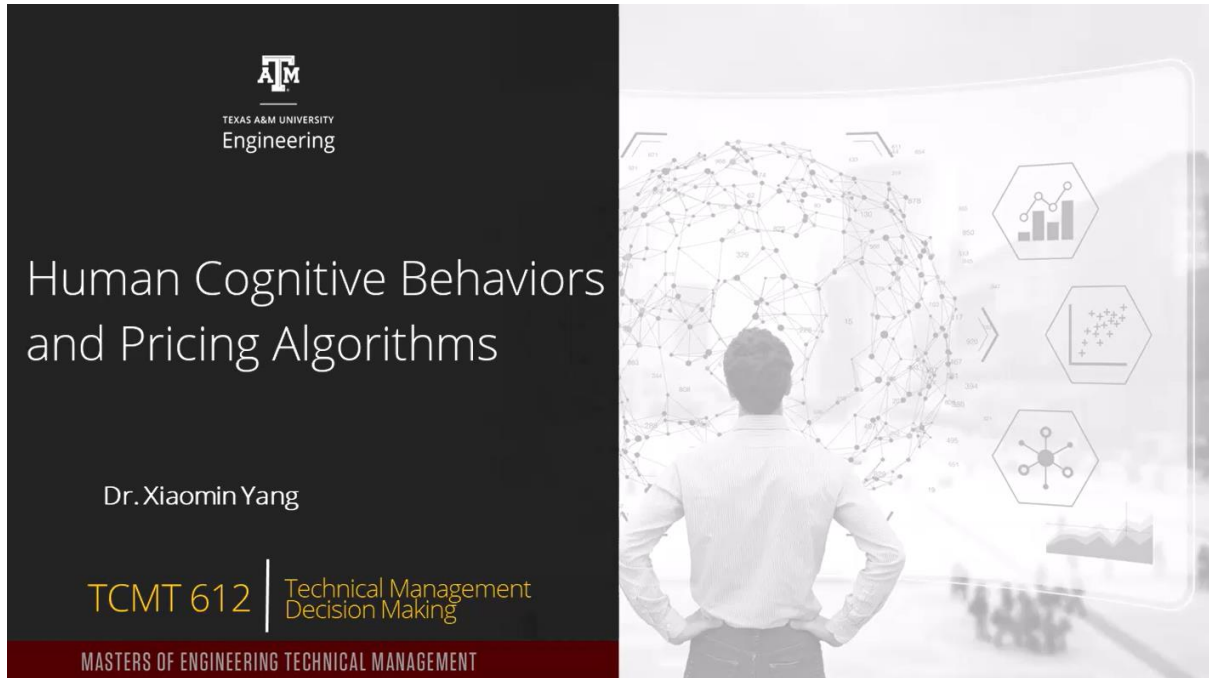


# M9L11 - Human Cognitive Behaviors and Pricing Algorithms

*Slide #1*



**ATM**  
TEXAS A&M UNIVERSITY  
Engineering

## Human Cognitive Behaviors and Pricing Algorithms

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**TCMT 612** | Technical Management  
Decision Making

MASTERS OF ENGINEERING TECHNICAL MANAGEMENT

## ***Slide #2***

E-commerce and streaming business practices have revolutionized the way companies and customers interact, allowing for win-win decision-making scenarios.



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These models provide consumers with multiple options to choose from, enabling them to find and purchase products or content that align with their interests and preferences.

By meeting the needs and desires of customers, online platforms can achieve their business objectives.

### Slide #3

#### Decision Process Gap Between Computer and Human

- Zillow Offers algorithm generates a single purchasing price.
- Traditional real estate practices allows for considering the comparable market and property value before accepting an offer

Zillow Offers' singular pricing approach, contrasts with the multiple options typically provided in e-commerce or streaming models.



However, Zillow Offers, a prominent player in the real estate industry operates differently.

Instead of presenting multiple options to potential home sellers, their algorithms generate a single purchasing price.

This approach poses a challenge, as most sellers would hesitate to make a decision without conducting their own research on the housing market.

Traditional real estate practices have ingrained the notion that sellers need to understand the comparable market and property values before accepting an offer.

Human nature tends to be risk averse, meaning individuals are generally cautious when making decisions in uncertain situations.

Consequently, only home sellers who are confident that Zillow Offers prices exceed what they could obtain elsewhere would choose to sell their properties through the platform.

The limitation of Zillow offers lies in its singular pricing approach, which contrasts with the multiple options typically provided in e commerce or streaming models.

To address this challenge, Zillow could consider incorporating elements of market research and providing sellers with more comprehensive information to empower them in their decision-making process.

By doing so, Zillow can enhance transparency, build seller trust, and potentially attract a broader range of sellers who feel confident in accepting offers through their platform.

## Slide #4

### Lesson Learned

Multiple offers vs. singular purchasing price

Strategies to enhance transparency

Creating a dynamic and customer centric platform



While e commerce and streaming business practices excel in offering customers multiple choices, Zillow Offers follows a different approach by providing a single purchasing price.

Understanding the risk averse nature of sellers and the importance of market education in real estate, Zillow could explore strategies to enhance transparency and empower sellers to make informed decisions.

By doing this, Zillow can create a more dynamic and customer centric platform for their customers that aligns with the win-win paradigm seen in other online business models.

## Slide #5

### Lesson Learned

A business shall carefully consider customers' cognitive behaviors in its data-driven business model. Customers are human beings who are risk-averse in general and make intuitive decisions, different from what risk-neutral algorithms expect.



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