

WHAT YOUR CUSTOMER WANTS AND CAN'T TELL YOU

with

MELINA PALMER

APPLIED BEHAVIORAL ECONOMIST

and host of

THE BRAINY BUSINESS PODCAST

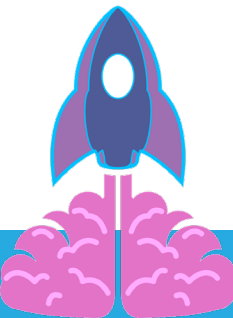


Behavioral Economics

Traditional
Economics

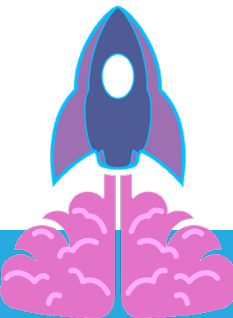
+

Psychology

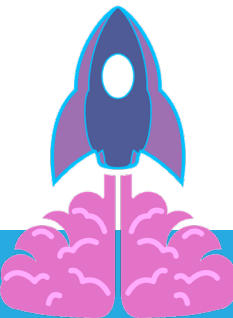


The Problem

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



Why this matters for businesses and researchers





NETFLIX



Sign In

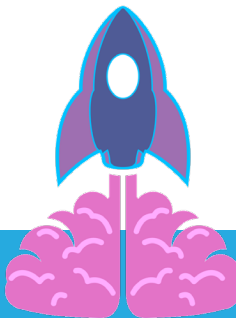
Bloomberg

Q Search

Economics

Top Jobs for Next Decade Are Behavioral Scientist, Data Analyst

By Lucy Meakin
December 29, 2019, 4:01 PM PST





Simplicity at Amazon





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

The background of the entire image is a solid light pink color. Overlaid on this background is a repeating pattern of stylized human brains. Each brain is a light orange or peach color and is rendered with a high level of detail, showing the characteristic folds and grooves of the cerebral cortex. The brains are arranged in a grid-like fashion, with some appearing slightly more prominent than others due to a subtle 3D effect and soft shadows cast onto the pink surface below them. In the center of the image, there is a horizontal white rectangular band. Overlaid on this band is the text "Cognitive Processing" in a bold, dark blue, sans-serif font.

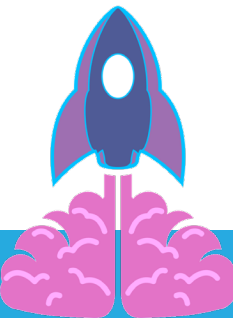
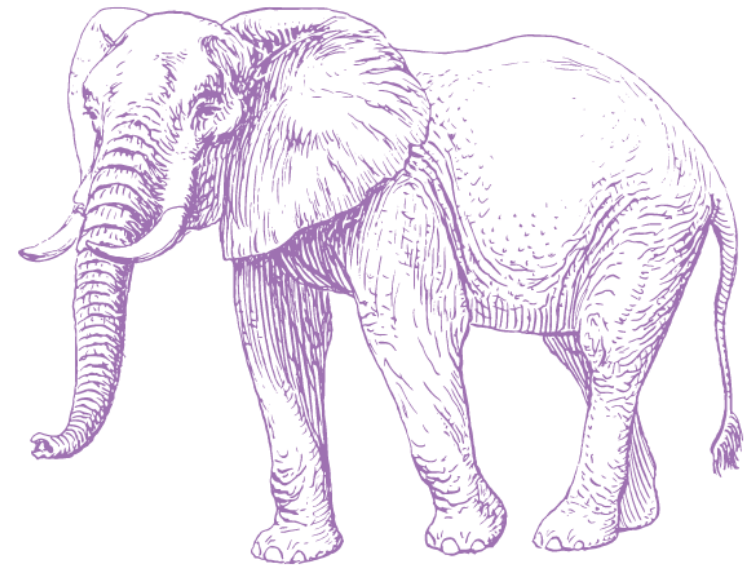
Cognitive Processing

Subconscious Processing

What percentage of the brain's processing is subconscious?

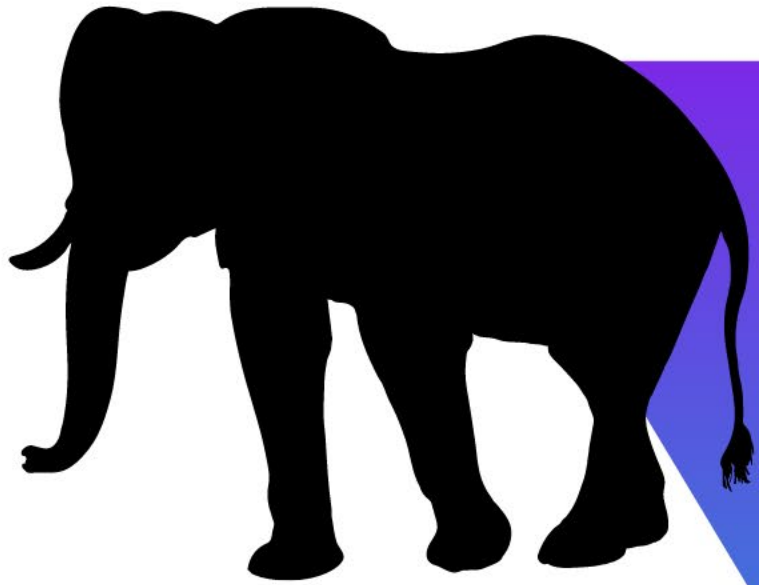
- 25%
- 50%
- 75%

**Only .001%
conscious!?!**



**HOW
DOES IT
WORK?**





**11 MILLION BITS
PER SECOND**

**40 BITS PER
SECOND**

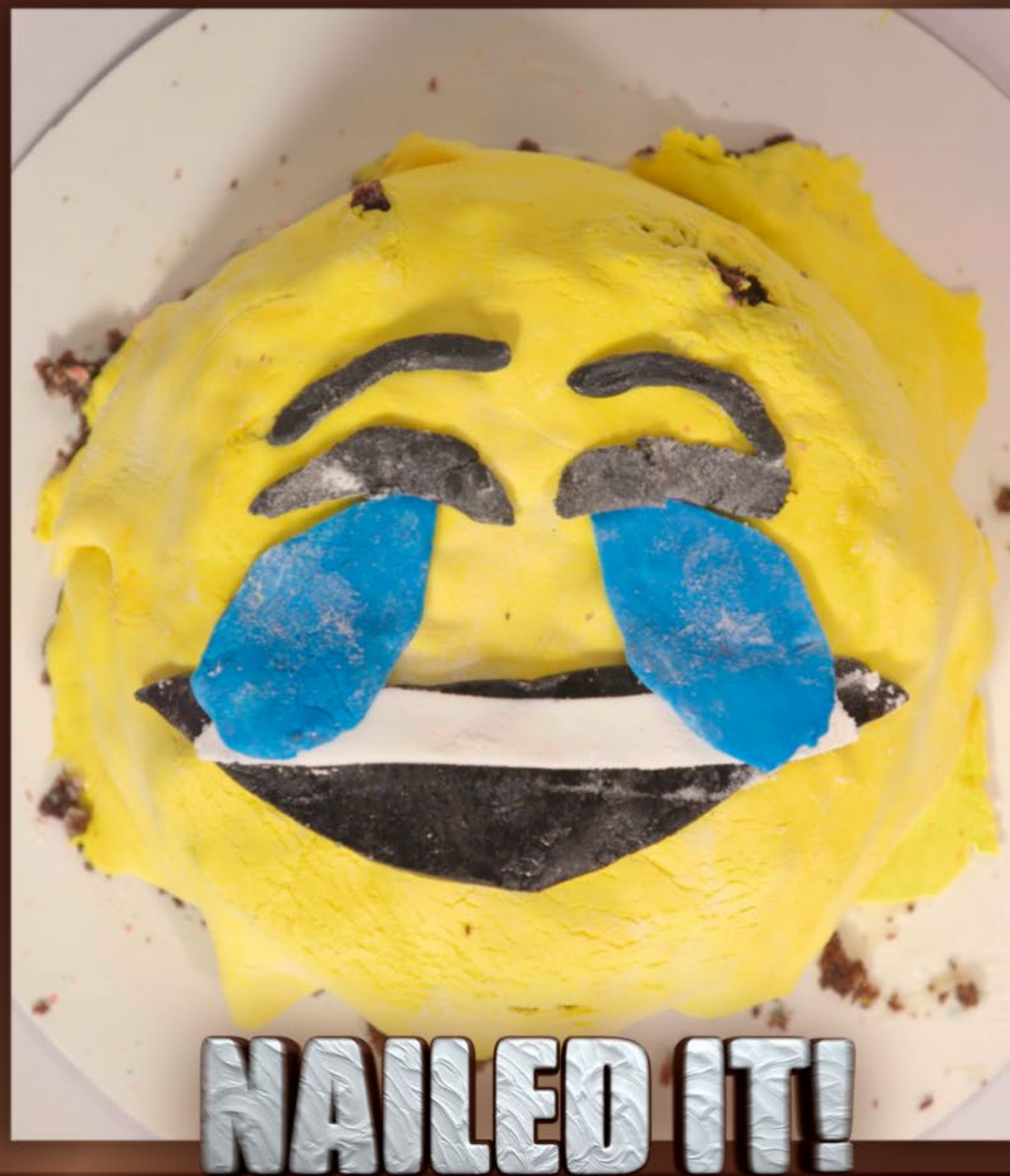


Fairness	Halo Effect	Herd Behavior	Myopic Loss Aversion	Framing Effect	Less-Is-Better Effect	Trust
Social Proof	Fast And Frugal	Social Preferences	Disposition Effect	Hindsight Bias	Zero Price Effect	
Prospect Theory	Precommitment	Ambiguity Aversion	Regulatory Focus Theory	Cognitive Dissonance		
Risk-As-Feelings	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

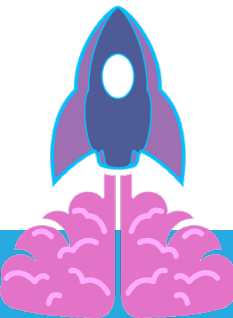






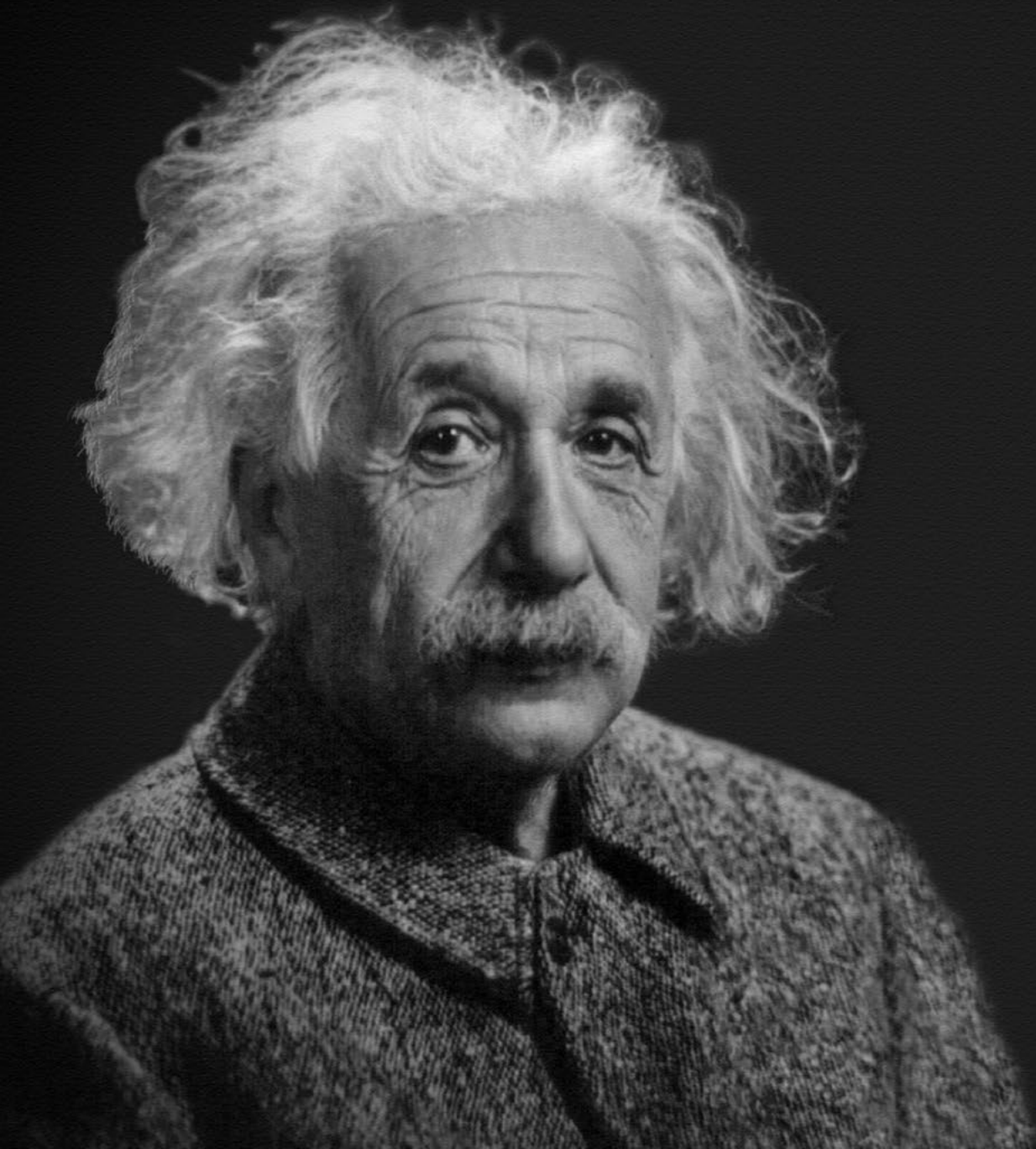
A Recipe to Follow

- **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?**



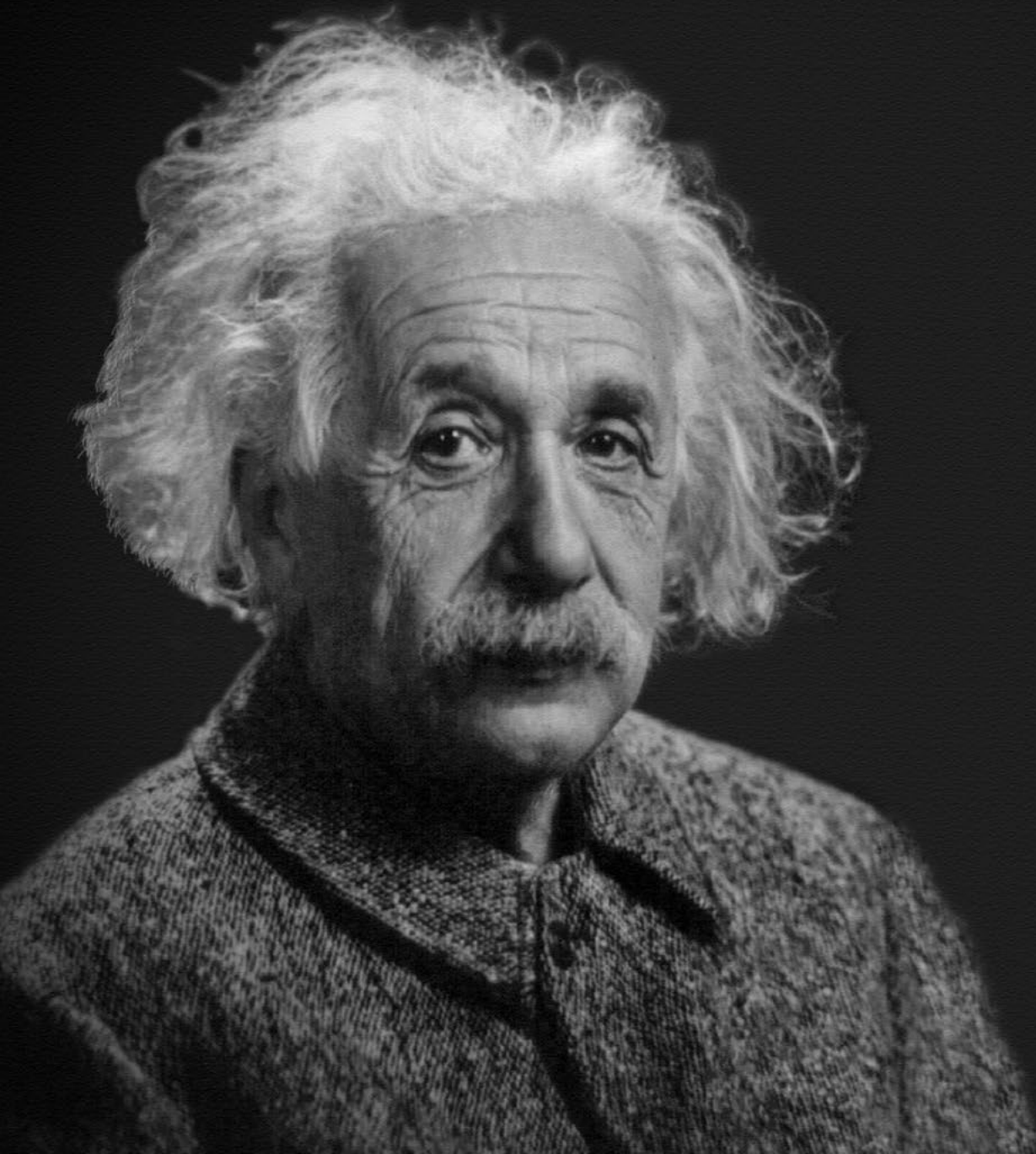
"IF YOU ONLY HAD

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."



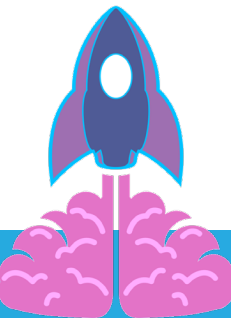
**What's your
ratio?**

An ornate, antique-style gold picture frame with intricate carvings and a distressed finish. The frame is rectangular with slightly irregular, decorative edges. It features elaborate scrollwork, floral motifs, and a textured surface that gives it an aged appearance. The central opening of the frame is a plain white square.

FRAMING

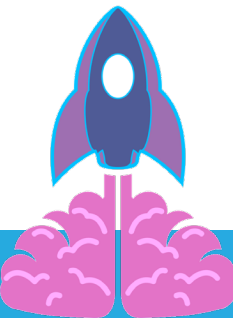
Episode 16

90% Fat Free LEAN Ground Beef



10 % FAT

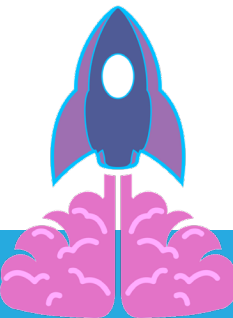
LEAN Ground Beef





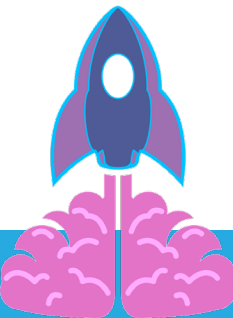
90% Fat Free
LEAN Ground Beef

10 % FAT
LEAN Ground Beef




Were you satisfied with your service?

On a scale of 1 to 5, how satisfied were you with your service?

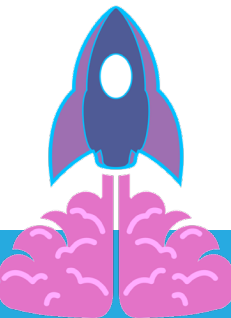




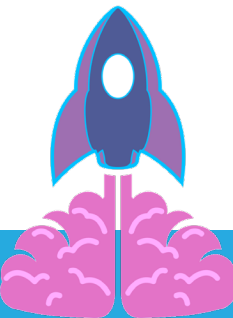
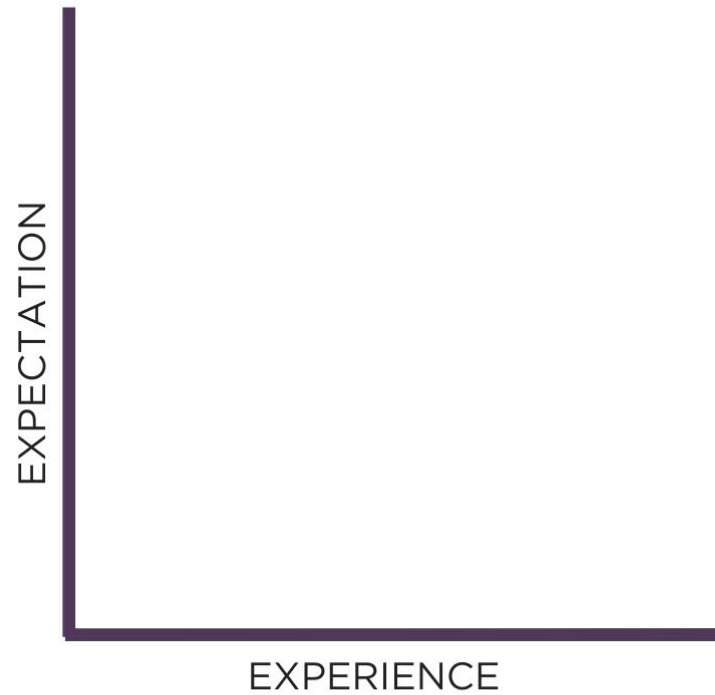
WHY?

L  YALTY

Does satisfaction drive loyalty?



Does satisfaction drive loyalty?

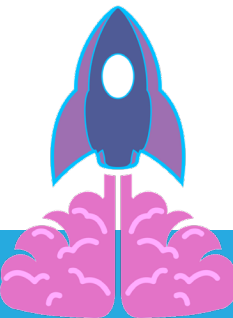




**How can you
showcase it as
the best choice?**

LET'S TEST...

(no Googling)



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

12 million




Let's try again...

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

26,500

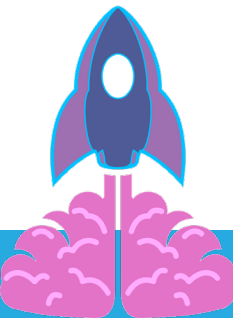




**What just
happened?**

Anchoring & Adjustment

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



Anchoring & Adjustment

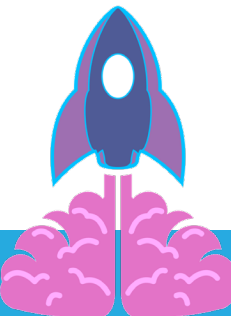
The lesson – throw out some numbers

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

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

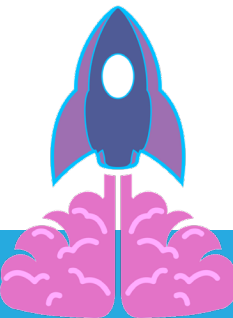
↖ **38% increase**

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

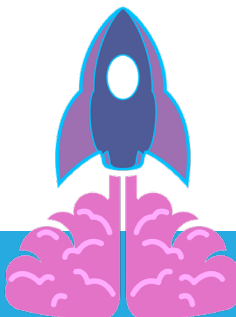
Economist.com	SUBSCRIPTIONS
OPINION	Welcome to
WORLD	The Economist Subscription Centre
BUSINESS	Pick the type of subscription you want to buy or renew.
FINANCE & ECONOMICS	<input type="checkbox"/> Economist.com subscription - US \$59.00
SCIENCE & TECHNOLOGY	One-year subscription to Economist.com.
PEOPLE	Includes online access to all articles from <i>The Economist</i> since 1997.
BOOKS & ARTS	<input type="checkbox"/> Print subscription - US \$125.00
MARKETS & DATA	One-year subscription to the print edition of <i>The Economist</i> .
DIVERSIONS	<input type="checkbox"/> Print & web subscription - US \$125.00
	One-year subscription to the print edition of <i>The Economist</i> and online access to all articles from <i>The Economist</i> since 1997.

16

0

84

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



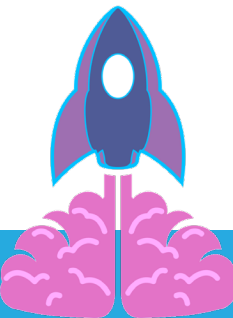
Comparisons Matter


Economist.com	SUBSCRIPTIONS
OPINION	Welcome to
WORLD	The Economist Subscription Centre
BUSINESS	Pick the type of subscription you want to buy or renew.
FINANCE & ECONOMICS	<input type="checkbox"/> Economist.com subscription - US \$59.00
SCIENCE & TECHNOLOGY	One-year subscription to Economist.com.
PEOPLE	Includes online access to all articles from <i>The Economist</i> since 1997.
BOOKS & ARTS	
MARKETS & DATA	<input type="checkbox"/> Print & web subscription - US \$125.00
DIVERSIONS	One-year subscription to the print edition of <i>The Economist</i> and online access to all articles from <i>The Economist</i> since 1997.

68

32 (84 last time!)

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



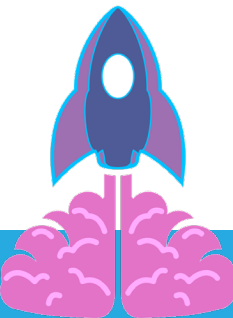


**Where could you
nudge them along
the way?**



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



arch dsjcbka

Type the text

[Privacy & Terms](#)

ReCAPTCHA

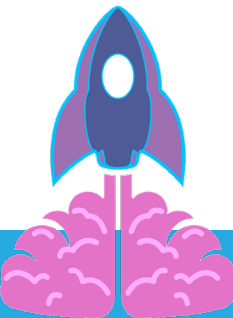




Test, Test, Test

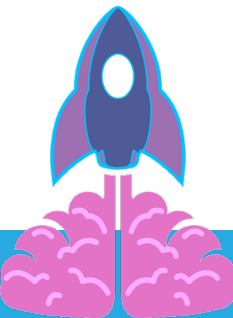
When Doing Your Own Experiments

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



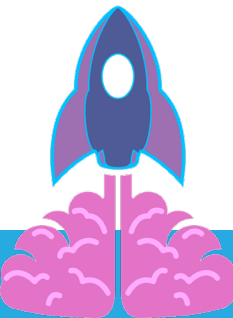
When There's a Lot on the Line...

Use a research partner



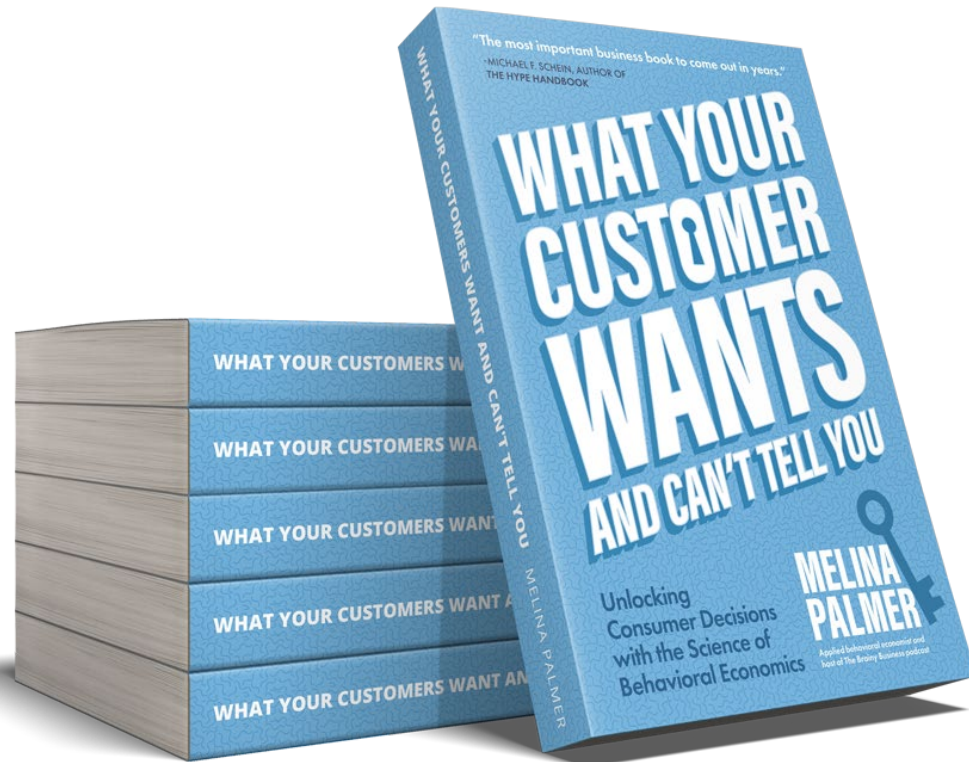
Concepts

1. **Framing** (how matters more than what) 16
2. **Surprise & Delight** (satisfaction doesn't drive loyalty) 63
3. **Anchoring & Adjustment** (try big numbers) 11
4. **Relativity** (use a decoy) 12
5. **NUDGES** (help people make the best choice) 35-41





Buy It Now On Presale



Melina Palmer & The Brainy Business



@thebrainybiz



/thebrainybusiness

