HOW WOULD YOU SPEND £100,000 ON INNOVATION FOR GROWTH

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Natalie Horne

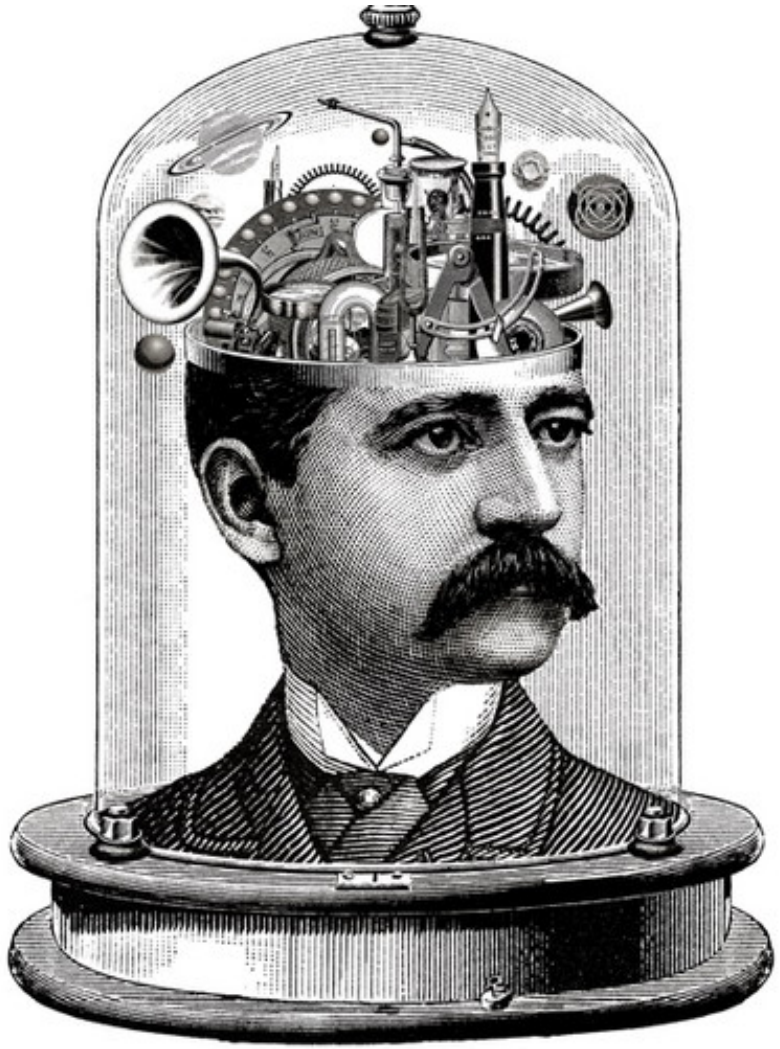
Strategy Director,
Prime Decision

A STARTING POINT

- My background, my bias
- My hopes, your expectations

- APPLIED BEHAVIOURAL ECONOMICS
- WHAT I'VE LEARNED
- 3 DECEPTIVELY SIMPLE QUESTIONS

A BRIEF INTRO TO BEHAVIOURAL ECONOMICS



HOMO ECONOMICUS

Optimal,
Normative

Realistic,
Descriptive

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GET READY!

WHICH IS THE BEST OPTION?

a. 40% CHANCE OF WINNING £22.50

b. 5% CHANCE OF WINNING £180.00

c. 65% CHANCE OF WINNING £15.40

d. 25% CHANCE OF WINNING £36.00

e. 80% CHANCE OF WINNING £11.25

THE BEST OPTION =

a.	40% CHANCE OF WINNING £22.50	£9
b.	5% CHANCE OF WINNING £180.00	£9
c.	65% CHANCE OF WINNING £15.40	£10
d.	25% CHANCE OF WINNING £36.00	£9
e.	80% CHANCE OF WINNING £11.25	£9

GET READY!

X4

MORE WINS OR LOSSES?

X6

WHAT DID BEHAVIOURAL ECONOMISTS DISCOVER?

- We are bad at judging probabilities
- We are good at judging frequencies

+ MANY OTHER PATTERNS

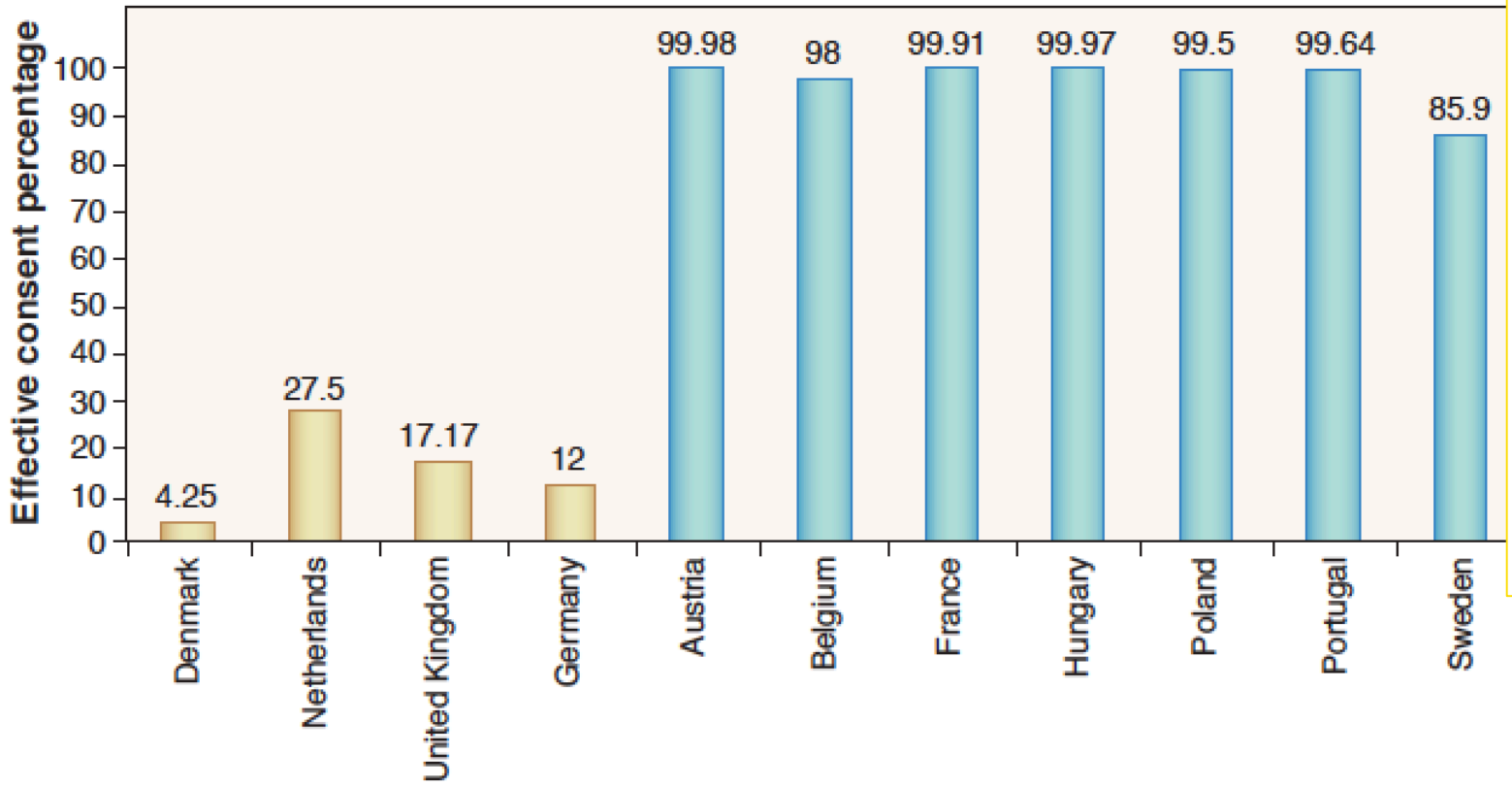
COGNITIVE BIASES & HEURISTICS

- Availability heuristic
- Risk aversion
- Loss aversion
- Framing effects
- Anchoring
- Confirmation bias
- Endowment effect
- Social norms
- Primacy effect
- Priming effects
- Hyperbolic discounting
- Status quo bias
- Conjunction bias
- Conformity effects
- Affect heuristic
- Omission effects
- Peak end rule
- Asymmetric dominance
- Illusion of transparency
- Mental accounting

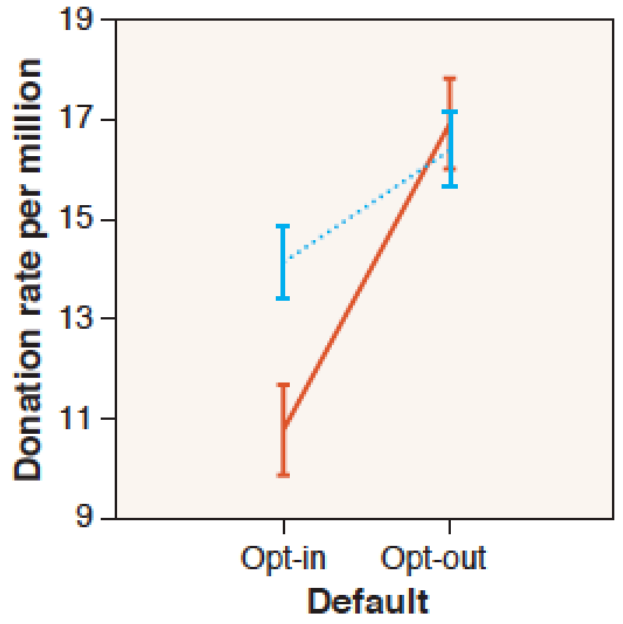
COUNTERINTUITIVE, OR JUST COMMON SENSE?

- Misattribution
- Reciprocity

CLASSIC EXAMPLE #1: DEFAULTS



Effective consent rates, by country. Explicit consent (opt-in, gold) and presumed consent (opt-out, blue).



Estimated donation rate, opt-in versus opt-out, as a function of default, 1991–2001. Means ± SEM; this paper, blue; Gimbel *et al.* (*5*), red.

(Johnson & Goldstein, 2003)

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CLASSIC EXAMPLE #2: ENDOWMENT EFFECTS

22% TRADED

(Knetsch, 1992)

CLASSIC EXAMPLE #3: FRAMING

• Web subscription	£59	68%
• Print plus web	£125	32%

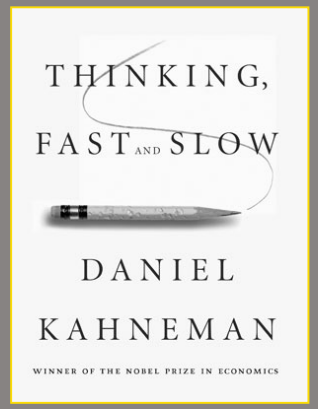
• Web subscription	£59	16%
• Print only	£125	0%
• Print plus web	£125	84%

The Economist

52% INCREASE

(Ariely, 2008)

KAHNEMAN'S 2 SYSTEMS



SYSTEM 1

- Automatic
- Fast
- Intuitive
- Emotional

SYSTEM 2

- Effortful
- Deliberate
- Logical
- Rational

BEHAVIOURAL ECONOMICS: 5 TAKE-OUTS

1. Spock is not buying your products and services
2. Choices are contextual
3. Small changes can yield big rewards
4. Consider both spoken and silent factors
5. Don’t just test, test and learn

STARTING LOTS OF FIRES

WHAT I'VE LEARNED AT PRIME DECISION

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OPTIMISATION EXAMPLE

- [ ] Buy antibiotics for an African child to stop them dying of TB
- [x] Buy antibiotics for an African child to stop them dying of TB, with just £1

+9%

donations

+5%

Total £ raised

PayPal | Giving Fund

ebay for Charity

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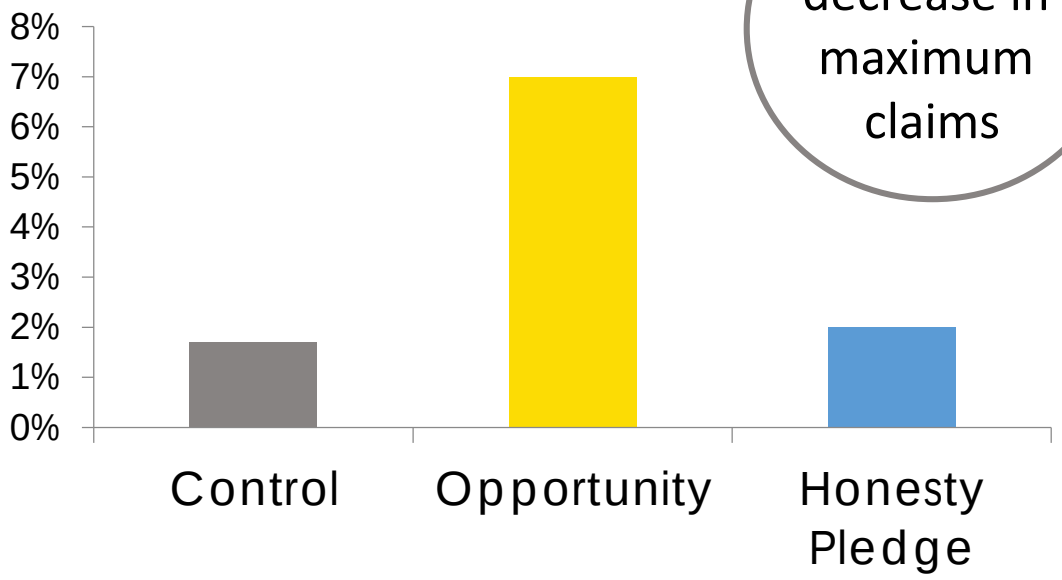
FRAUD PREVENTION



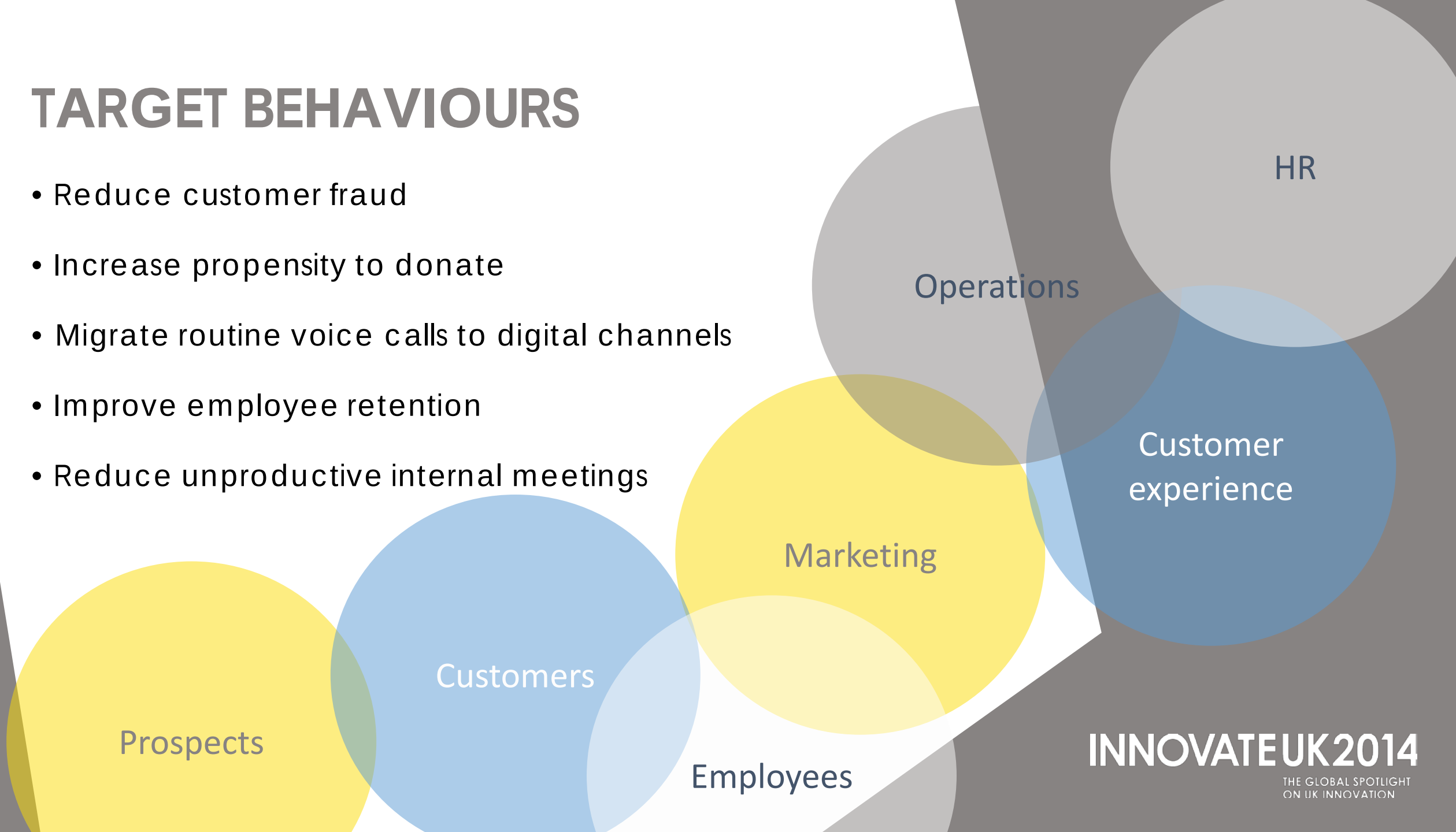
95% decrease in maximum claims

75% decrease in high claims

☒ I recognise that I have moral obligation to complete this task honestly.

TARGET BEHAVIOURS

- Reduce customer fraud
- Increase propensity to donate
- Migrate routine voice calls to digital channels
- Improve employee retention
- Reduce unproductive internal meetings



3 DECEPTIVELY SIMPLE QUESTIONS

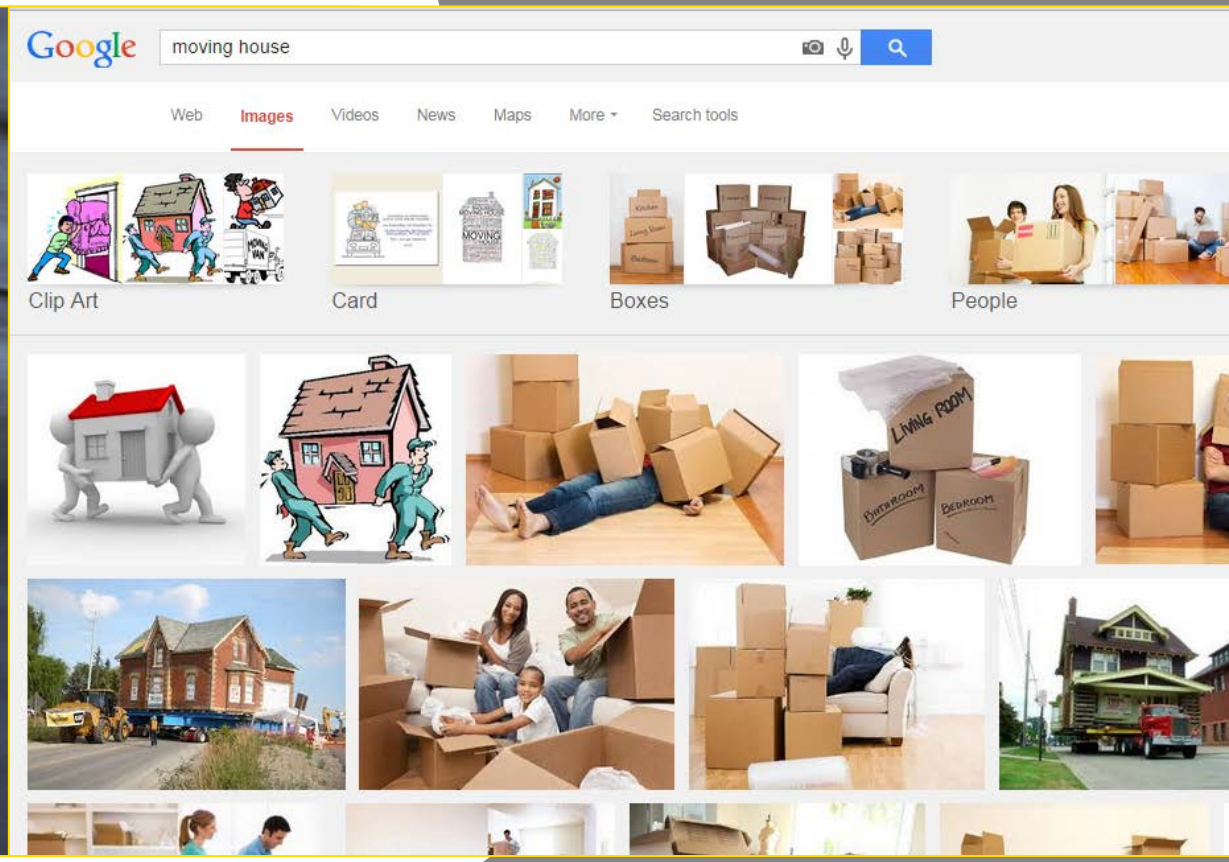
1. What are people doing?
2. What could they do differently?
3. What could this change be worth?

THE SEVEN LENSES

Story	Social	
Script	Sense	Scenario
	Structure	Sync

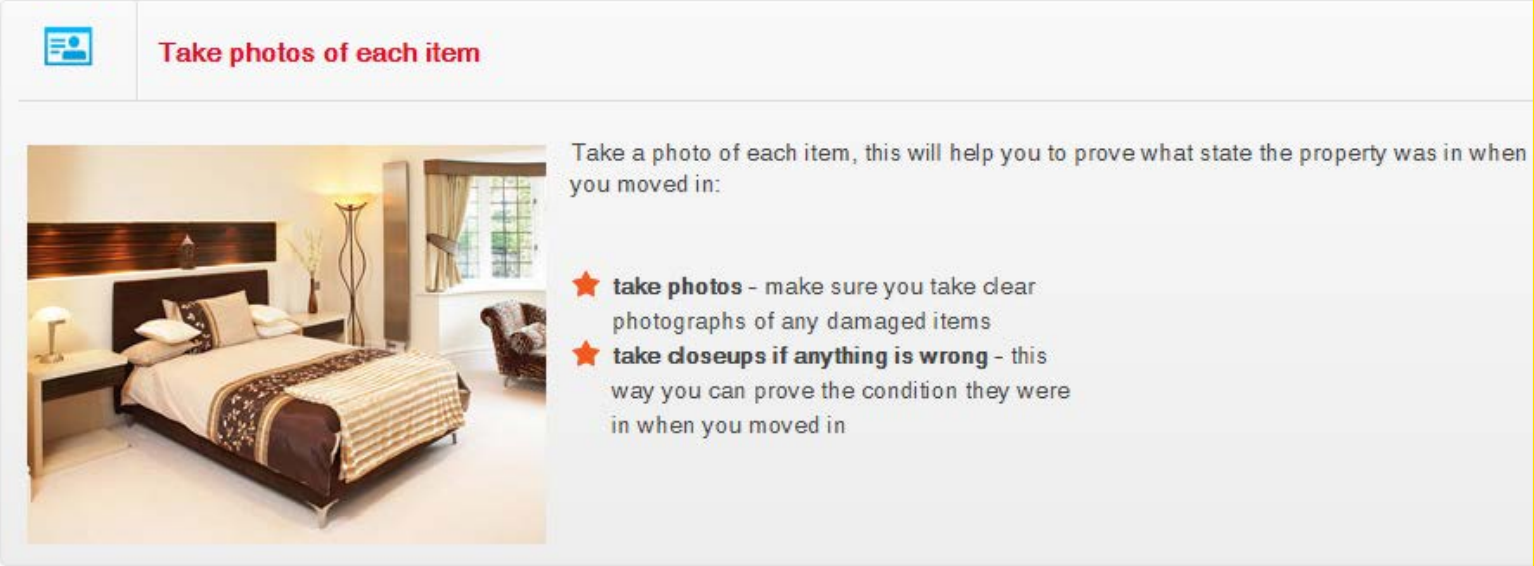
One of Prime Decision's proprietary analytical frameworks

SCRIPTS – HOMELESSNESS



SCRIPTS – HOMELESSNESS

HouseMate for iPhone®



Shelter Scotland

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SCRIPTS – HOMELESSNESS

Home > Shop > Little Moves Pack

LITTLE MOVES PACK

£30.00 (Free delivery)

Ideal for a flat.

The large boxes are double walled for extra strength.

- 6 small boxes (18x12x10")
- 4 large boxes (18x18x18")
- 1 roll of packing tape
- 1 marker pen
- 1 warm fuzzy feeling inside

Quantity

1

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DEPAUL UK

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BEHAVIOURAL SCIENCE & INDUSTRY BEST-PRACTICES

Behavioural economics

Social Psychology

Judgement & decision-making

Consumer psychology

Organisational psychology

Behavioural finance

Neuroeconomics...

FINAL WORD: RESOURCEFULNESS

THANKS FOR YOUR TIME

NATALIE HORNE, STRATEGY DIRECTOR

PRIME-DECISION.COM

NATALIE.HORNE@PRIME-DECISION.COM

@NATALIE_HORNE | @PRIMEDECISION

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GREAT
BRITAIN & NORTHERN IRELAND