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Economics for Better Living

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Decision Making Bias in Daily Life

By

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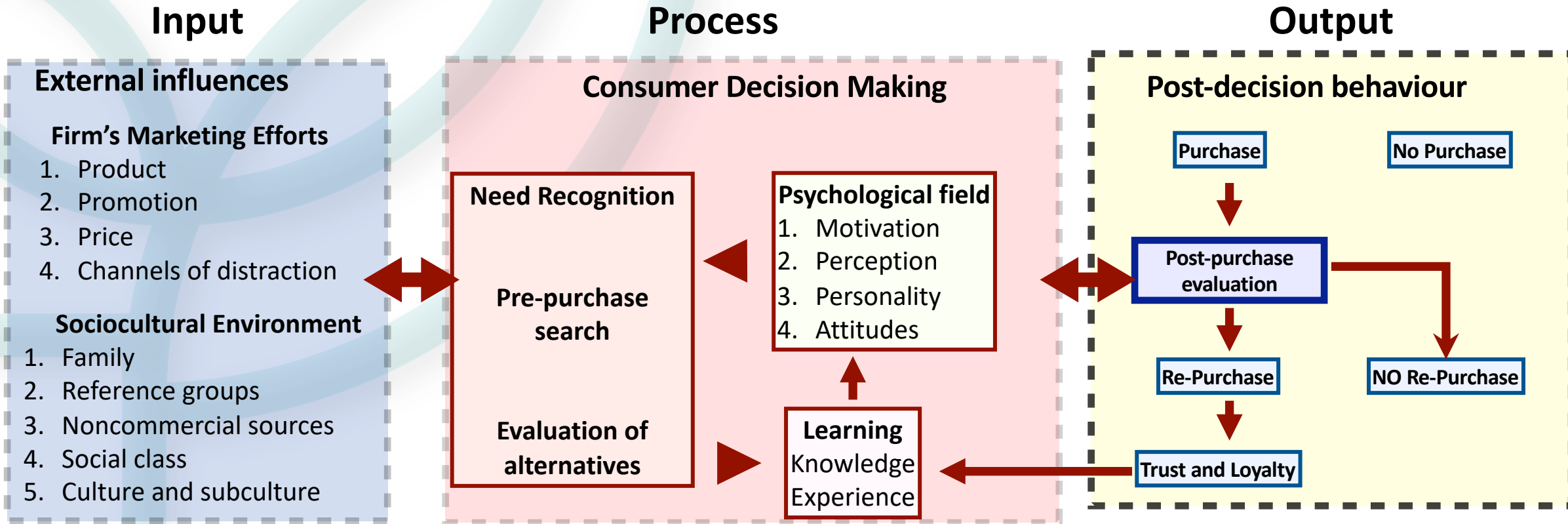
FB Page: EatEcon

Website: www.eatecon.com

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 ภัทรชนกุล | TEDxChulalongkornU

<https://youtu.be/T9R4sZrvGd0>

System 1

Autopilot

Fast

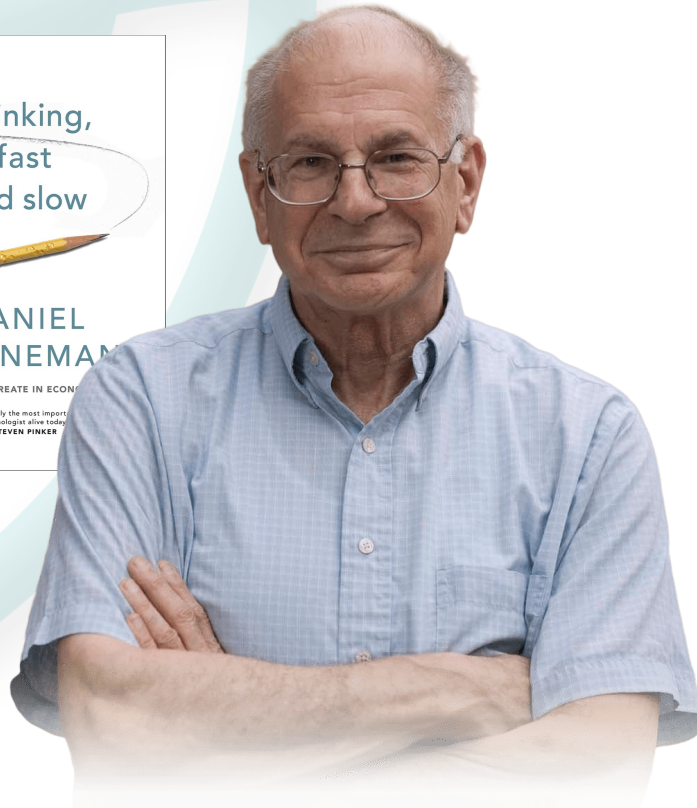
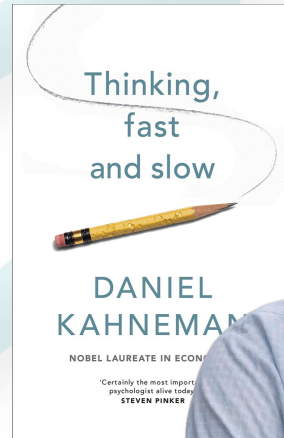
Implicit

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,

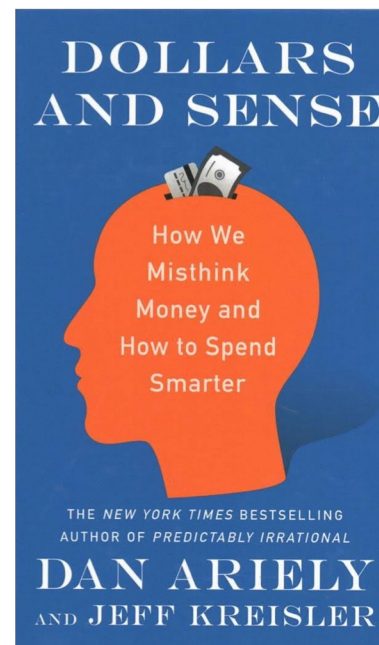
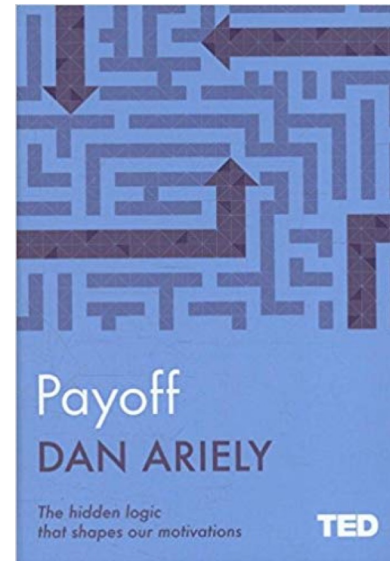
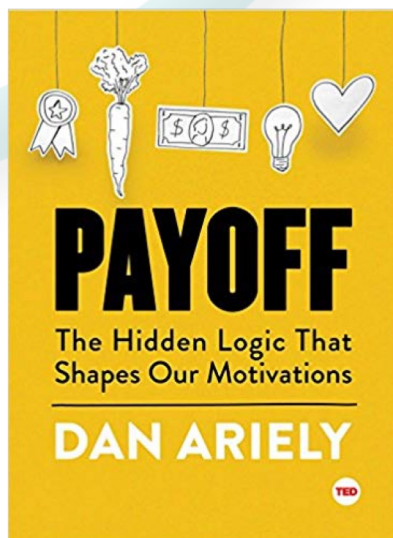
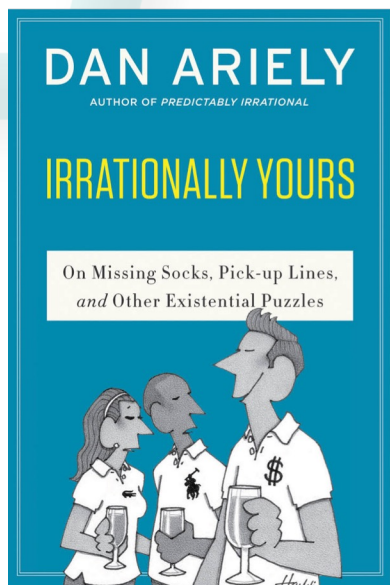
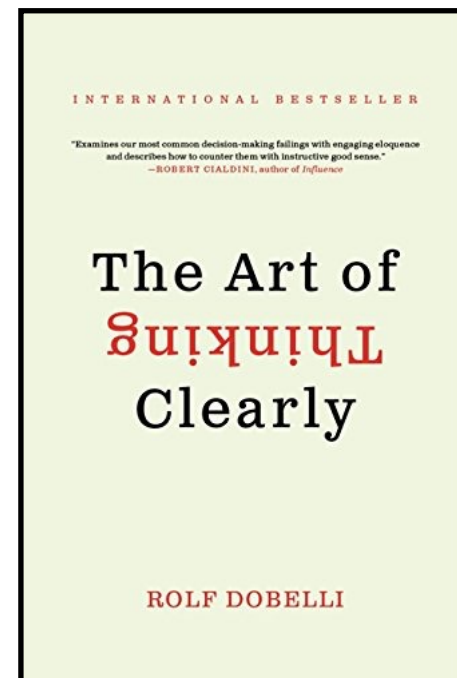
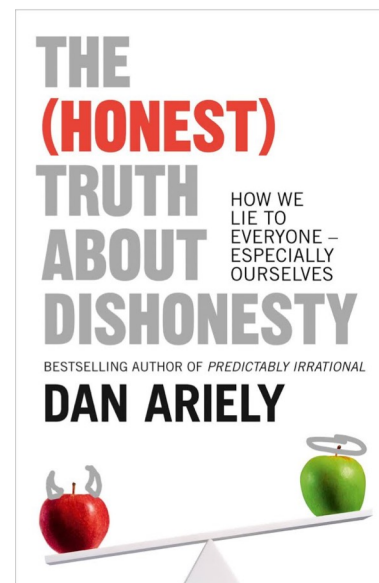
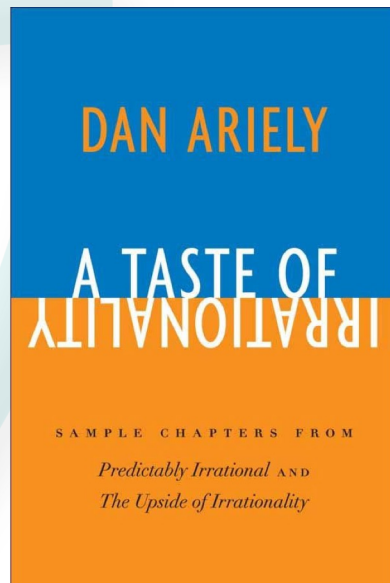
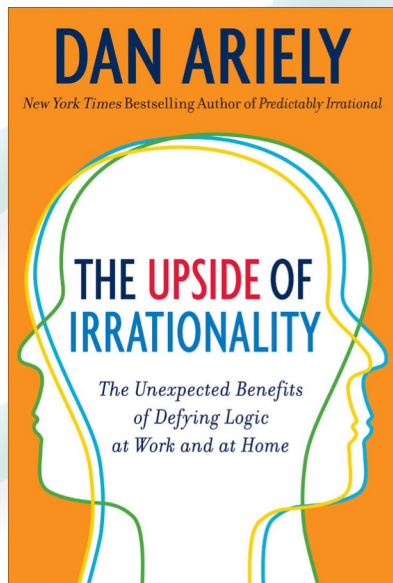
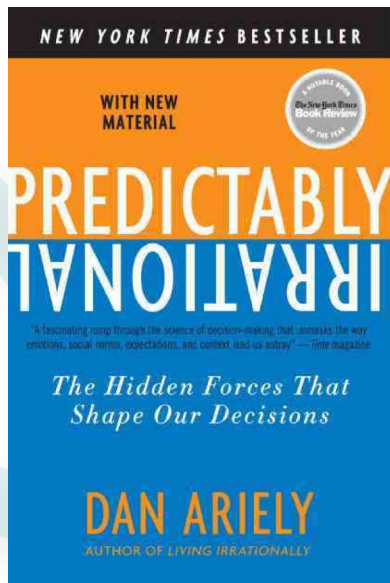
95%

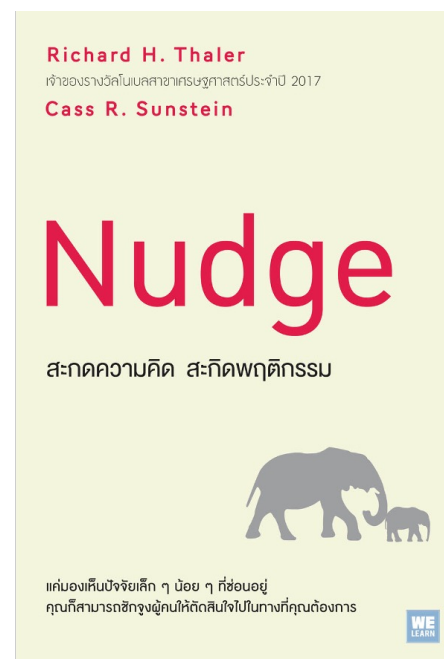
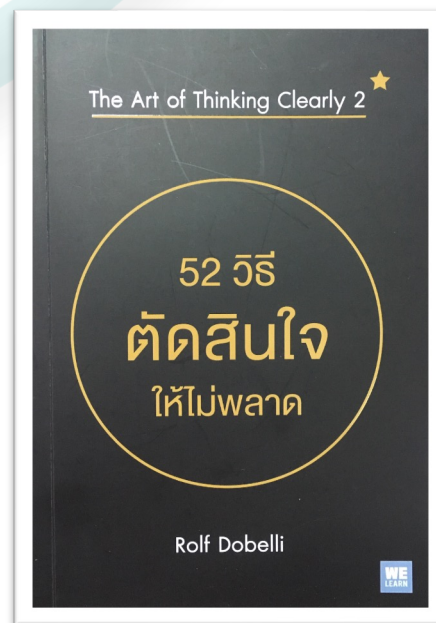
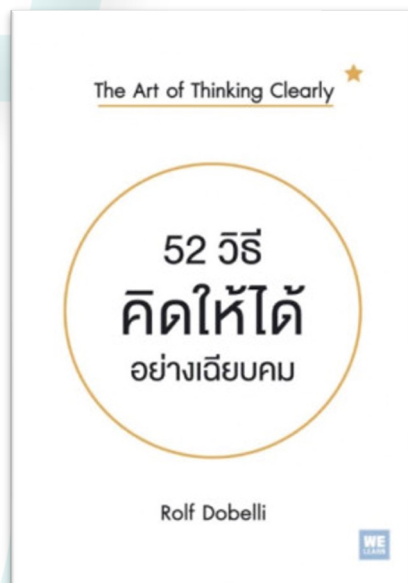
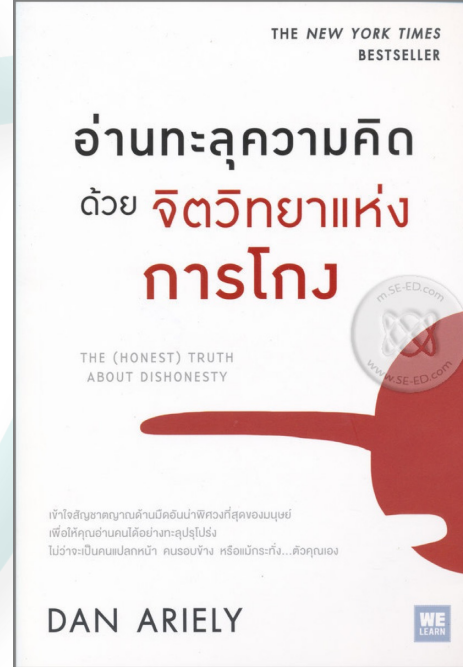
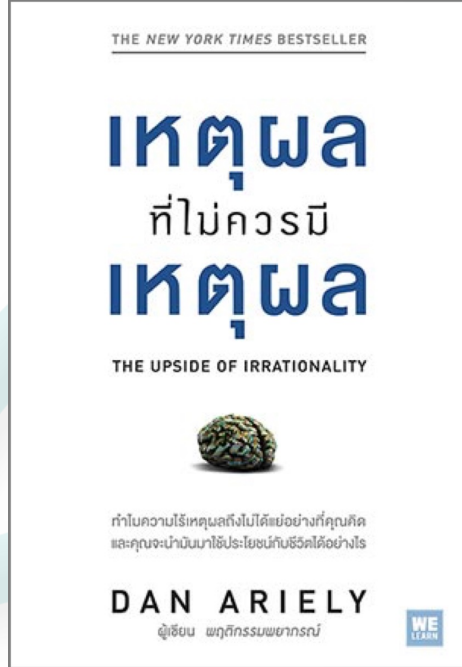
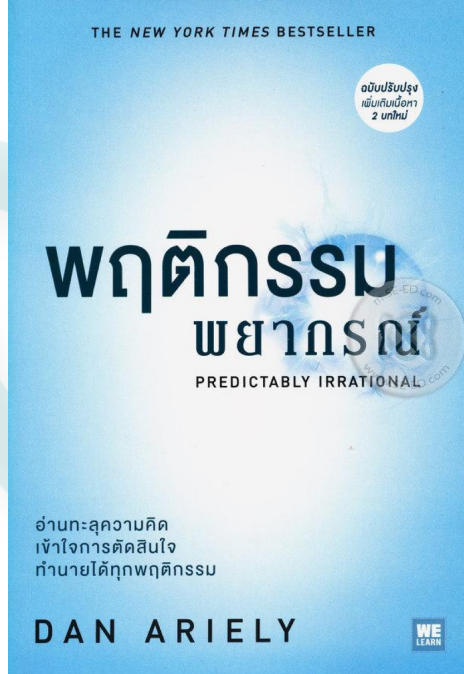
Of our decisions are based on intuition and “what feels right” or “is good enough”

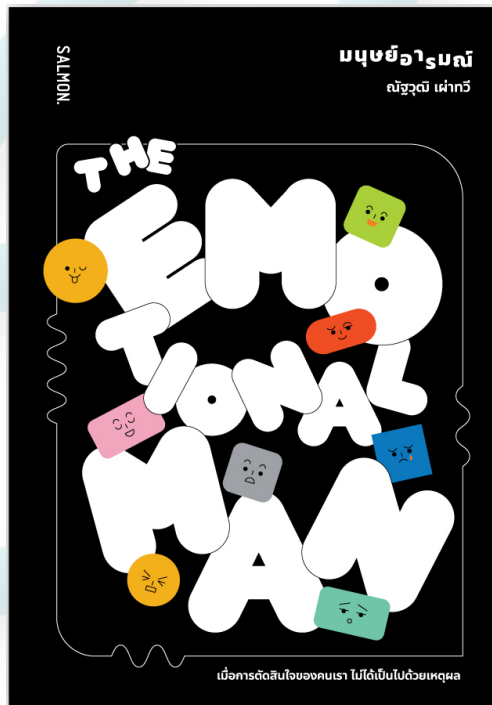
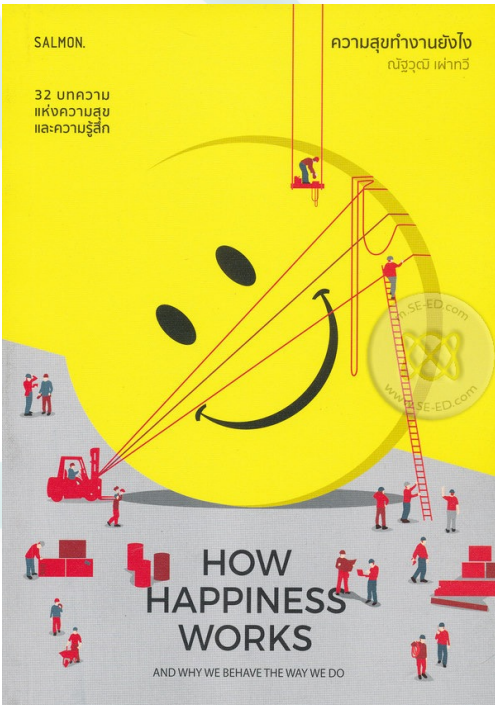
79-93%

Of our decisions are guided by instinct and past behaviour

18-35% is based on intention







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](#)

Researchers said that

We are in pain when we pay in cash. Why?

- 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

Hot state vs Cold state



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



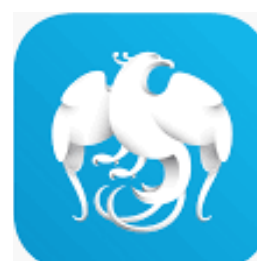


WMD1017 : พฤติกรรมทำไม? 5 นิสัยการเงินเจ้าปัญหา และเทคนิคในการจัดการ

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 พร้อมทำการรายการแอมเก็บ และสั่งเก็บสำเร็จอย่างละ 1 รายการ

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