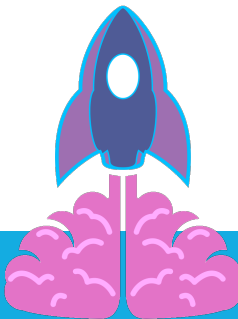




**What just  
happened?**

# Anchoring & Adjustment

- First number becomes the anchor
- Adjustments work off of it
- Really hard to set a new one



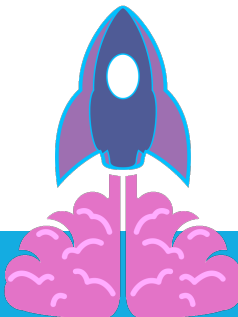
# Anchoring & Adjustment

The lesson – throw out some numbers

**Snickers Bars:  
Buy 18 for  
your freezer.**

**Snickers Bars:  
Buy them for  
your freezer.**

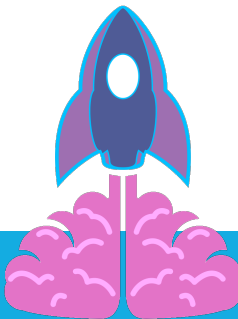
Wansink, B., Kent, R. J., & Hoch, S. J. (1998). *An anchoring and adjustment model of purchase quantity decisions*. *Journal of Marketing Research*, 35, 71-81.



# Relativity



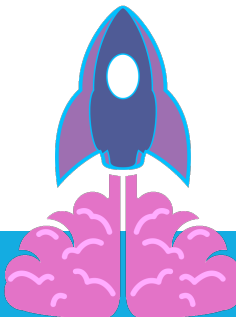
- We don't value things individually
- Decisions need reference points
- Context lets us know what we want



# Comparisons Matter

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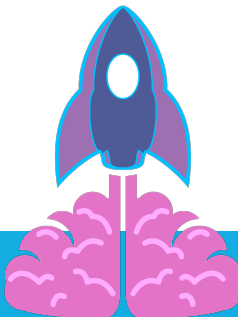
Ariely, D. (2009). Predictably irrational: The hidden forces that shape our decisions. New York, NY. HarperCollins Publishers.



# Comparisons Matter

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Ariely, D. (2009). Predictably irrational: The hidden forces that shape our decisions. New York, NY. HarperCollins Publishers.





**YOU ARE  
HERE**







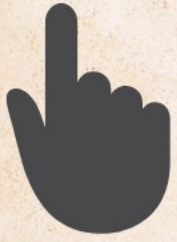
**YOU ARE  
HERE**





**YOU ARE  
HERE**



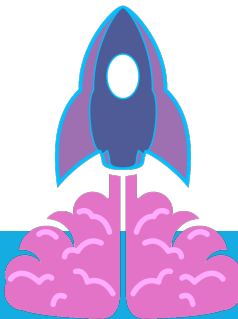
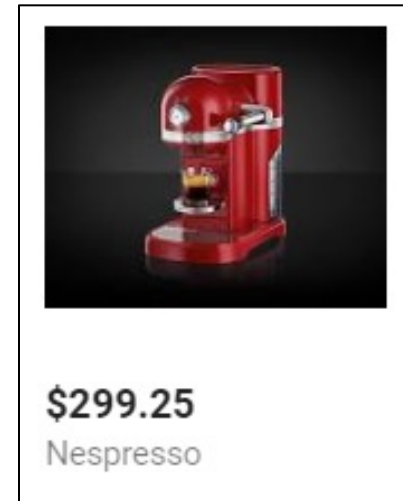
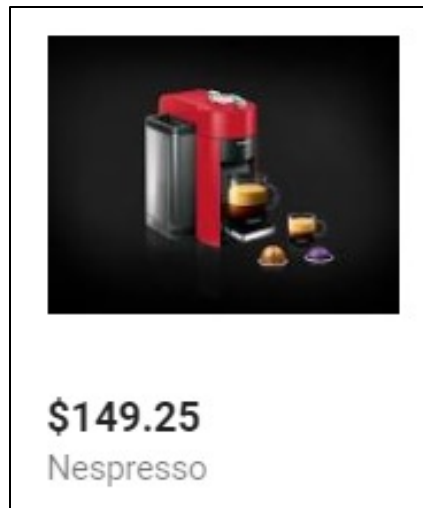



**YOU ARE  
HERE**



# Relativity

- The lesson? Give your best option a “decoy” to make it more appealing.



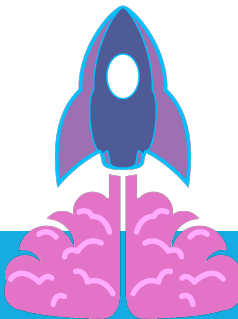


**Where could you  
nudge them along  
the way?**



# A Series of Small Steps

- We send postcard
  - They buy or don't
- Notice postcard
  - Read postcard
  - Flip postcard
  - Be interested enough not to throw away
  - Visit website
  - Read homepage
  - Click on product page
  - Click on pricing page
  - Place in cart
  - Buy





The Brainy Business: Episodes 35-41



**£1 BILLION PER YEAR**



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Type the text

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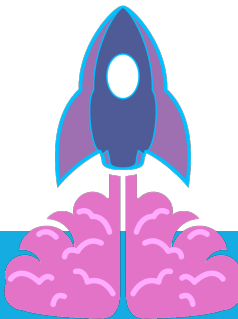


Van Houten, R., Nau, P.A., & Merrigan, M. (1981). Reducing elevator energy use: A comparison of posted feedback and reduced elevator convenience. *Journal of Applied Behavior Analysis*, (14)4, 377-387.

**Test, Test, Test**

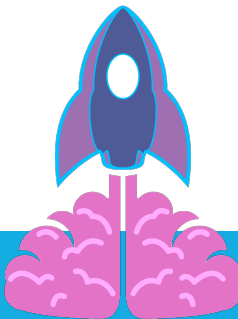
# When Doing Your Own Experiments

1. Keep it small
2. Be thoughtful
3. Test often



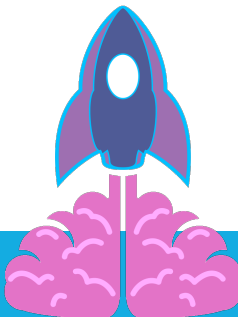
# When There's a Lot on the Line...

Use a research partner



# Concepts

- 1. Framing** (how matters more than what) <sup>16</sup>
- 2. Herding & Social Proof** (people like you) <sup>19 & 87</sup>
- 3. Priming** (what happens first matters a lot) <sup>252</sup>
- 4. Anchoring & Adjustment** (try big numbers) <sup>11</sup>
- 5. Relativity** (use a decoy) <sup>12</sup>
- 6. NUDGES** (help people make the best choice) <sup>35-41</sup>

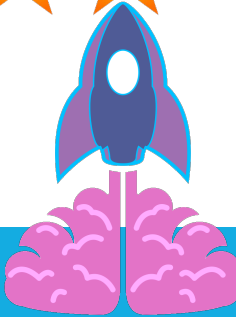
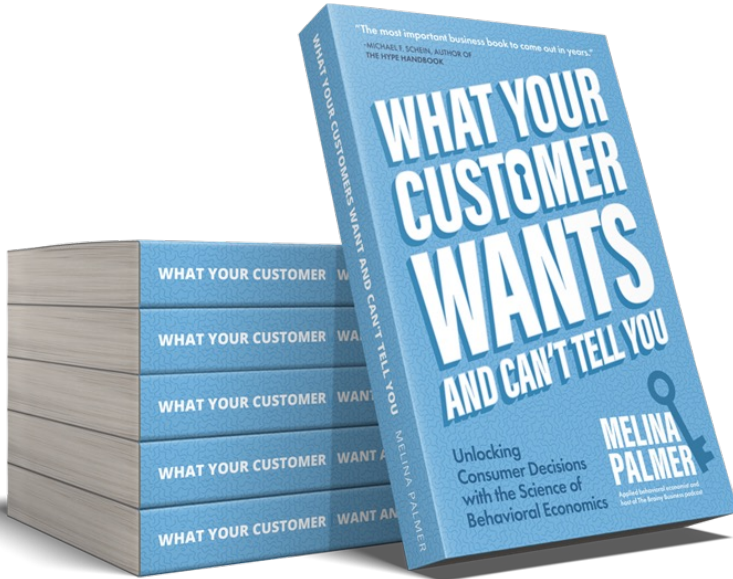
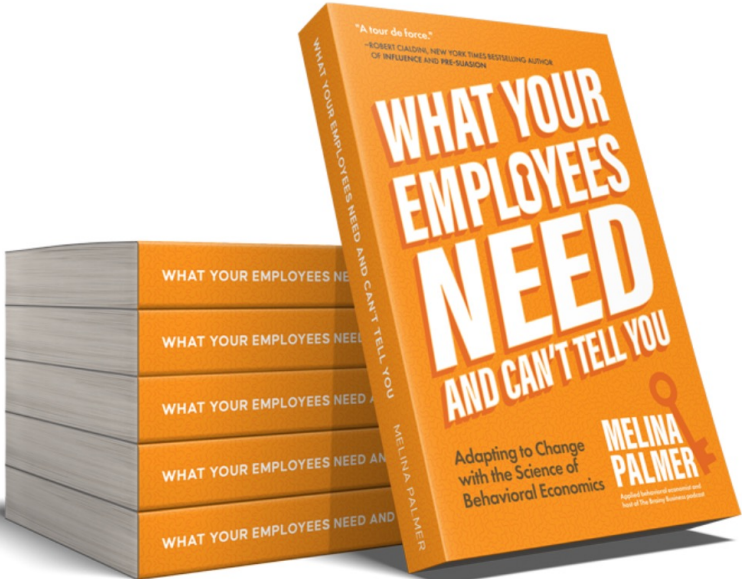
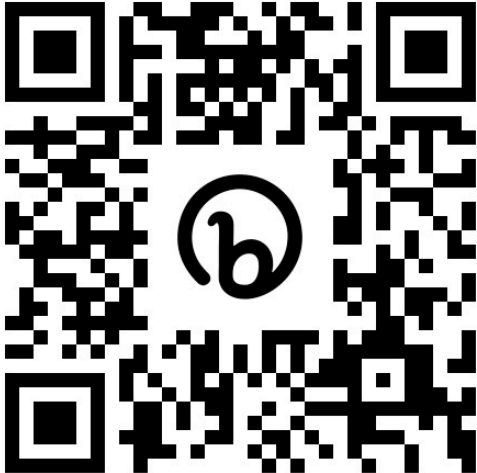






# Melina Palmer

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