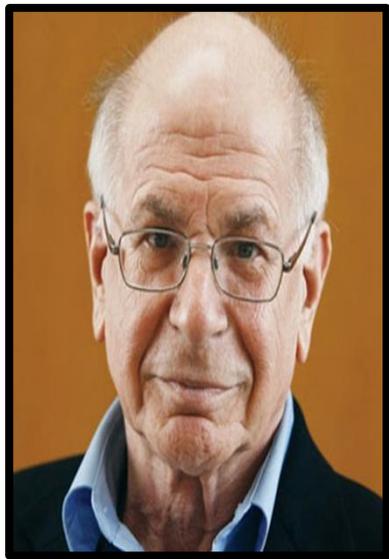


BEHAVIORAL ECONOMICS

NOBÉIS DA ECONOMIA KAHNEMAN E THALER: APLICAÇÃO AO PRICING E VENDAS DOS CONTACT CENTERS



Daniel Kahneman
(Nobel 2002)



Richard Thaler
(Nobel 2017)



Amos Tversky



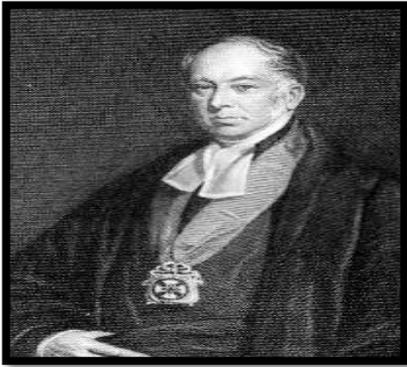
Jorge Sá
Professor at
Swiss Business School (Zurich)
AESE/IESE (Barcelona)
University of Lisbon



Dan Ariely



Main characteristics = Absolutely rational	
I. Perfect information	Know all
	— + — No biases
II. Infinitely intelligent	Able to optimize Find best solution
	III. For his own well being
	Utility (frequently money)



Richard Whately
(1787-1863)

*Man, considered not merely as an **organized being**, but as a **rational agent** is perhaps the most **wonderfully contrived** and the **most interesting specimen** of **Divine wisdom** that we have any knowledge of.*



Eugene Fama (1939 -)

*The **efficient market theory** is one of the **better models** in the sense that it can be taken as true for **every purpose** I can think of.*



Michael Jensen (1939 -)

*There is no other proposition in economics that has more **solid empirical evidence** supporting it than the **Efficient Market Hypothesis** ... In the literature of finance, accounting, and the economics of uncertainty, the EMH is accepted as a **fact of life** .*



VS

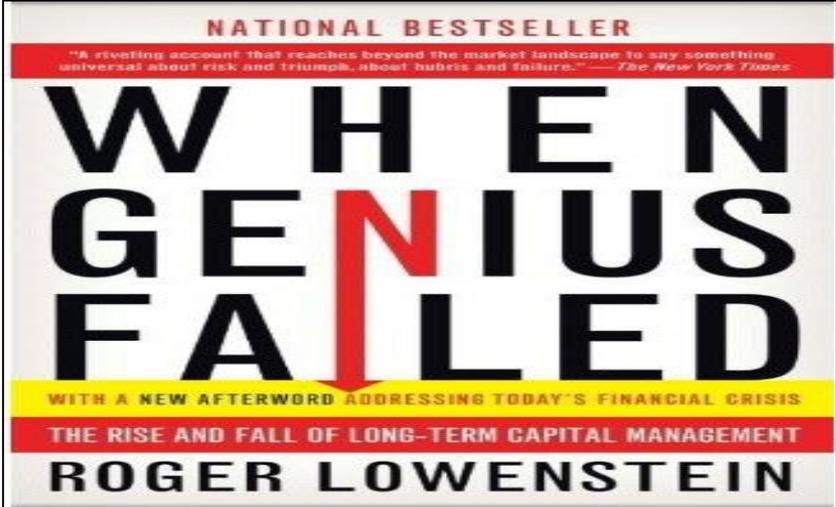
Two **Nobel Prize** winners
(classical economists)
+
Several former University Professors

Assets: 100 billion US dollars



Bankruptcy
(Bailout by Fed + all major banks)

BUSINESS INSIDER
'Genius' Hedge Fund Almost Caused a Global Financial Meltdown

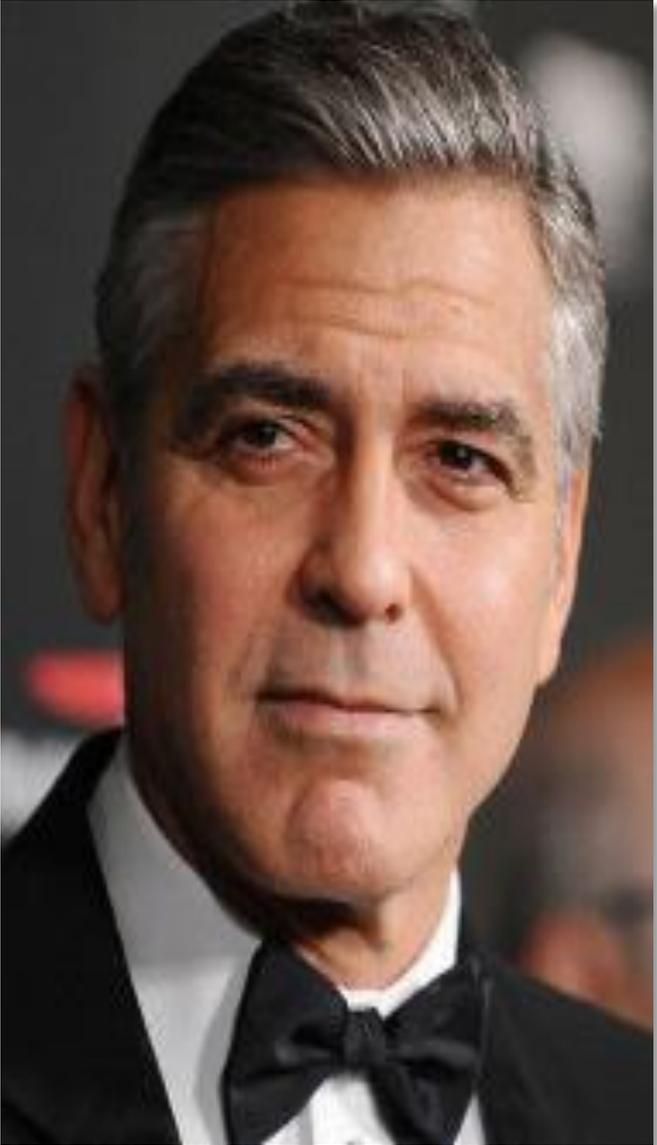


SO WHAT?

<p>Classical Economics hypothesis</p> <p>Examples</p>	<p>I Perfect information</p>	<p>II Optimization</p>	<p>III Rationality (people make sense)</p>
 <p>THE HEBREW UNIVERSITY OF JERUSALEM</p> <p>(Stereotypes)</p>	<p>NO</p>	<p style="background-color: #cccccc;"></p>	<p style="background-color: #cccccc;"></p>
 <p>(Master students)</p>	<p>NO</p>	<p style="background-color: #cccccc;"></p>	<p>NO</p>
 <p>(Wine)</p>	<p style="background-color: #cccccc;"></p>	<p>NO</p>	<p>NO</p>
 <p>(Salary)</p>	<p style="background-color: #cccccc;"></p>	<p>NO</p>	<p>NO</p>

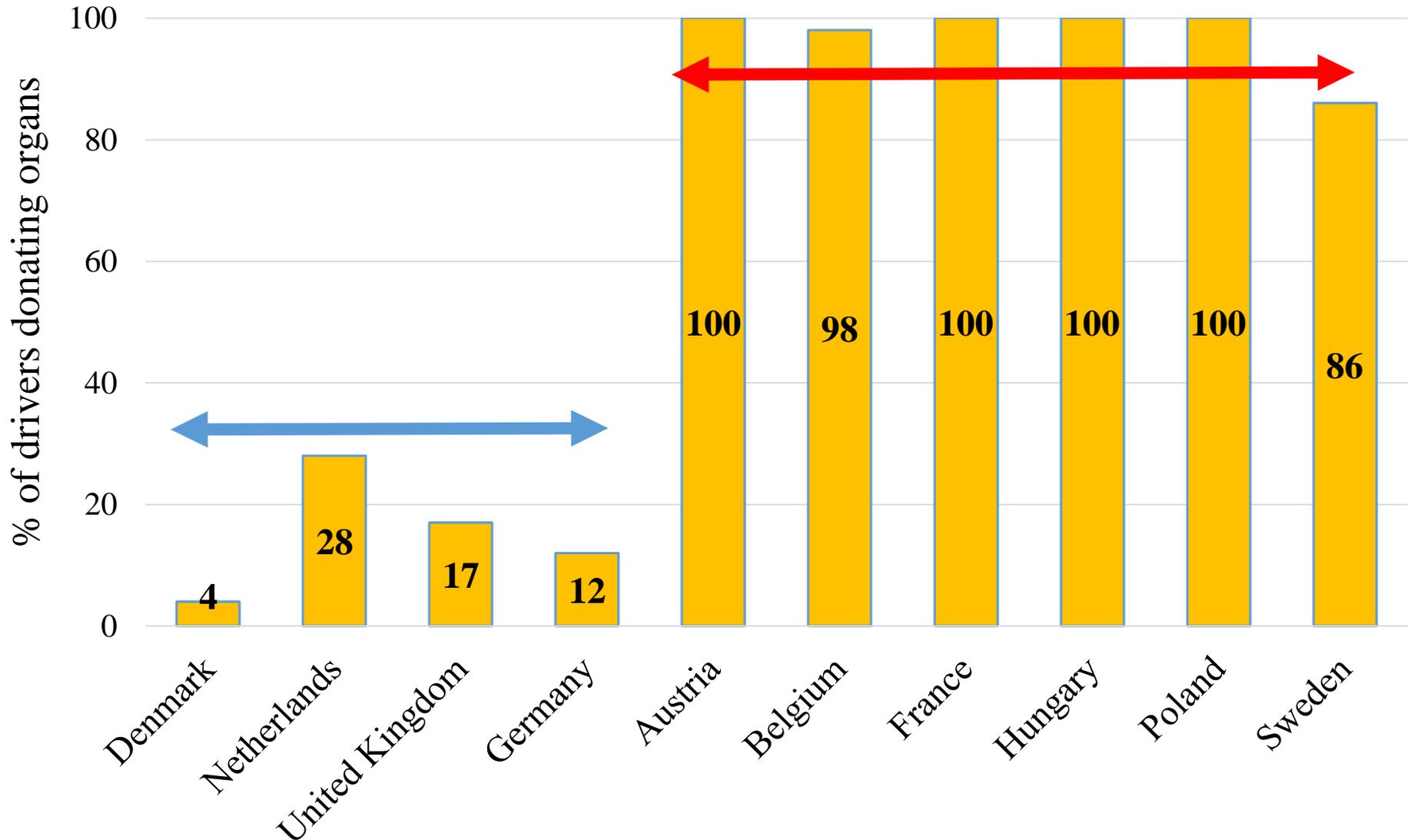


Brad Pitt



George Clooney

ORGANS DONATION?



Source: Johnson & Goldstein (2003)

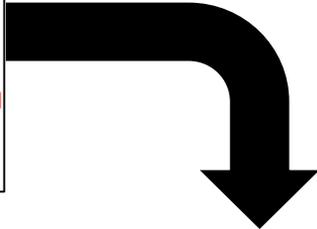
Types of heuristics	Mental aids/habits	
	Used by	All
		Not consciously
	Imply	Systematic
Biases		

A. SURVIVAL / SAFETY	SURVIVAL	1	Present = + Δ future
	SAFETY / CERTAINTY	2	Risk aversion
		3	Loss aversion
		4	Horror to word loss
		5	Bad evaluation of probabilities
		6	Endowment effect
		7	Framing
		8	Relative = + Δ absolute
		9	Fit in (authority/ conformity)
		10	Trust
		11	Fairness / sense of responsibility
B. HAPPINESS / FEEL WELL WITH MYSELF		12	Vanity
		13	∇ Regrets
		14	Rationalization
C. HUMAN NATURE LIMITATION	NON-INTELECTUAL	15	Path least resistance (laziness + fear)
		16	Dark side
		17	Can't see what don't expect
		18	Gender
		19	Stereotypes (representativeness)
	INTELECTUAL	20	Halo effect
		21	Anchoring (reference points)
		22	Past influence
		23	Memory influence
		24	Transitivity

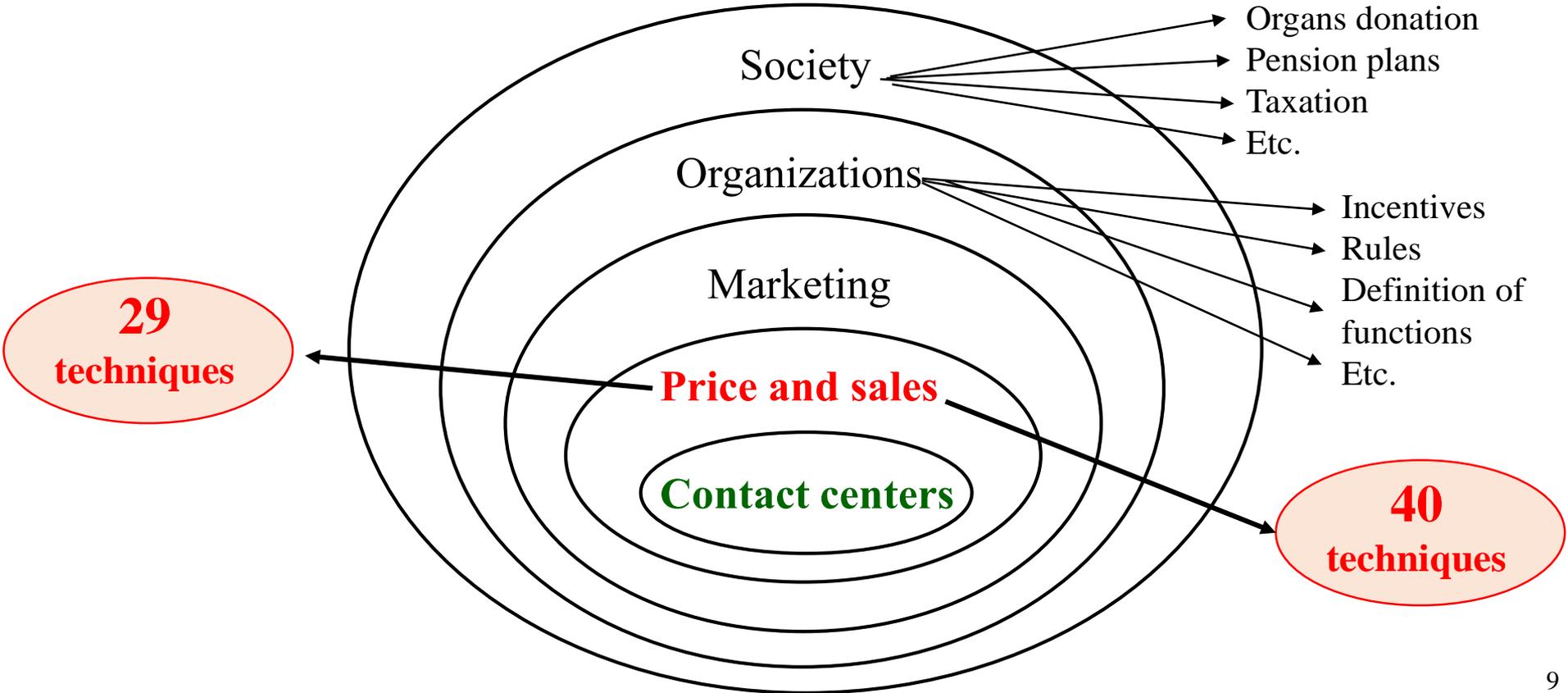
Default



Types of heuristics		Mental aids/habits	
		Used by	All
		Imply	Not consciously Systematic Biases
A. SURVIVAL / SAFETY	SURVIVAL	1	Present - > Future
	SAFETY / CERTAINTY	2	Risk aversion
		3	Loss aversion
		4	Hesit to avoid loss
		5	Bad evaluation of probabilities
		6	Endowment effect
		7	Planning
		8	Relative - > Absolute
		9	Fit to conformity/conformity
		10	Trust
B. HAPPINESS / FEEL WELL WITH MYSELF	NON-INTELLECTUAL	11	Fairness / sense of responsibility
		12	Vanity
		13	Respect
		14	Rationalization
		15	Path least resistance (laziness + fear)
		16	Drunk state
		17	Can't see what don't expect
		18	Gender
		19	Stereotypes (representativeness)
	C. HUMAN NATURE LIMITATION	INTELLECTUAL	20
21			Anchoring (reference points)
22			Past influence
23			Memory influence
24			Emotivity

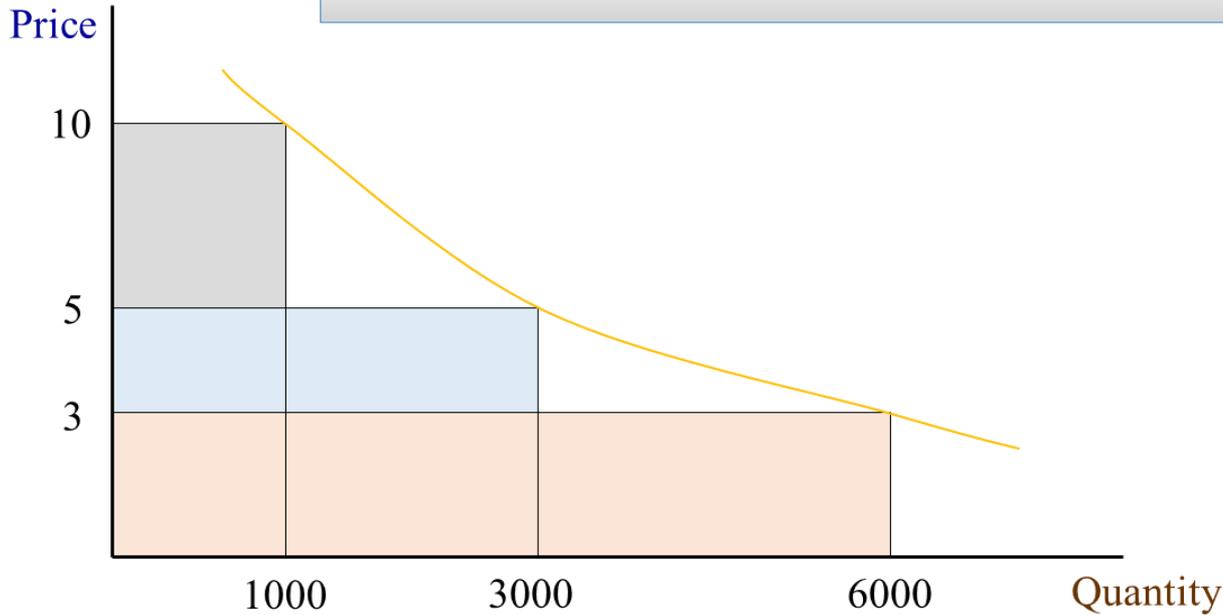


Prospect theory / Behavioral economics



I. PRICE DIFFERENTIATION

1.



2.

Companies choose to: $P = 3 \Rightarrow Q_t = 6 \Rightarrow \text{Sales} = 18$

3.

That is, they opt for 

4.

But they give up on earning:

{		$= 3 \times (5 - 3) = 6$
		$= 1 \times (10 - 5) = 5$

5.

That is, with price differentiation they could earn: $18 + 6 + 5 = 29$



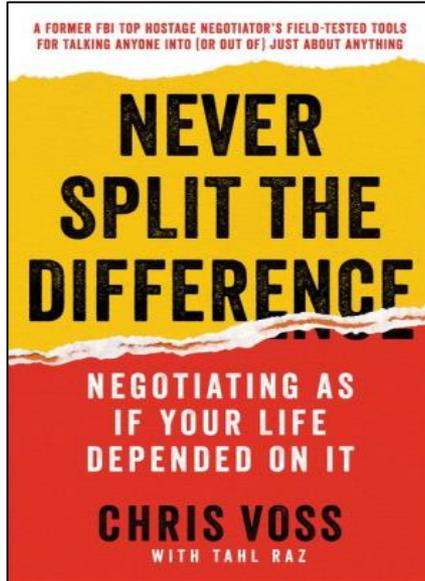
Behavioral economics techniques

MIRRORING

VS



Chris Voss
(former FBI
hostage negotiator)



We **fear** what is **different** and are **drawn** to what is **similar**.

Mirroring is the art of insinuating **similarity** and **facilitates bonding**.

Mirrors work: **repeat** the last **three** words (or the **critical** one) of what someone just said.

Study on mirroring	 Two groups of waiters		Tips
First:	Use praise + Encouragement on patrons with words such as	Great No problem Sure Etc.	100%
Second:	Mirrored customers by repeating orders back to them		170%

PRICING:					
I. Cost	Minimum		Individual	NEW ↓	
			Scale economies		
			Experience effects		
II. Competition	Reference		Direct		
			Indirect		
III. Mind of customer	3.1. Heterogeneous	Practice price discrimination among	Clients		1
			Channels		2
			Time		3
	3.2. Homogeneous	Differentiate client and buyer			4
		Price only client value			5
		Best price = zero			6
		Fidelization		7	
		Bundling		8	
		Sales promotion		9	
		Urgency/scarcity	Quantity	10	
			Time	11	

PRICING:

I.	Cost	Minimum	Individual
			Scale economies
			Experience effects
II.	Competition	Reference	Direct
			Indirect

III.	3.1. Heterogeneous	Practice price discrimination among	Clients	1			
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				Fidelization	7		
				Bundling	8		
				Sales promotion	9		
				Urgency/scarcity	Quantity	10	
					Time	11	
				Specialty	Secrecy	12	
					Individuality / status	13	
				Feel lucky / happy	Discount	14	
					Initial price	15	
					Free	16	
				Price = relative (not absolute)			17
				Rule of 100			18
				Psychological pricing			19
				Anchoring			20
				Decoys			21
				Framing			22

**Mind
of
customer**

PRICING:

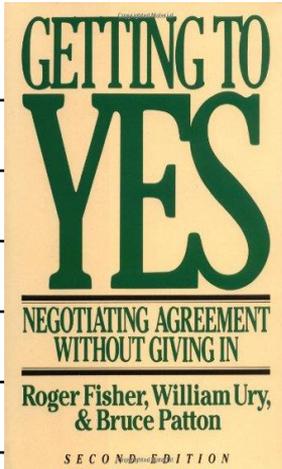
VS

I. Cost	Minimum	Individual
		Scale economies
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II. Competition	Reference	Direct
		Indirect

<h2>Mind of customer</h2>	3.1. Heterogeneous	Practice price discrimination among	Clients	1	
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		Rule of 100			18
		Psychological pricing			19
		Anchoring			20
		Decoys			21
		Framing			22
		Up-selling			23
		Absorption pricing			24
		Payment in species			25
		Payment deferral			26
		▽ Risk			27
		Stability	Consistency		28
			Inflation		29

NEGOTIATION / SALES:

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BATNA

Mine

Other's

ZOPA

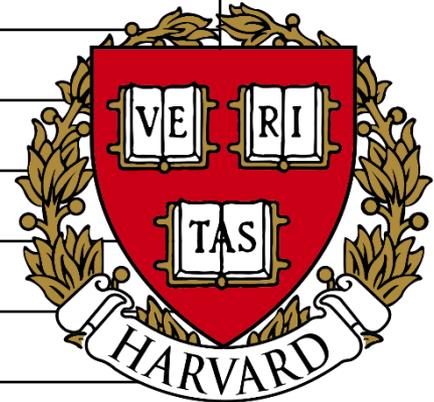
Disengage

Who is the other

What is value?

Find common interests

Avoid price wars



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W**

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Environment	1
Framing	2
Authority	3
Price reference	4
Recommendations	5
Hindsight bias	6
Unexpected changes	Piecemeal 7
	Surprise 8
	Foot in the door 9

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BATNA Mine
 ZOPA Other's
 Disengage
 Who is the other
 What is value?
 Find common interests
 Avoid price wars



7 8 9

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Environment
 Framing
 Authority
 Price reference
 Recommendations
 Hindsight bias
 Unexpected changes
 Piecemeal Surprise
 Foot in the door

1
2
3
4
5
6
7
8
9

NEW

NEGOTIATION / SALES:			
SIMPLICITY AND SHORTCUTS	Default / Path least resistance		10
	△easy evaluation / ▽ regrets		11
SECURITY / SAFETY	Associations		12
	Conformity		13
	Cognitive dissonance		14
	Demonstration		15
	Asymmetry of information		16
	Divide and reign		17
	Scarcity	Quantity	18
		Time	19
	Aversion	Regret	20
		Risk	
Horror	Loss		
Bad evaluation of probabilities			
SELF-ESTEEM	Individuality		21
	Imitation		22
	Save face		23



NEGOTIATION / SALES:		
SIMPPLICITY AND MULTIPLICITY	/	COMPLEXITY AND MULTIPLICITY
Default / Path least resistance Sensory evaluation / regrets Anchoring Cognitive dissonance Escalation Asymmetric information Divide and reign		
Scarcity		Quantity
Aversion		Time
Hypnosis		Price
Lead evaluation of probabilities		
Probability		
Save face		

NEW

NEGOTIATION / SALES:			
PLEASANT / AGREEABLE	Aspect		24
	Rimes		25
VERBAL MESSAGE	Listen		26
	KISS		27
	Use positive words (and appropriate tone of voice)		28
	Ask questions		29
	Use other's mindset		30
	ABC		31
	Sequence of arguments		32
	PREPARE	Before meeting	Small victories approach
Train (5 Ps)			34
Institutional memory			35
Psyche			36
Psyche in meeting		37	
OTHERS	Use gender		38
	Adapt to culture		39
	Helpers		40

VS

Vasconcellos e Sá Associates, S.A.

Opus artificem probat

To act upon one's **convictions**, while **others** sit on the sidelines.

To create a **positive** force, when **cynics** do nothing.

To offer a **choice**, to those who **languish**.

To make things **better**, by venturing into the seemingly **impossible**.

To do that and bring **understanding** where **discord** reigns.

That is to make a **difference**: to leave **footprints** in life. (-)



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