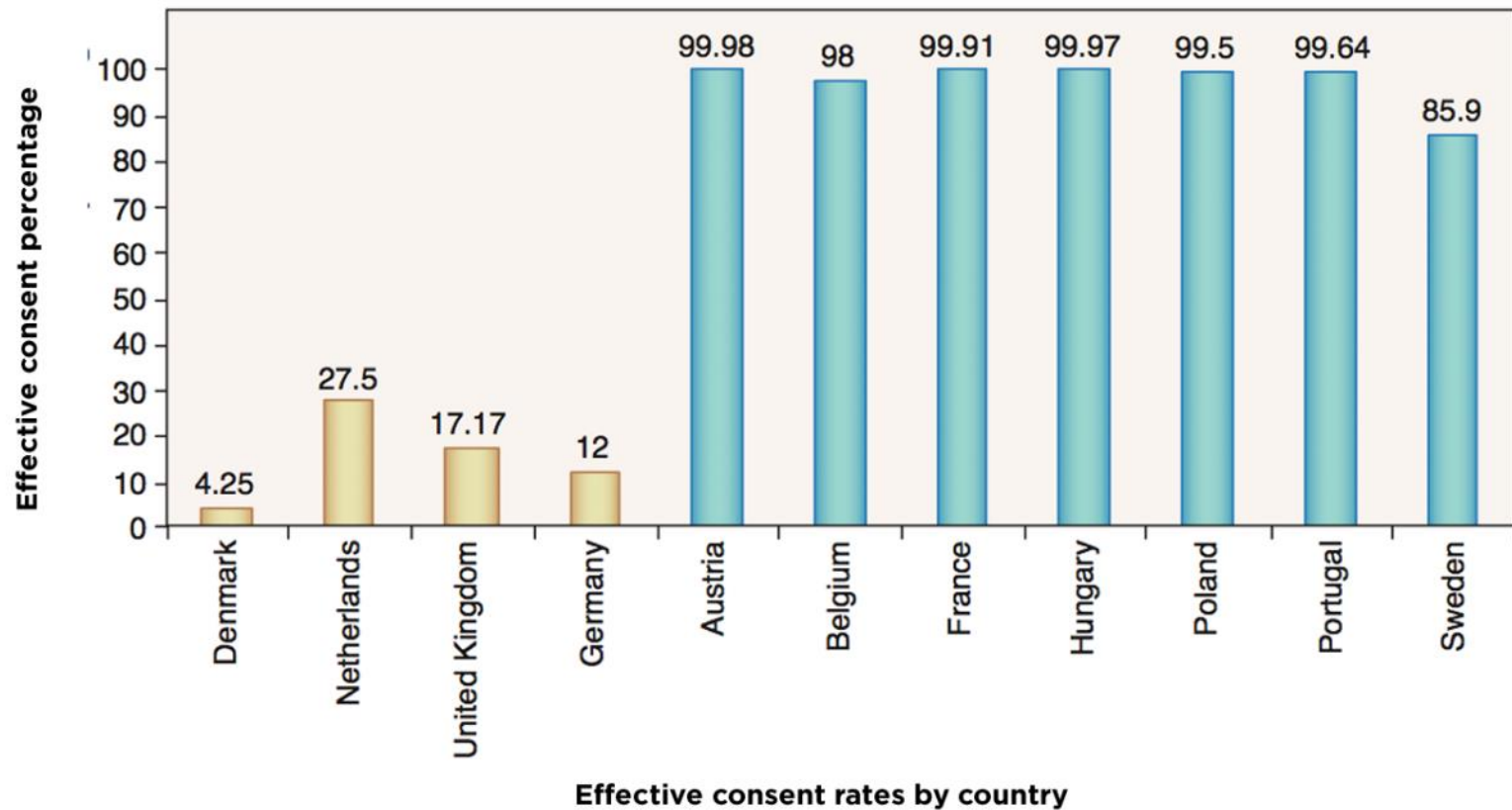


# Behaviour Design The economics of nudging

India HCI 2014 workshop . 7<sup>th</sup> Dec 2014

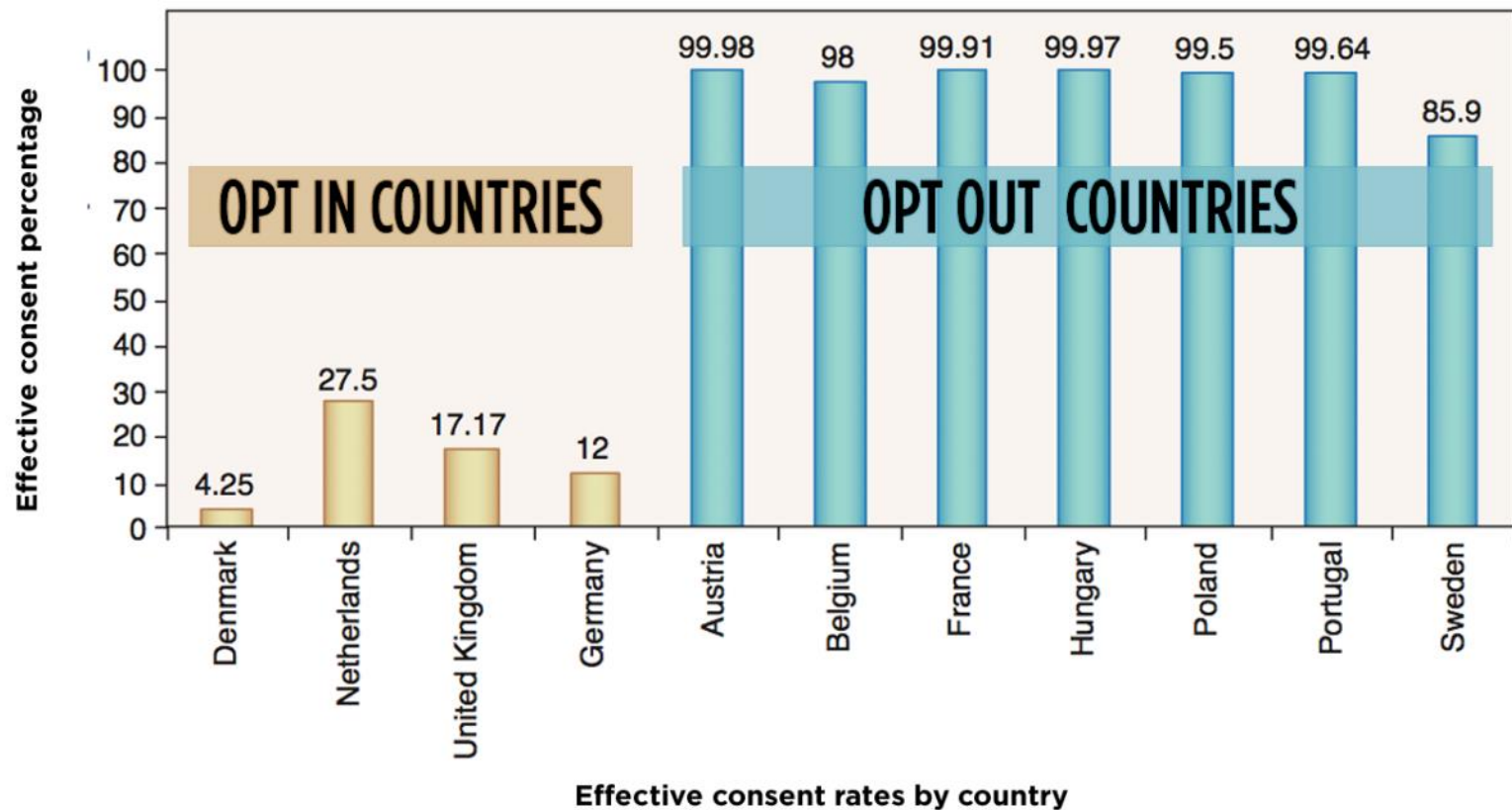
## Do Defaults save Lives?

Johnson & Goldstein, 2003 - via Danareily.com



## Do Defaults save Lives?

Johnson & Goldstein, 2003 - via Danareily.com



*"When donation is the default, there is a 16.3%  
( $P < 0.02$ ) increase in organ donation."*

# What is behavioural economics?

## Economics



How aggregate demand evolves

Designing incentives

How firms compete

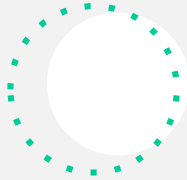
How market outcomes occur

Regulation and public policy

(Can encompass statistics, mathematics, finance and game theory)

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## Behavioural Science



Why individuals behave as they do

The role of the unconscious and emotions

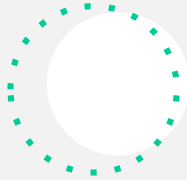
How groups interact

Techniques for influencing behaviour

(Can encompass psychology, cognitive science, anthropology, sociology and parts of neuroscience)

# What is behavioural economics?

## Economics



How aggregate demand evolves

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(Can encompass statistics, mathematics, finance and game theory)

## Behavioural Economics



What drives behaviour today?

Which types of behaviour are most important to change?

What is the most cost effective way of changing behaviour?

How can we change competitive outcomes?

## Behavioural Science



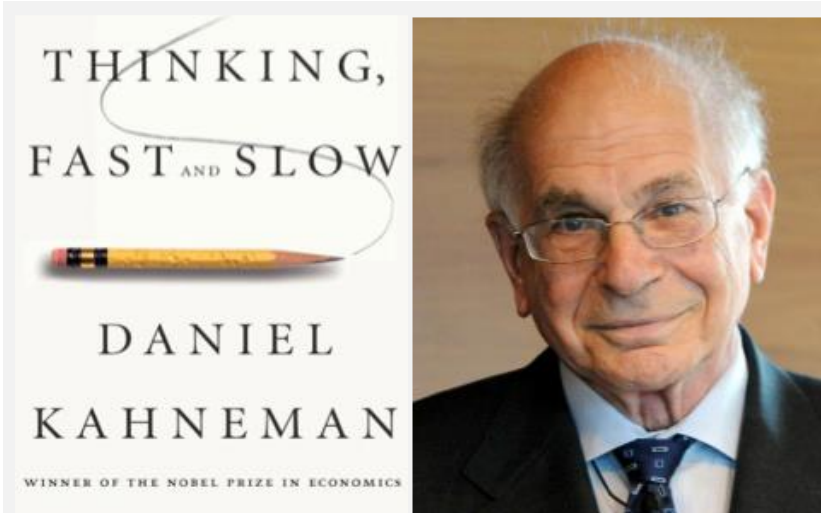
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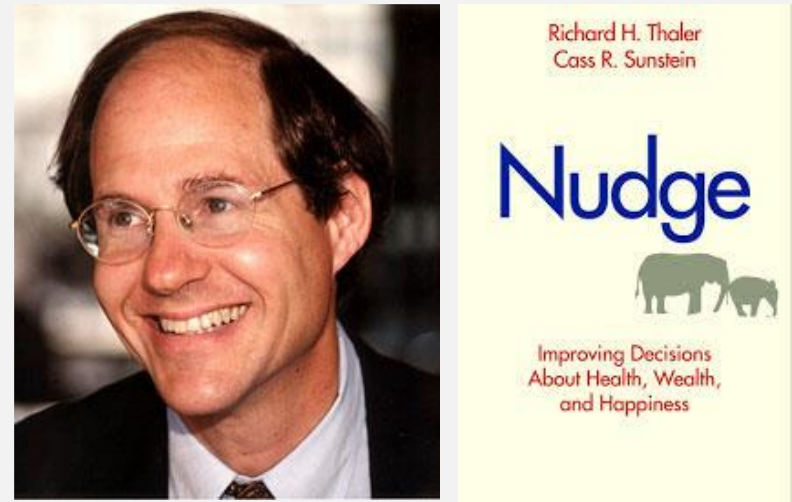
(Can encompass psychology, cognitive science, anthropology, sociology and neuroscience)



## Thinking Fast and Thinking Slow

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It turns out that the environmental effects on behaviour are a lot stronger than most people expect



## Nudge

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Humans make predictable mistakes because of their use of heuristics, fallacies, and because of the way they are influenced by their social interactions

Messenger Incentives Norms Defaults Salience Priming Affect Commitment Ego

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# MINDSPACE framework for behaviour design – developed by UK BIT

Messenger Incentives Norms Defaults Salience Priming Affect Commitment Ego

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We are heavily influenced by who communicates information



Expertise and trust



Perceived authority



Peer effects

# MINDSPACE framework for behaviour design – developed by UK BIT

Messenger Incentives Norms Defaults Salience Priming Affect Commitment Ego

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Our responses to incentives are shaped by mental shortcuts



Loss aversion



Overweigh small probabilities



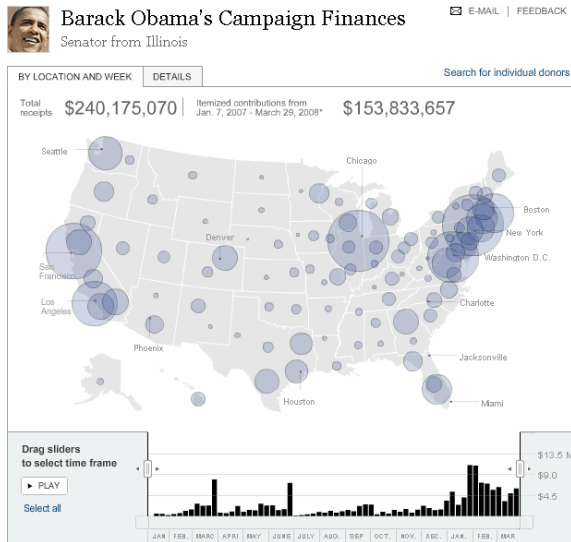
Future discounting

# MINDSPACE framework for behaviour design – developed by UK BIT

Messenger Incentives **Norms** Defaults Salience Priming Affect Commitment Ego

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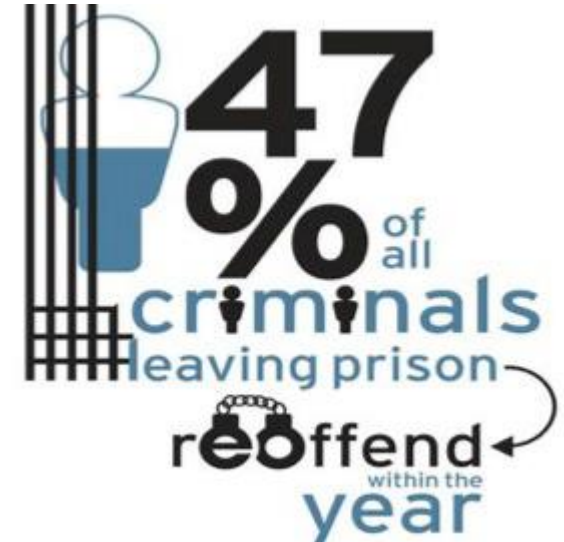
Our responses to incentives are shaped by mental shortcuts



Personalise the norm



Spread the word



Beware of boomerangs



# MINDSPACE framework for behaviour design – developed by UK BIT

Messenger Incentives Norms **Defaults** Salience Priming Affect Commitment Ego

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We “go with the flow” of pre-set options

Wear glasses or corrective lenses when driving?

**Organ donation**

I want to register my details on the NHS Organ Donor Register so that someone whose organs/tissue may be used for transplant after my death. Please put ☒ in the boxes that apply.

Any of my organs and tissue ☒ or

Kidneys ☐ Corneas ☐ Heart ☐ Lungs ☐ Liver

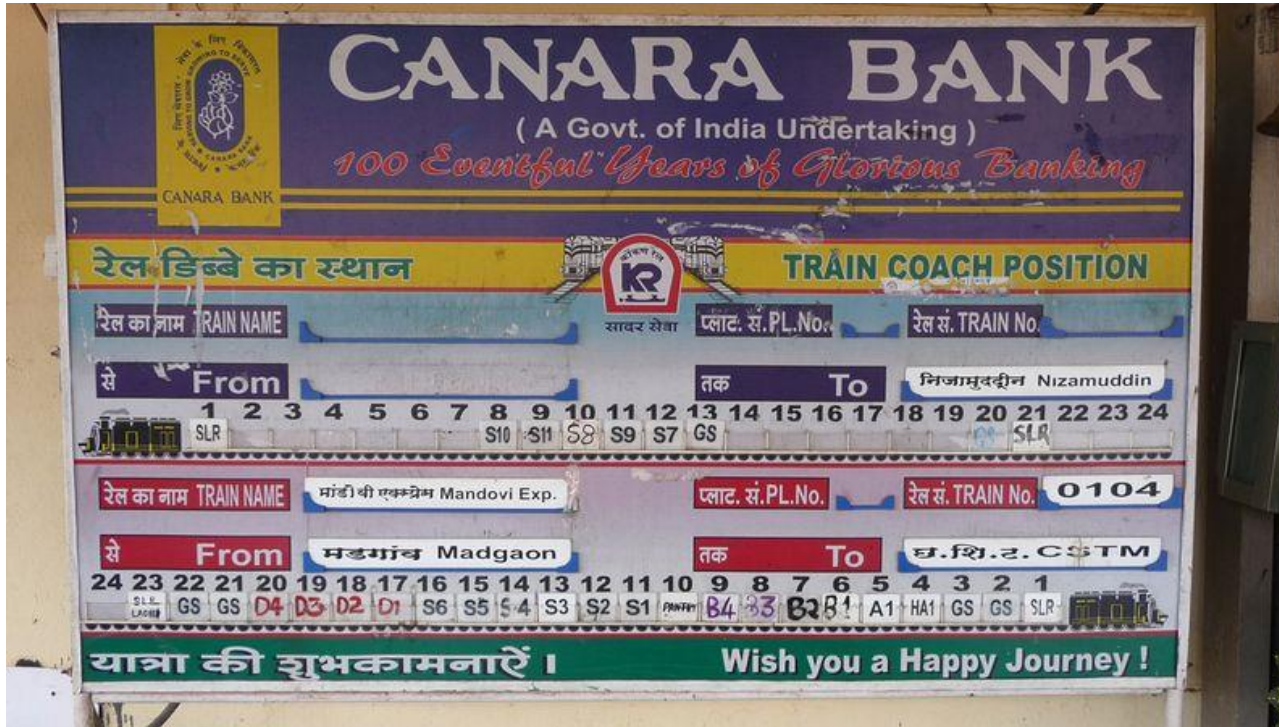
Defaults work because people dislike making important decisions and like to procrastinate

# MINDSPACE framework for behaviour design – developed by UK BIT

Messenger Incentives Norms Defaults **Salience** Priming Affect Commitment Ego

---

Our attention is drawn to what is novel prominent, simple or easily accessible, and seems relevant to us



Highlight to people what they want/need to know

Avoid choice overload

Personalise



# MINDSPACE framework for behaviour design – developed by UK BIT

Messenger Incentives Norms Defaults Salience **Priming** Affect Commitment Ego

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Our acts are often influenced by sub-conscious cues



Size of plates and portion size effects  
how much we eat



Words, sights and smells influence  
behaviour

# MINDSPACE framework for behaviour design – developed by UK BIT

Messenger Incentives Norms Defaults Salience Priming **Affect** Commitment Ego

---

Our emotional associations can powerfully shape our actions



Emotional responses are fast & automatic

Moods can be more important than Deliberation

We cannot always explain own behaviour

# MINDSPACE framework for behaviour design – developed by UK BIT

Messenger Incentives Norms Defaults Salience Priming Affect **Commitment** Ego

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We seek to be consistent with our public promises, and reciprocate acts



People can actively choose to constrain their future self



Make commitments explicit and public



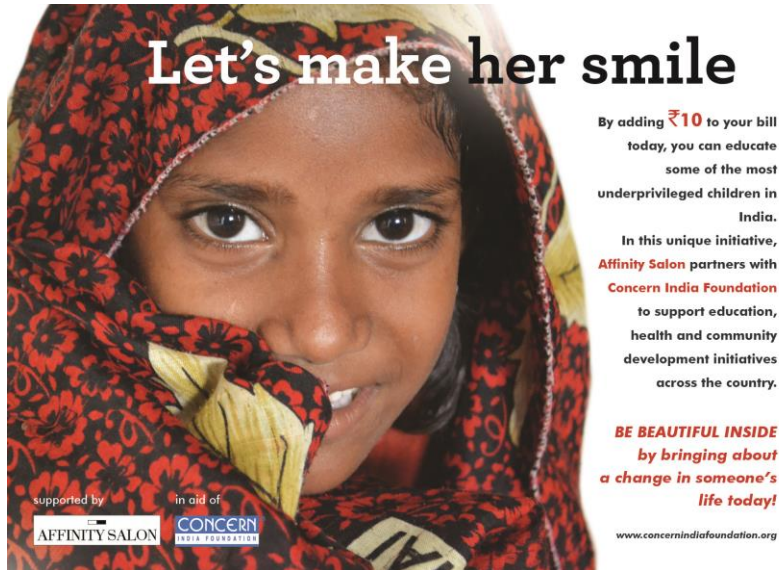


# MINDSPACE framework for behaviour design – developed by UK BIT

Messenger Incentives Norms Defaults Salience Priming Affect Commitment Ego

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We act in ways that make us feel better about ourselves



**Let's make her smile**

By adding ₹10 to your bill today, you can educate some of the most underprivileged children in India.

In this unique initiative, Affinity Salon partners with Concern India Foundation to support education, health and community development initiatives across the country.

**BE BEAUTIFUL INSIDE**  
by bringing about  
a change in someone's  
life today!

supported by **AFFINITY SALON** in aid of **CONCERN INDIA FOUNDATION**

[www.concernindiafoundation.org](http://www.concernindiafoundation.org)



**JW MARRIOTT.**  
HOTELS & RESORTS

**Save Our Planet**

Dear Guest,  
Every day millions of gallons of water are used to wash towels that have only been used once.

**You Make The Difference:**

- A towel hanging up means "I will use again."
- A towel on the floor means "Please exchange."

**Thank You For Helping Us Conserve  
The Earth's Vital Resources.**

We seek to behave in a way that supports a positive and consistent self image

Analyze one of the following in groups of 4-5

---

1. Travel portal (MMT, ClearTrip, IRCTC etc.)
2. On-line retailer (Amazon, Flipkart, Myntra etc.)
3. Government service (Passport Seva)
4. Utility service (Internet banking, telecom service)

## Decision-Making Factors

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### F1: Expectation

- Anticipation of Rewards
- Impact Bias
- Placebo Effect
- Surprise & Adaptation

### F2: Time

- Attentional Collapse
- Decoupling
- Hyperbolic Discounting
- Impact Bias
- Intertemporal Choice
- Optimism Bias
- Planning Fallacy

### F3: Loss

- Commitment
- Hedonic Framing
- Loss Aversion

### F4: Ownership

- Actor-Observer Bias
- Endowment Effect

## Decision-Making Shortcuts

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### S1: External Cues

- Bandwagon Effect
- Status Quo Bias

### S2: Compartments

- Business v. Social Norms
- Choice Bracketing
- Framing
- Identity
- Mental Accounting

### S3: Mental Models

- Diagnosis Bias
- Information Avoidance
- Resolving Cognitive Dissonance

### S4: Quick Indicators

- Ambiguity Effect
- Anchoring
- Availability
- Certainty Bias
- Clustering Illusion
- Diagnosis Bias
- Representativeness
- Segregation Effect