

01999041

# Economics for Better Living

01999041

## Decision Making Bias in Daily Life

By

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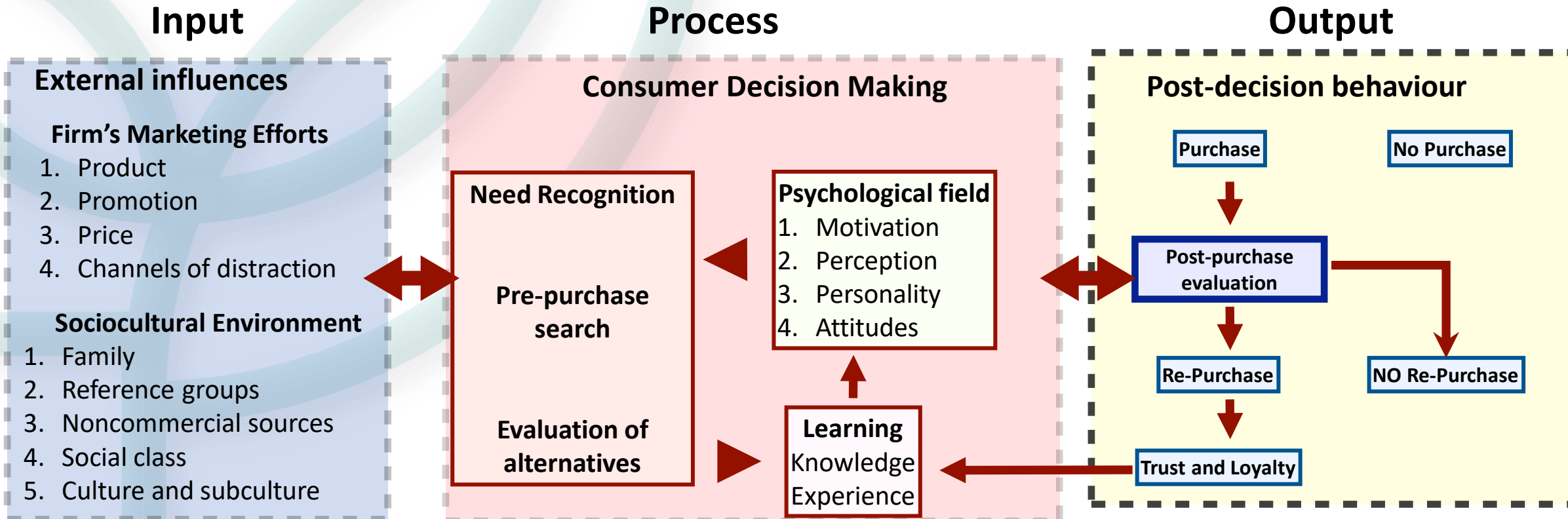
FB Page: EatEcon

Website: [www.eatecon.com](http://www.eatecon.com)

[www.ageconstory.com](http://www.ageconstory.com)

# Models of Consumer Behaviour

Schiffman and Wisenblit (2015)



**Motivation = Drive (Fulfil Needs)**

**Perception = Image in mind**

**Learning = Knowledge**

**Personality = Habit**

**Attitudes = Like or dislike**



พลิกมุมมอง... ชีวิต Take Off | เอกก์ ภาทรชนกุล | TEDxChulalongkornU

<https://youtu.be/T9R4sZrvGd0>

## System 1

Autopilot

Fast

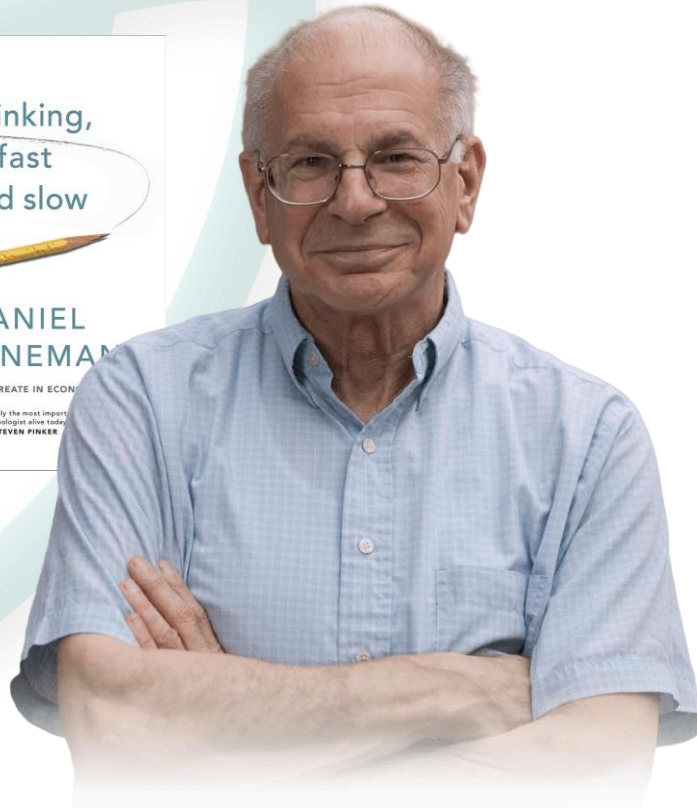
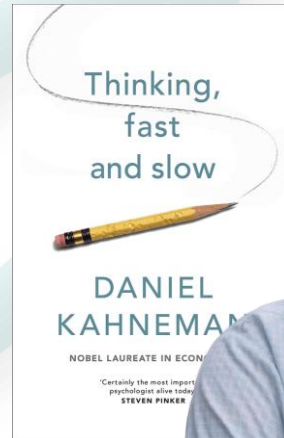
Implicit

Effortless

Associative

Difficult to control or modify

No self-awareness



## System 2

Slow

Serial

Explicit

Effortful

Logical & skeptical

Deliberately controlled

With self-awareness

“System 1 runs the show, that’s the one you want to move.”

“System 1 is gullible and biased to believe, System 2 is in charge of doubting and unbelieving, but System 2 is sometimes busy, and often lazy”

*Thinking, fast and slow*  
- Daniel Kahneman

# What is behavioural economics?

- Economics meets psychology
- Explores alternatives to perfect rationality
- Seeks to provide micro-foundations for our choices

## Econs

- Super-smart
- Rational
- Well defined preferences
- Self-interested/selfish
- Utility maximisers

### Classic Economics

Consumers are rational  
Supply & Demand

## Humans

- Flawed
- Biases in behaviour
- Social animals
- Not driven purely by the need to maximise their welfare

### Psychology/Advertising

Humans are emotional:  
Persuasion



## We will look at

- Flawed
- Biases in behaviour
- Social animals
- Not driven purely by the need to maximise their welfare

### Behavioural Economics

Humans are **predictably irrational**

Constant flaws in decision-making

Empirically validated and true for a significant majority

# Split-second decision

With 10,000 decision a day,

**95%**

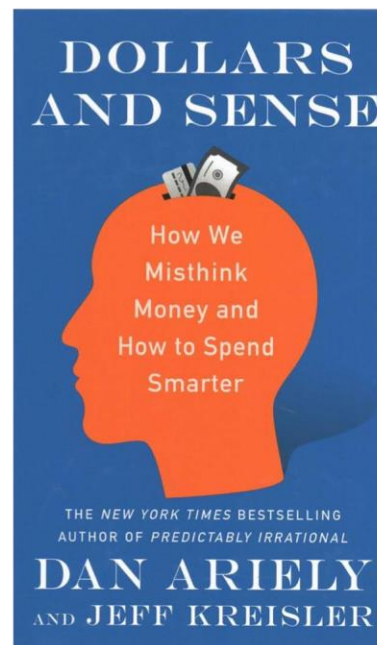
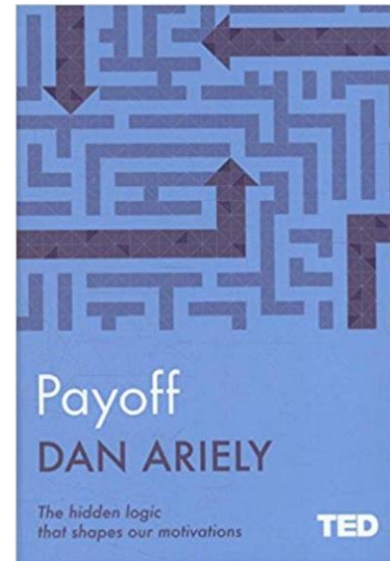
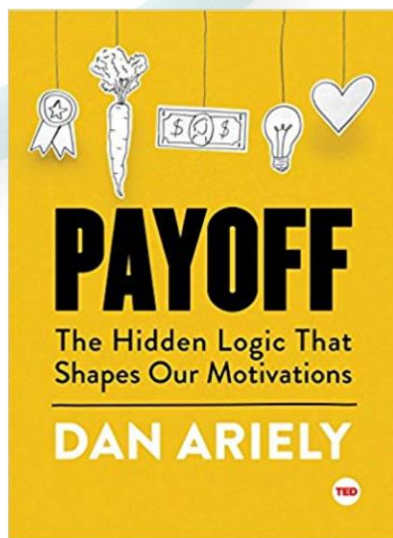
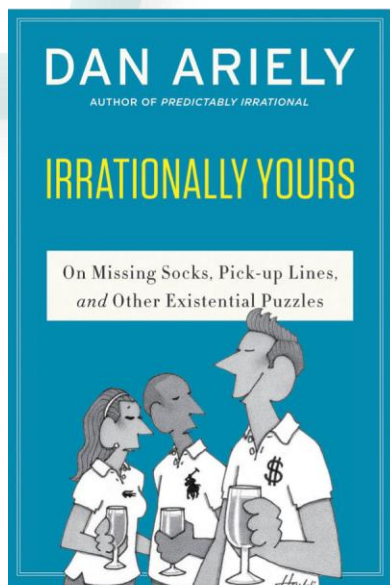
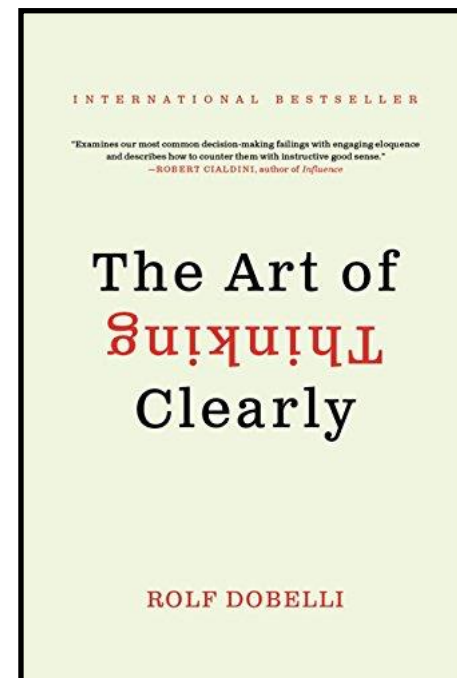
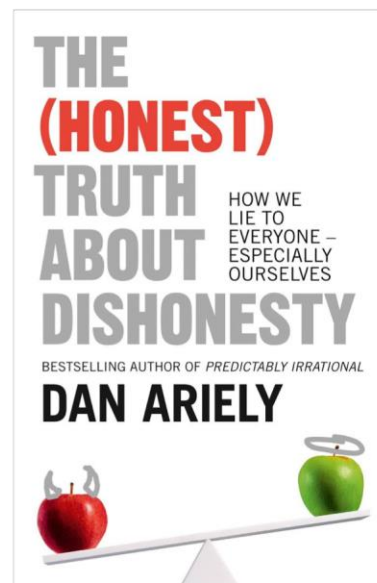
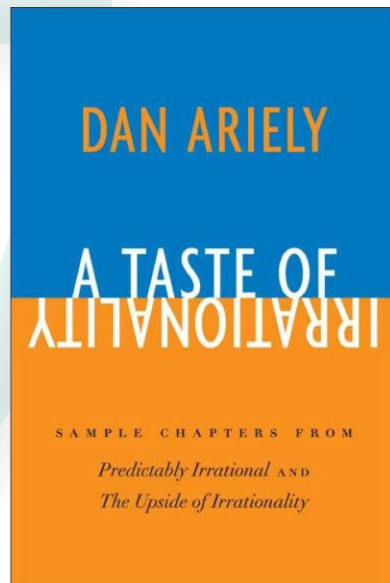
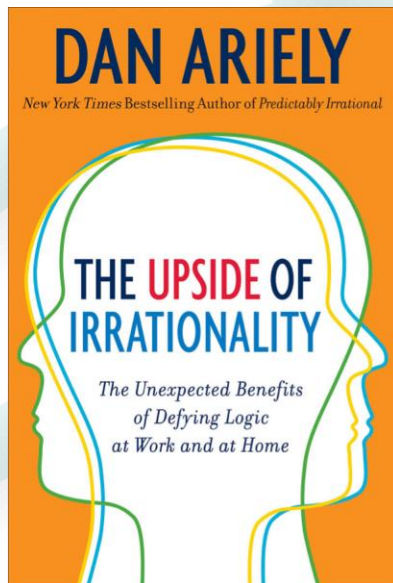
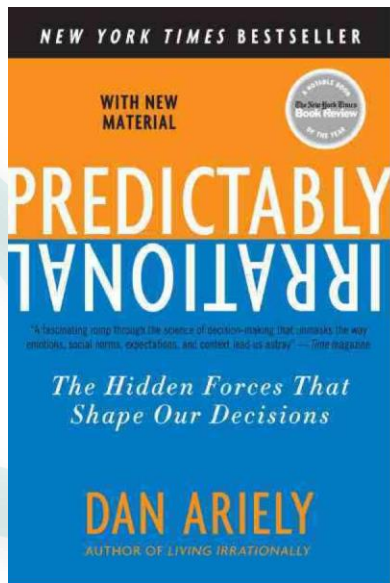
Of our decisions are based on intuition and “what feels right” or “is good enough”

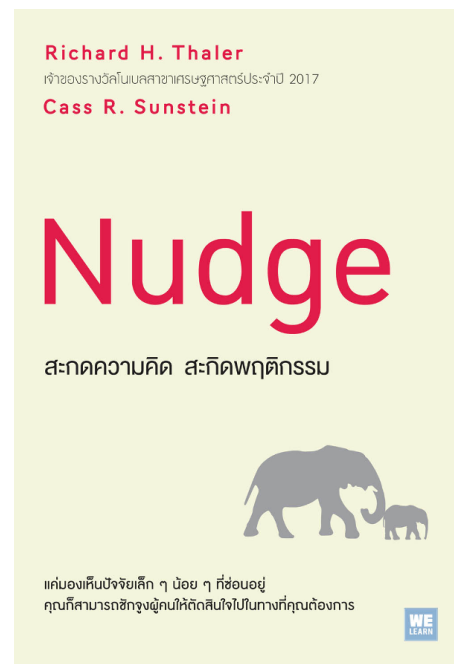
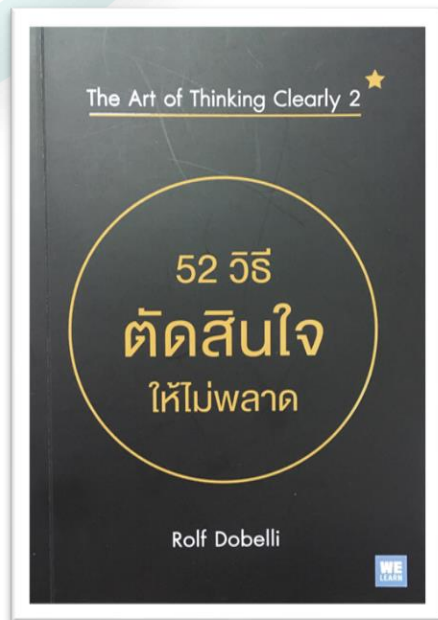
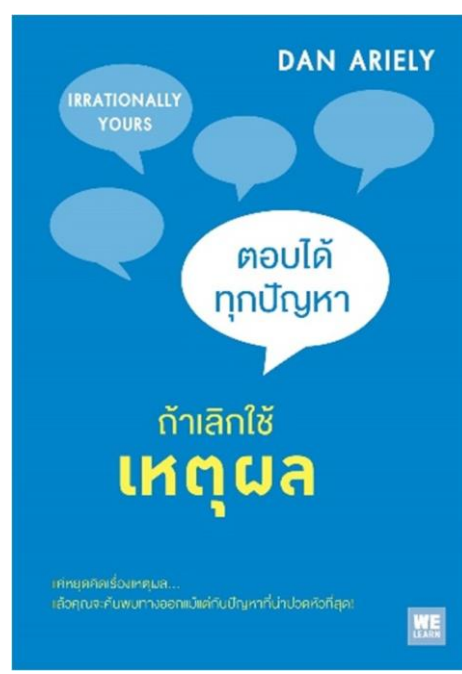
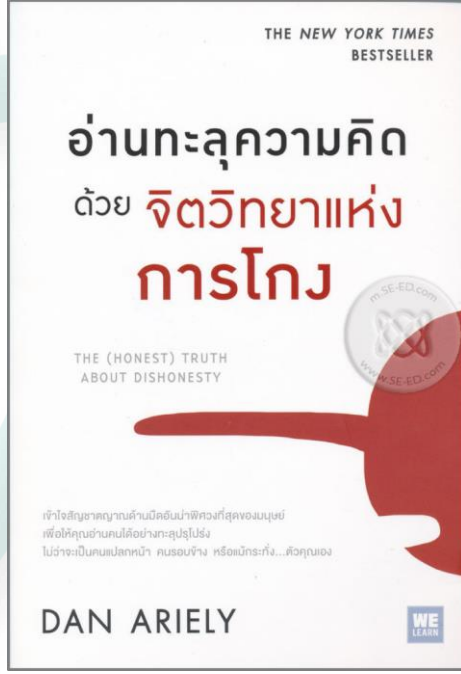
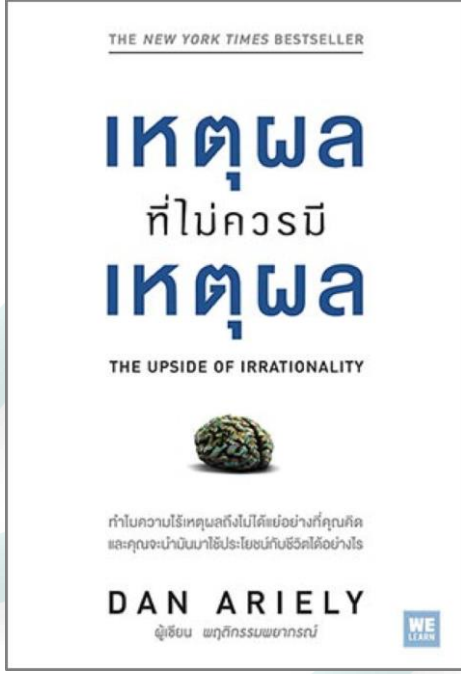
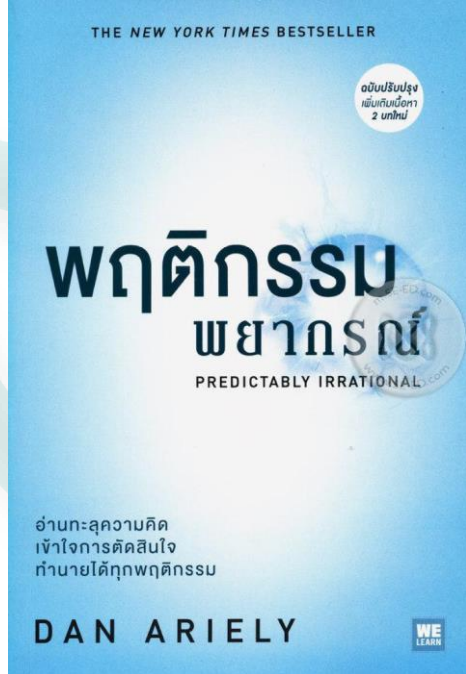
**79-93%**

Of our decisions are guided by instinct and past behaviour

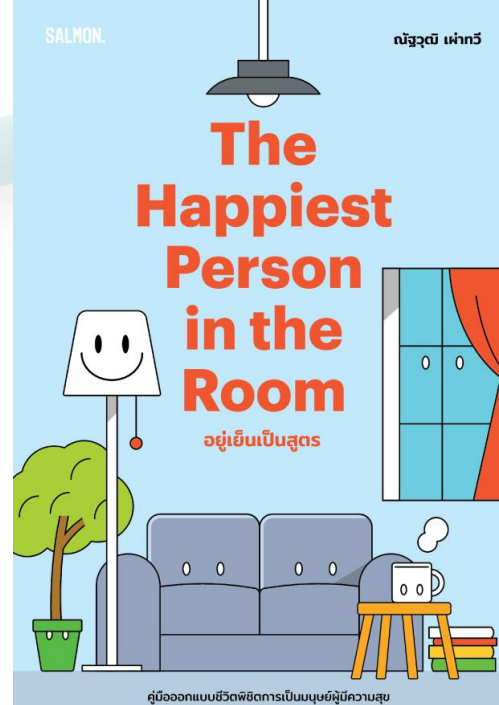
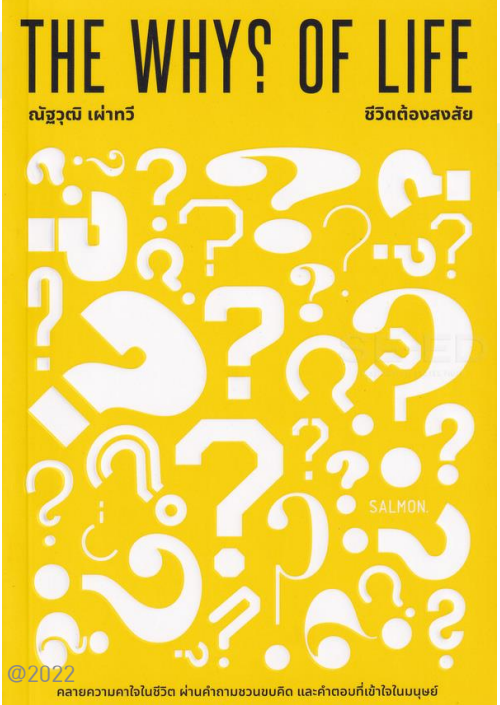
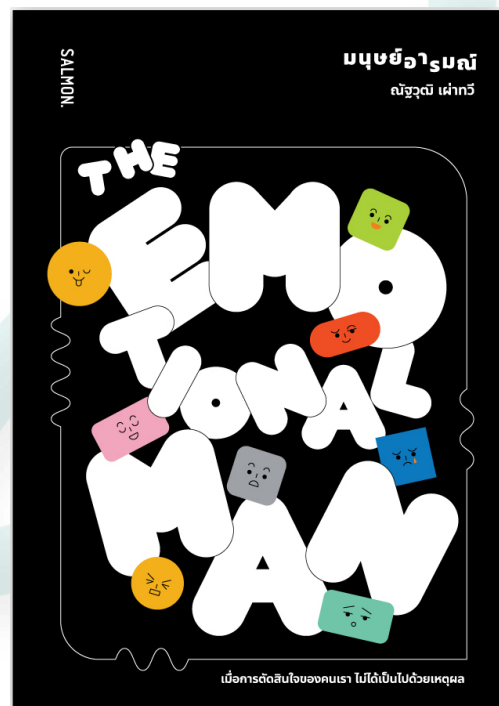
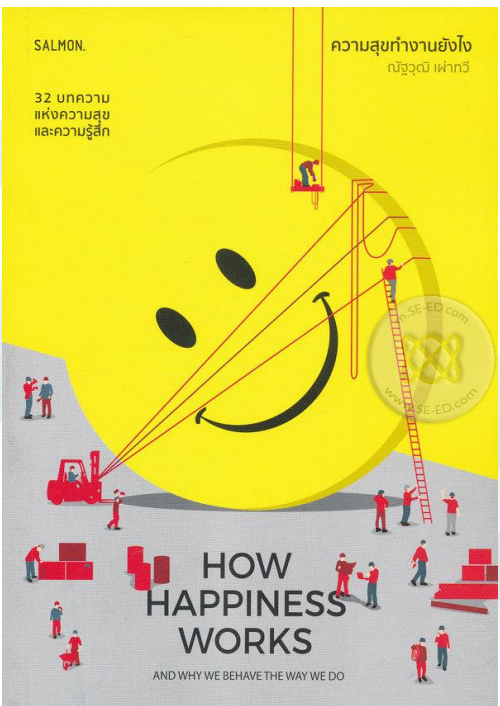
18-35% is based on intention











**Nattavudh Powdthavee**  
 Professor of Economics at Nanyang Technological University in Singapore

# Happy now!!!

- Spend money first and save later
- Eat first, lose weight later
- Enjoy eating now, ill later
- Eat now, exercise tomorrow
- Play first, read later



**I know it's good, but I can't resist it.**



Photo by [Louis Hansel](#) on [Unsplash](#)



## The principles of the Psychology of Waiting

1. Uncertain Waits (รอแบบไม่รู้จุดสิ้นสุด) make you feel longer than Finite Waits
2. Unoccupied Times (รอแบบไม่มีอะไรให้ทำ) make you feel longer than Occupied Times
3. Unfair Waits (รอแบบไม่ยุติธรรม) make you feel longer than Equitable Waits

## How does business understand the psychology of waiting benefit customers?

1. Managing Customer Expectations.
2. Activities are provided for customers to do while waiting.
3. Designing a Clear-Service System



## Factors influencing the Pain of Paying:

- **Time:** Paying in cash means saying goodbye to the money in your wallet immediately, unlike using a credit card that allows us to use the product first and pay later, making the sense of loss feel less, leading to increased purchasing.
- **Salience:** When paying in cash, we see a clear picture of spending (counting money, waiting for change, putting it in the wallet), making us more cautious. This is unlike paying with a card or e-payment, where it takes longer to realize and may only be noticed when the bill is due.

## How can we reduce the Pain of Paying for customers ?

1. Designing a streamlined and quick payment process
2. Creating product bundles or sets
3. Consolidating payment points
4. Implementing advance payment systems or yearly package purchases
5. Having a clear return or full refund policy

## Researchers said that

**We are in pain when we pay in cash.**

- We are hurt by our thoughts about paying.
- Immediate visibility of cash being handed out.
- The feeling of having to pay for cash is clear and strong.



Image source: Getty Images





Photo by [Sander Dalhuisen](#) on [Unsplash](#)

## 1. Create obstacle of payment

- No auto payment setting e.g. credit card
- Pay by cash as much as possible
- Delay shopping for 3 days or 1 weeks



# Mental accounting: บัญชีในใจของเราไม่เท่ากัน

- We have accounts in mind that cause us to interpret the value of things differently.
- We have rules for using money in each account differently.



**Street food**  
**80 ฿**

**VS**



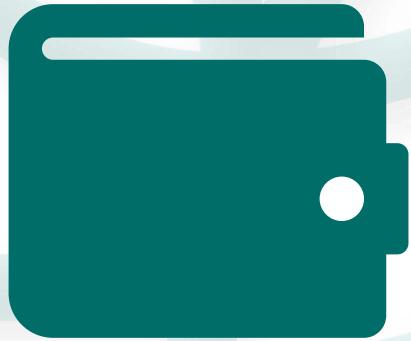
**Bubble tea**  
**80 ฿**



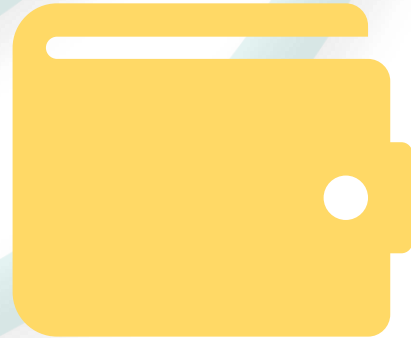
# Price Perception

**The price that is demanded for something make us value it.**

# Create your mental accounting



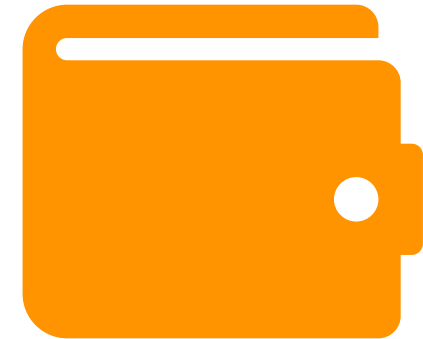
**Saving**



**Investment**



**Living cost**



**Enjoyable**



# Loss aversion: คนเรากลัวการสูญเสีย

- 2฿ discount vs pay 2฿ for a plastic bag
- Saving account vs invest in stock
- Get 1,000 ≠ lose 1,000



Situation:

- A: This treatment has a 10% risk of death.  
B: This treatment has a 90% surviving rate.

Get



Lose





WMD1017 : พฤติกรรมทำไม? 5 นิสัยการเงินเจ้าปัญหา และเทคนิคในการจัดการ

Source: <https://elearning.set.or.th/SETGroup/list>

# How do we start saving?

1. Save before you Spend e.g. 10% of income
2. Buy it later
3. Auto saving e.g. DCA technique (Dolla-Cost Averaging)
4. Saving goal at 3-6 times monthly expenditure
5. Change mindset:
  - Saving is our security
  - Saving is a game
    - If/then ถ้า...แล้ว
    - Keep 50 banknotes when you get it
6. Finally, Do it now!!!



Kept by krungsri

ใครๆ ก็เก็บเงินกับ Kept  
รับสมัครแอป Kept  
ช่วยบริหารเงินง่าย เก็บสนุก

รับฟรี  
โค้ดส่วนลด Shopee  
150.-\*  
แค่ทำตามครบเงื่อนไข  
1 พ.ค. - 30 มิ.ย. 64

สมัครแอป Kept ให้สำเร็จ

- 1 โอนเงินเข้าขั้นต่ำ 1,000 บาท
- 2 เปิดกระเป๋า Fun
- 3 พร้อมทำการแอดเก็บ และสั่งเก็บสำเร็จอย่างละ 1 รายการ

(ทำให้ครบภายใน 14 วันนับจากวันสมัครแอปสำเร็จ และอย่าลืมยืนยันอีเมลภายใน 31 ก.ค. 64 เท่านั้น)  
\*\*เงื่อนไขและรายละเอียดเป็นไปตามเงื่อนไขการสมัครที่กำหนด

# Bias in Daily Life

## Part 2



# Some behaviour (Cognitive) biases

## Example:

- Loss aversion and Endowment effect
- Confirmation bias
- Anchoring effects
- Social (Herd) behaviour
- Status quo bias / fear of change
- Availability heuristic
- Framing effects
- Mere exposure effect

## Cognitive biases

### Social biases

e.g. in group bias, ego centric, status quo, herd instinct

### Memory biases

e.g. rosy retrospection, hindsight, consistency bias, peak and rule

Customer behavioural journey – behavioural touch points

### Decision making biases

e.g. discounting the future, anchoring, negativity bias, framing, illusion of control, endowment effect

### Probability/ belief biases

e.g. availability, authority

<https://www.slideshare.net/MHickman1/behavioural-economics-customer-touchpoints>

# Framing bias

People are strongly influenced by the way choices are framed

**90% lean**



**VS**

**10% fat**





# Loss aversion

**50**   
**บุฟเฟ่ต์**  
**โรงโสมกुरु**  
พร้อมเมนูพรีเมียมไม่อื่น!



# The Paradox of Choices

แยม 6 ชนิด

VS

แยม 24 ชนิด



# Ikea effect

Engaging in new activities, such as assembling furniture, fulfills deep-seated needs, reinforces one's capabilities, more pride and confidence

## The application of the IKEA Effect in business:

1. Offering hard-earned discount rewards
2. Designing products that allow customer participation



1



2



<https://www.punpro.com/p/รวมโปรเด็ด-10-ร้านบุฟเฟต์>

**‘When we succeed at something, we tend to assign more value to it than usual’**



# Androgynous Fashion

เลิกแบ่งป้ายแค่ “ชาย” หรือ “หญิง”

**Andro** = Men

**Gyn** = Women

**Androgyne** = Person who can be both of masculine and feminine characteristics

For businesses, this can be beneficial in the following ways:

1. **Customer Segmentation:** Examining customers more deeply in terms of personality, values, attitudes, and beliefs. These factors can be more influential in driving purchases than gender.
2. **Using neutral language:** Many brands internationally have stopped addressing customers as 'ladies' or 'gentlemen' (as there is a chance of misunderstanding) and instead use terms like 'customers' or 'Mr./Ms. + last name'



Harry Styles  
Androgynous Fashion

‘ Inclusivity is about providing equal opportunities for everyone in society’

# Money Illusion or Mispricing

ความไม่เท่าเทียมกันของ “ราคา” และ “มูลค่า”

**Price is what you pay.  
Value is what you get.**



# Anchoring Bias

Most people tend to anchor their beliefs to the first information they receive and often make decisions based on this initial information. For example, the first review we read about a brand or the first price we see.

## Applying Anchoring Bias in business techniques:

1. Highlight full price and discounted price clearly.
2. Select the initial price strategically.
3. Emphasize context in sales.

## Self-check to avoid falling into the anchoring trap:

1. Gather additional information.
2. Explore alternatives.
3. Try thinking in the opposite direction.





# Moral Credential Effect

ออกกำลังกาย  
แล้วกินได้



Monin, B. & Miller, D. T. (2001). Moral credentials and the expression of prejudice. *Journal of personality and social psychology*, **81**, 33.

Photo by [Duncan Shaffer](#) on [Unsplash](#)

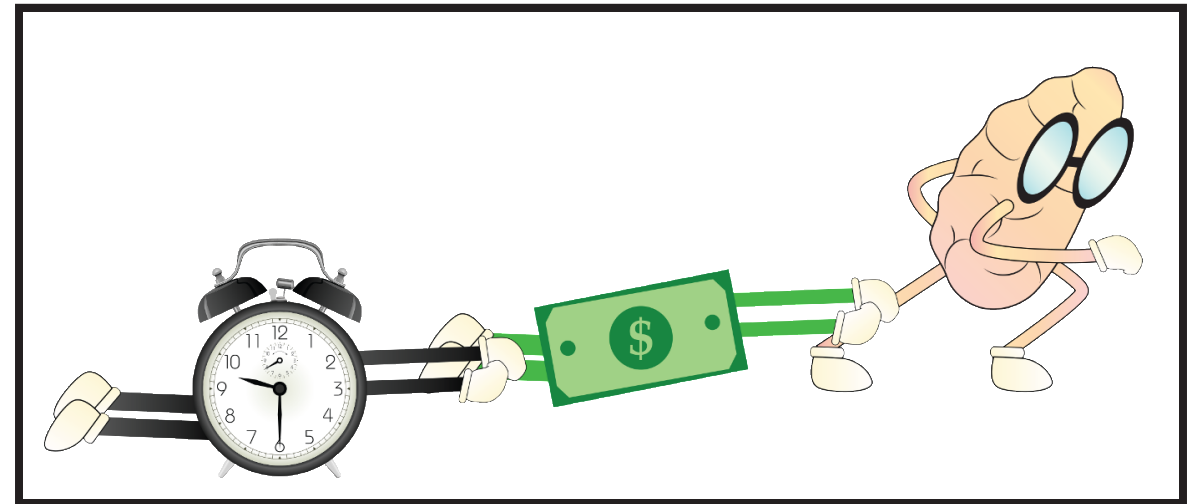
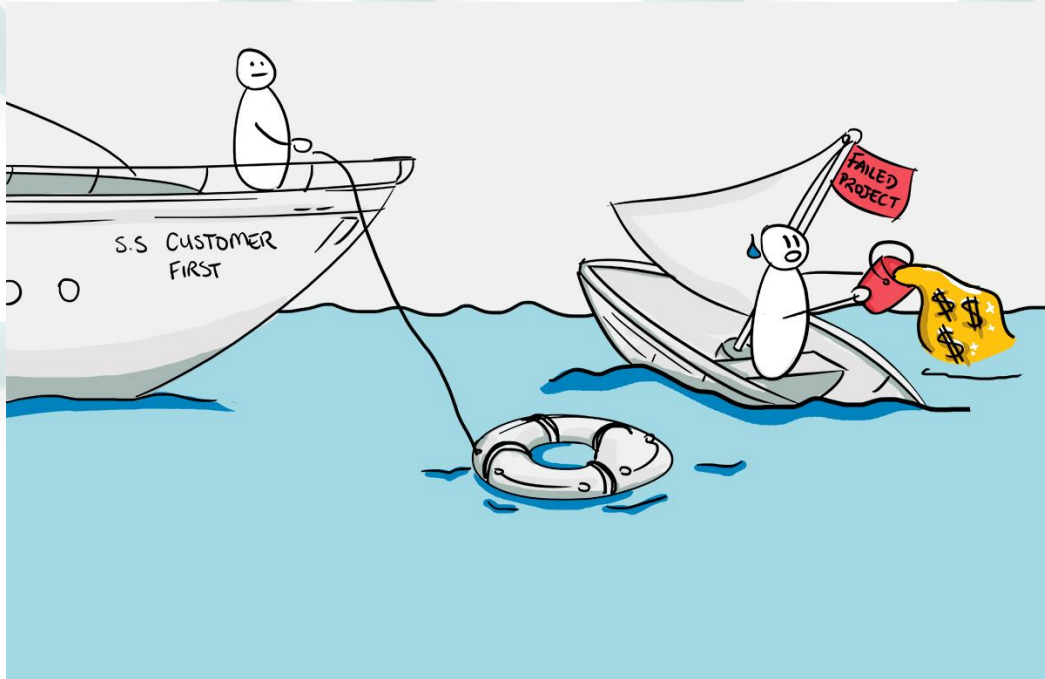


# Negativity Effect



<https://www.theguardian.com/lifeandstyle/2019/nov/24/five-ways-to-get-your-children-to-eat-vegetables>

# Sunk Cost Fallacy



## “เขาวามันดี มันก็คงจะดี”

### Social learning

- We often look to others to see how to behaviour e.g., in crises

### Expert bias

- We are open to influence from people in authority or people we like

### Example of Social Proof: 7 types

1. Testimonials
2. Wisdom of the Crowds
3. Wisdom of Your Friends
4. Expert's Stamp of Approval
5. Reviews
6. Celebrities' Endorsement
7. Awards

### Benefits of Social Proof in business:

1. Build customer trust
2. Simplify customer's buying decision
3. Improve brand presence



**‘If most people do something, we tend to feel that it is the right thing to do as well ’**



# Default behaviour / Status-quo bias



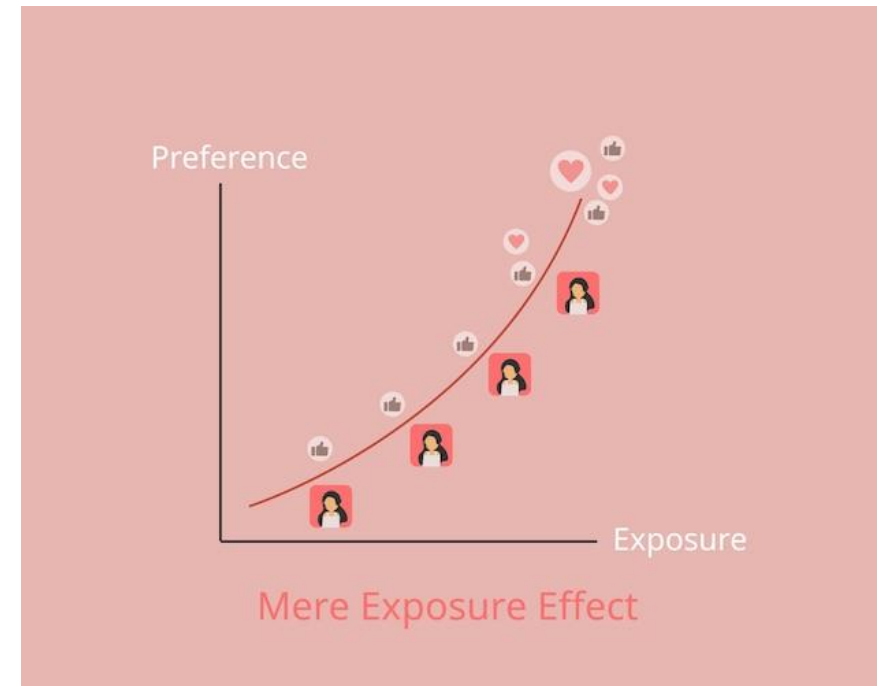
<https://stringfixer.com/>



“ยิ่งเราคุ้นเคยกับสิ่งนั้นมากขึ้น เรา  
จะชอบมันมากขึ้น”

How business using the Mere Exposure Effect in brand creation:

1. Create content and communicate with customers consistently
2. Build relationships early on
3. Create a memorable brand identity
4. Allocate advertising budgets across diverse media
5. Using various trends to your advantage



‘Humans tend to have a preference for things they are familiar with, more than things that are new or unfamiliar ‘

## ยิ่งฟังก็ยิ่งเชื่อ ยิ่งย้ำก็ยิ่งฝังลึก

Every platform attempts to feed us information that it thinks we like – **Confirmation bias**. These are not coincidences but arise from algorithmic processing.

เราชอบอะไร เชื่ออะไร ฟังใคร เราจะได้เห็นคอนเทนต์  
เรื่องเหล่านั้นมากขึ้น



‘ Consuming media is not just about liking or having fun; it's about observing and knowing what our customers are currently into ’

“คนเราจะซึ้งใจกับข้อเสนอแค่สองข้อ และจะลืมข้อที่สามไปเลย ถ้าข้อที่สามนั้นดูน่าดึงดูดน้อยกว่า”

- Charm Pricing is a pricing strategy based on psychological principles that involves ending prices with odd numbers, leading to perception and price judgment being influenced by the leftmost digit (Left Digit Bias)
- Decoy Pricing leads us to bias towards a higher option because of the fear of losing privileges



‘ The numbers can influence customer emotions ’

ยิ่งใกล้จุดหมาย  
ยิ่งมีแรงจูงใจมากขึ้น

## Factors to consider include

1. Clear goal definition knowing what needs to do to get it.
2. Providing encouragement along the way.
3. First-entry bonuses.
4. Updating customers on the status.
5. Confirming progress in the mission.



‘ The closer we are to the goal and the reward, the more we accelerate our actions to reach it faster ’



## คนที่ชอบทำอะไรก็ใช่

### How business applying the Halo Effect?

1. Focus on creating a Halo Product.
2. Invest in design and packaging.
3. Pay attention to customer experiences at every touchpoint.

“แบรนด์ที่รัก ทำอะไรก็โดน”



## Why someone prefer to buy products through live streams ?

1. Shop because of the live stream host or influencer they like.
2. Hedonic Shopping Motivation.
3. Fear of Missing Out (FOMO)

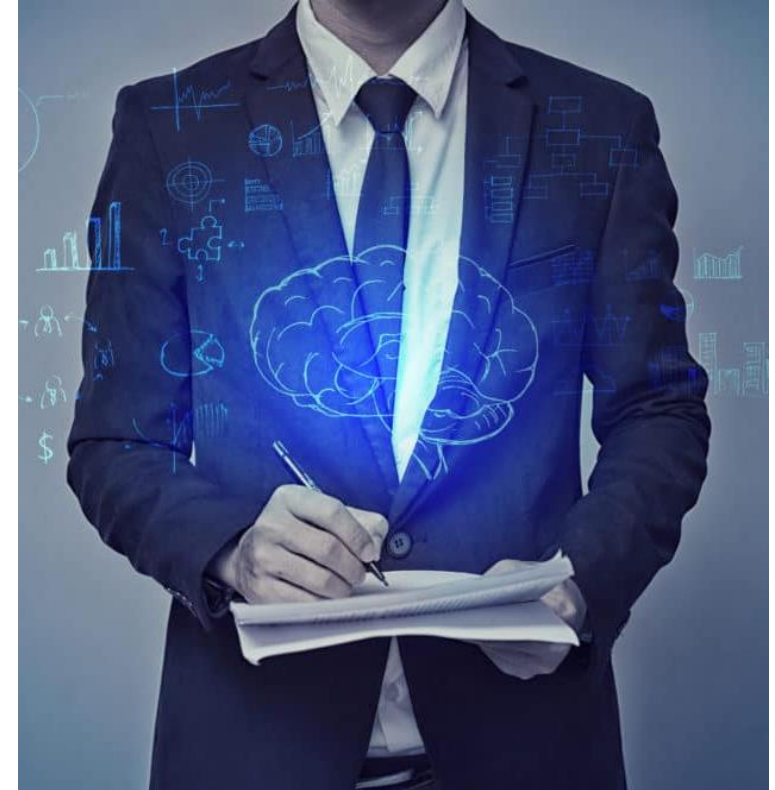


**‘ It's the one-sided relationship that creates a feeling as if they have a presence in our real life. That's why consumers prefer to purchase products through live streams’**

## ยิ่งทำความเข้าใจลูกค้า ยิ่งปิดการขายได้มากขึ้น

### Sales tips:

1. **Reciprocity** (การตอบแทน) : Ex. offering trials before purchase, providing detailed advice, giving gifts on various occasions.
2. **Scarcity** (การมีอยู่อย่างจำกัด) : The rarer, the more desirable, the less available, the more expensive.
3. **Liking**:
  - 3.1 Physical Attractiveness
  - 3.2 Similarity
  - 3.3 Compliments



**‘ Everyone wants to be understood more than they want to be sold ’**



# Psychology of selling: Scarcity bias

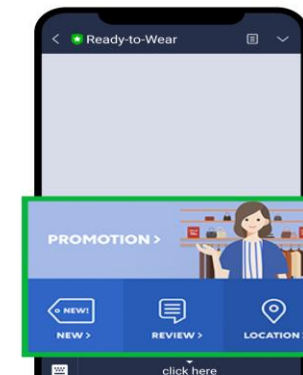
ยิ่งหายาก ยิ่งอยากได้  
ยิ่งมีน้อย ก็ยิ่งแพง



## เทคนิคขออน้อยก่อน แล้วค่อยหามากทีหลัง

Foot-in-the-door technique and marketing :

### Example



- ธุรกิจมักจะหากิจกรรม หรือคำขอลเล็ก ๆ น้อย ๆ ให้ลูกค้า Say Yes ก่อน แล้วจึงหาทางโน้มน้าวให้ลูกค้าซื้อของต่อไป

' It's the technique of asking for something small first and then asking for more later. If we can get the other party to agree to something small, we can make them more willing to agree to something bigger '

## เทคนิคใช้คำขอใหญ่ ๆ ที่รู้ว่าลูกค้าต้องปฏิเสธแน่ ๆ แล้วจึงตามด้วยคำขอที่ต้องการ

It's the technique of asking for more first and then asking for less later, starting with a large request that is likely to be rejected, followed by the desired request. When compared to the initial request, the second request appears more reasonable, making the other party more likely to accept

### Benefits of the Door-in-the-face technique:

**Ex.** closing a sale, presenting customer projects, conducting surveys, setting deadlines.

### Cautions in using the Door-in-the-face technique:

1. Craft the initial request strategically.
2. Be flexible and genuine.
3. Be cautious not to overuse this technique.





## เสน่ห์ของความไม่ Perfect

It's a psychological principle that explains when someone perceived as highly competent makes a mistake, they instantly become more likable. Simply put, imperfection makes people more charming multiple times over.

### How brands leverage the Pratfall Effect?

1. Apologize directly when a mistake occurs.
2. Admit that we are not (necessary to be) perfect.
3. Talk about vulnerabilities.



Elliot Aronson (1966)

The Pratfall Effect only works if the person in question (or brand) is already seen as skillful or an above-average performer.



In 2012, the UK introduced automatic entry into the pension program. If employees do not want to enter the program, they can sign documents to leave the program. In this way, it can increase program participation from 61% to 83% and increase the number of people entering the program by more than 400,000.

In the UK, the next absentee patient results in huge health costs. They **changed the process by asking the patient to write the date and time of the appointment** by himself instead of the staff writing. It helps patients feel that they have an obligation to follow up on appointments. This resulted in an 18% reduction in the number of absentees and an estimated \$180 million in associated costs savings from minimal procedure changes.



In the Philippines, there was an experiment allowing people to collect more money. They allowed participants to open the “**commitment account**” that could be withdrawn from this account only when the amount reached a certain value (participants set that value by themselves). The research found that after a year, the participants in the “contract account” group had 82% of their savings, while the control group in the normal account had only 12%.