

2002

BEHAVIORAL ECONOMICS

2017



**NOBÉIS DA
ECONOMIA
KAHNEMAN E
THALER:
APLICAÇÃO AO
PRICING E VENDAS**

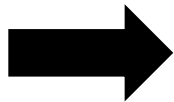
Daniel Kahneman

Richard Thaler

Amos Tversky

Jorge Sá
Professor at
Swiss Business School (Zurich)
AESE/IESE (Barcelona)
University of Lisbon

Dan Ariely



World poverty	30% < 2 dollars a day
	14% < 1,25 dollars a day

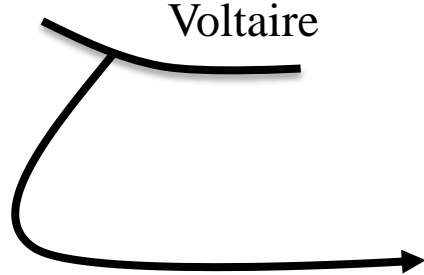


Voltaire

Everyone is **guilty** of the **good** he/she does **not** do.

BUT

There are some **virtues** that only the **rich** can have



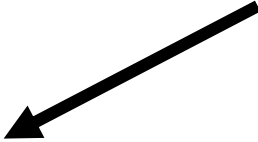
Help in 2014 ¹ :	USA = 32,1 billion dollars
	EU-28 = 9 billion dollars

¹ Latest data available.

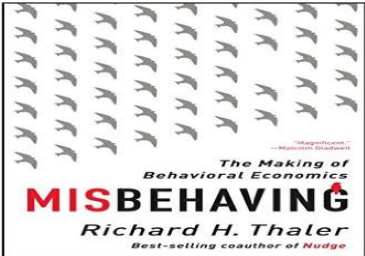
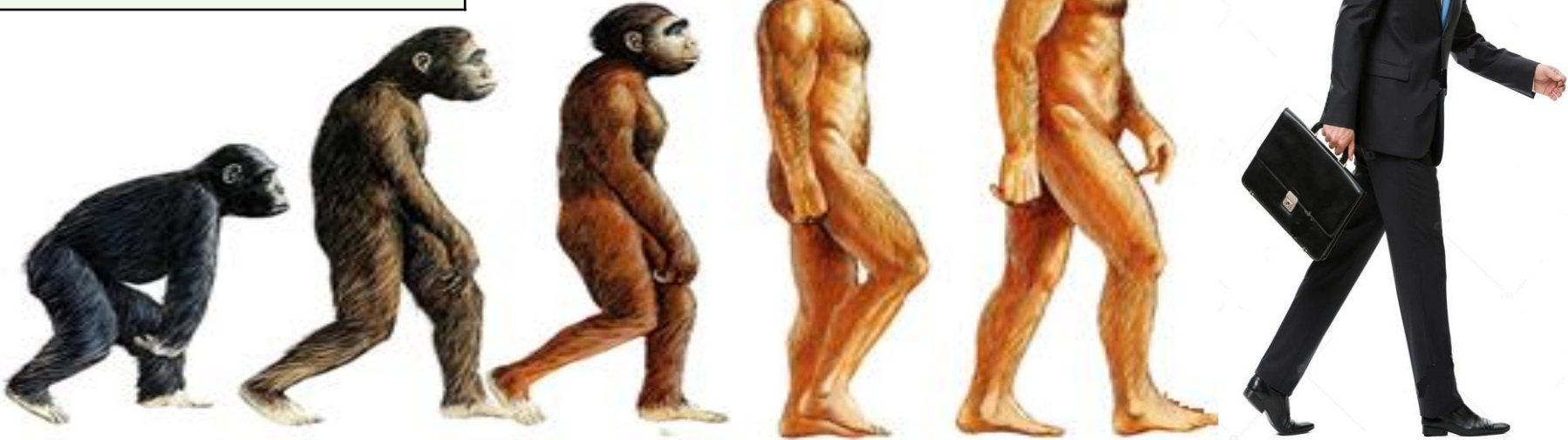
What does it mean?

Man was created to the *image of GOD* (Genesis 1:26)

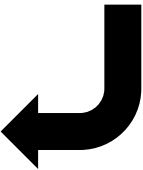
Freedom	
Distinguish	evil
	good
Love	
Create/Creativity	



Perfect

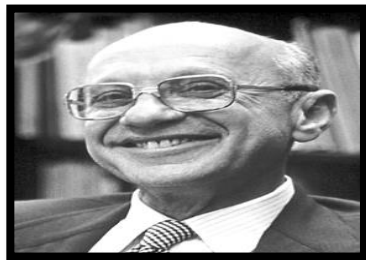


Homo Economicus (Econs)





Main characteristics = Absolutely rational	
I. Perfect information	Know all
	— + — No biases
II. Infinitely intelligent	Able to optimize Find best solution
	III. For his own well being
	Utility (frequently money)



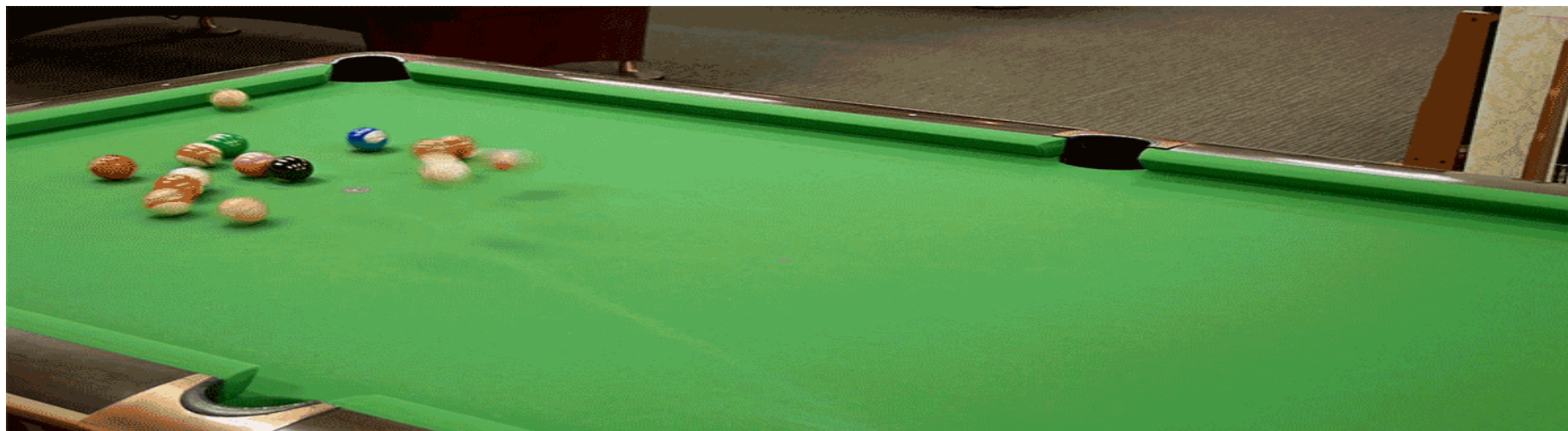
Milton Friedman
(1953 article)



Richard Thaler
(Nobel Prize
winner 2017)

VS

Economics	Classical	Behavioral
<p>Assumptions</p>	<p>Do not matter: can be</p> <pre> graph TD A[Do not matter: can be] --> B[Assumptions] A --> C[Reality] B --- D[≠] C --- D </pre>	<p>Matter</p>
<p>Important</p>	<p>As if + mathematical formality</p>	<p>Empirical tests</p>





R. Thaler
(Nobel Prize
winner 2017)



I.

To avoid empirical tests is **unscientific**



II.




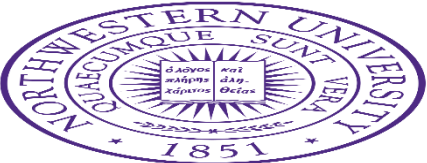
We all have **limitations**



III.

P E O P L E	3.1	Make mistakes	
	3.2	Some of them systematically	
	3.3	Regardless of	Geography
	or		
			Instruction

SO WHAT?

<p>Classical Economics hypothesis</p> <p>Examples</p>	<p>I Perfect information</p>	<p>II Optimization</p>	<p>III Rationality (people make sense)</p>
 <p>THE HEBREW UNIVERSITY OF JERUSALEM</p> <p>(Stereotypes)</p>	<p>NO</p>	<p style="background-color: #cccccc;"></p>	<p style="background-color: #cccccc;"></p>
 <p>(Master students)</p>	<p>NO</p>	<p style="background-color: #cccccc;"></p>	<p>NO</p>
 <p>(Wine)</p>	<p style="background-color: #cccccc;"></p>	<p>NO</p>	<p>NO</p>
 <p>(Salary)</p>	<p style="background-color: #cccccc;"></p>	<p>NO</p>	<p>NO</p>

Types of heuristics	Mental aids	
	+ Used by all	
	Imply	+ Systematic
		+ Biases

GALLUP		
Companies which apply behavioural economics outperform competition by	Sales Growth	85%
	Gross margin	25%

VS

<div style="border: 1px solid black; padding: 5px; display: inline-block; margin-bottom: 10px;">A</div> SURVIVAL	1	Present = + Δ future			
	<div style="border: 1px solid black; padding: 5px; display: inline-block; margin-bottom: 10px;">B</div> SAFETY / CERTAINTY	2	Risk aversion		
		3	Diminishing sensitivity		
		4	Loss aversion		
		5	∇ Regrets		
		6	Keeping doors open		
		7	Bad evaluation of probabilities		
		8	Vanity		
		9	Over confidence		
		10	Rationalization and confirmation bias		
		11	Fit in + security	Authority	
		12		Conformity	
		13		Herding	
		14	Endowment effect		

Types of heuristics	Mental aids	<input type="checkbox"/>
	Used by all	<input type="checkbox"/>
	Systematic	<input type="checkbox"/>
	Imply	<input type="checkbox"/>
	Biases	<input type="checkbox"/>

Companies which apply behavioural economics outperform competition by	GALLUP	Sales Growth	85%
		Gross margin	25%

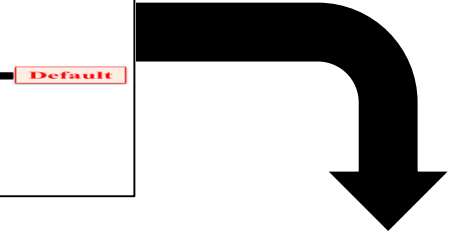
A SURVIVAL B SAFETY / CERTAINTY	1	Present = + Δ future	
	2	Risk aversion	
	3	Diminishing sensitivity	
	4	Loss aversion	
	5	Regrets	
	6	Keeping doors open	
	7	Bad evaluation of probabilities	
	8	Vanity	
	9	Over confidence	
	10	Rationalization and confirmation bias	
	11	Authority	
	12	Fit in + security	Conformity
	13		Herding
	14		Endowment effect

C BOUNDED RATIONALITY (HUMAN NATURE LIMITATIONS)	15	Framing
	16	Halo effect
	17	Stereotypes (representativeness)
	18	Trust
	19	Fairness / sense of responsibility
	20	Dark side
	21	Relative = + Δ absolute
	22	Anchoring (reference points)
	23	Path least resistance (laziness + fear) and status quo bias
	24	Can't see what don't expect
	25	Past influence
	26	Memory influence
	27	Transitivity
	28	Self control
	29	Gender
	30	Others: buckets (mental accounting) and overreaction

Default



C BOUNDED RATIONALITY (HUMAN NATURE LIMITATIONS)	15	Framing
	16	Halo effect
	17	Stereotypes (representativeness)
	18	Trust
	19	Fairness / sense of responsibility
	20	Dark side
	21	Relative = + Δ absolute
	22	Anchoring (reference points)
	23	Path least resistance (laziness + fear) and status quo bias
	24	Can't see what don't expect
	25	Past influence
26	Memory influence	
27	Transitivity	
28	Self control	
29	Gender	
30	Others: buckets (mental accounting) and overreaction	



Prospect theory / Behavioral economics





Behavioral economics techniques

BUT... WHAT ABOUT...

Digital marketing?

and

Textiles and garments?

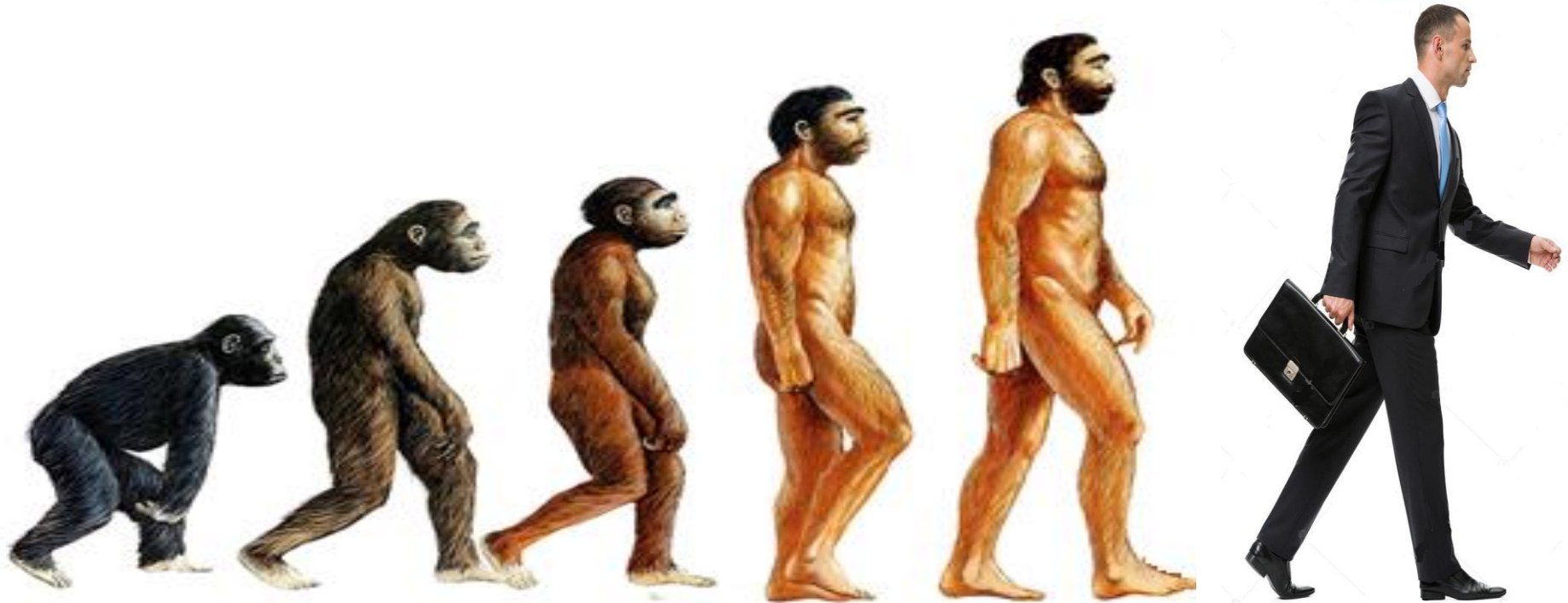


Classical economists
study **artificial**
intelligence; me, **I** study
human nature.

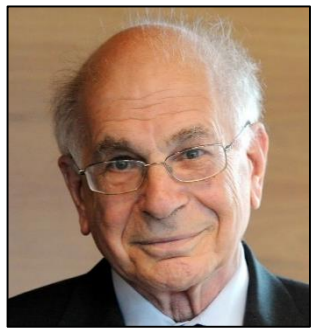


VS

Amos Tversky



Homo Sapiens

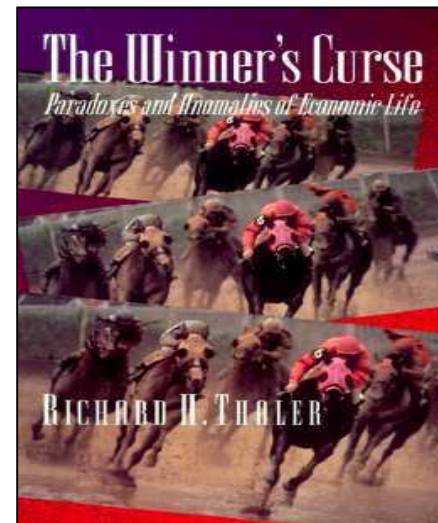
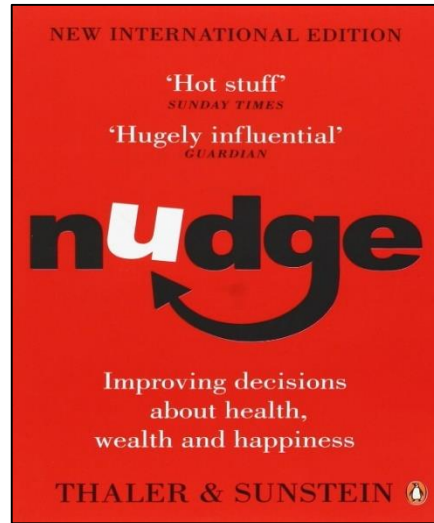
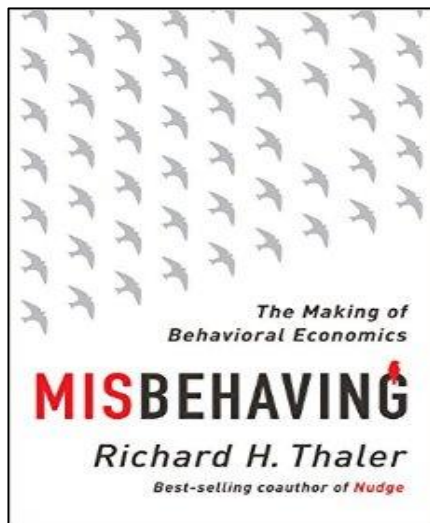
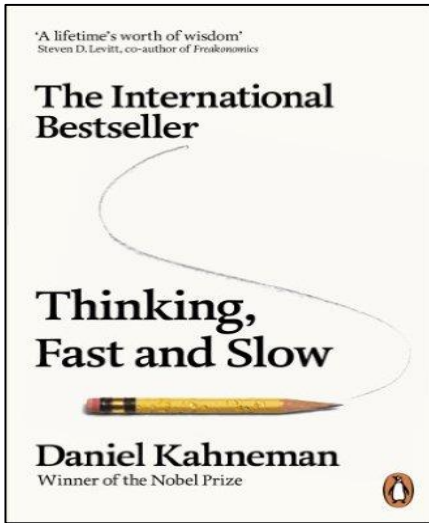


D. Kahneman
(Nobel 2002)

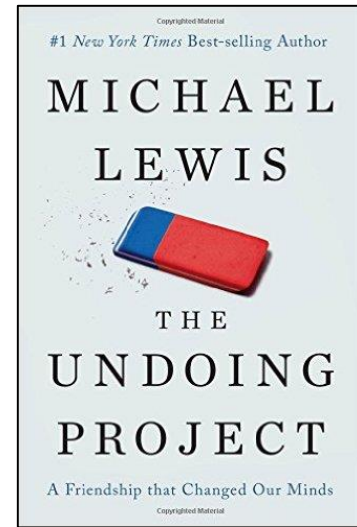
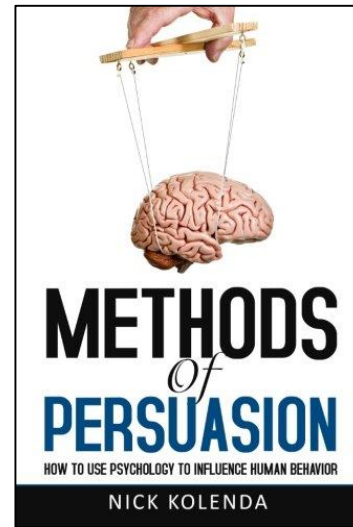
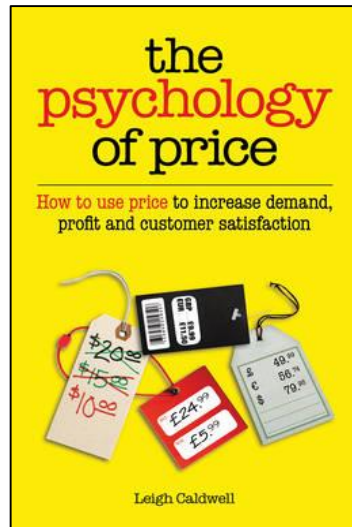
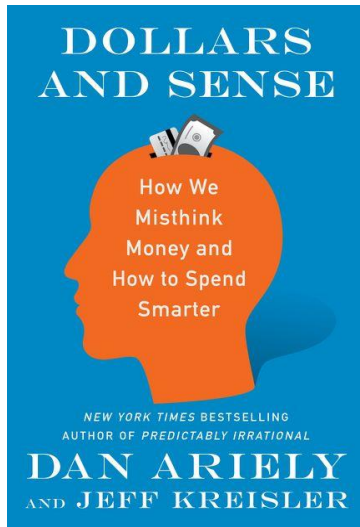
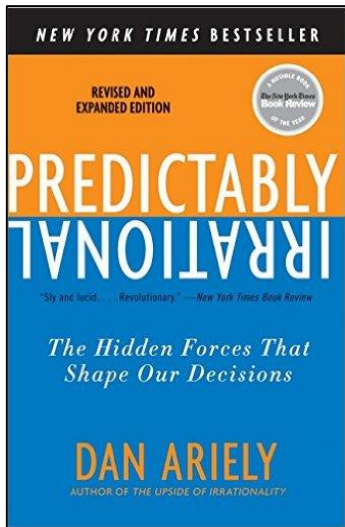


Richard Thaler
(Economics Nobel 2017)





Thank you



VS

JORGE VASCONCELLOS E SÁ
MBA Drucker School / PhD
Columbia University /
Jean Monnet Chair
Professor Swiss Business School /
AESE(IESE) / University of Lisbon

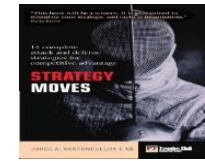
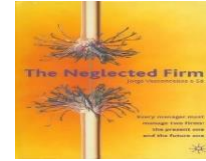
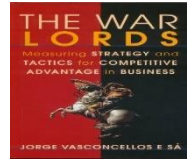
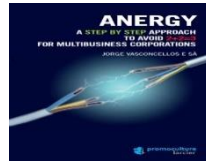


Vasconcellos e Sá Associates, S.A.
(website: www.vasconcellosesa.com)

A
C
T
I
V
I
T
I
E
S

Research

Twenty four books in twelve languages:



- English
- Portuguese
- Spanish
- Russian
- Ukrainian
- Norwegian
- German
- Lithuanian
- Korean
- Thai
- Chinese (Mandarin)
- Iranian

Half a hundred **academic/blind referee** articles

Portuguese Institute for Economic Freedom
Site: www.institutoliberaldadeeconomica.blogspot.pt/



Public speaking + Consultancy + Facilitator

22 countries

Speakers agencies:



You can check Professor Jorge Sá latest conference at TED USA at:
<https://youtu.be/SOkjPVi1Fts>

JORGE SÁ
DRUCKER'S QUESTIONS TO CREATE COMPETITIVE ORGANIZATIONS ARE ETERNAL

Jorge Sá

A short bio



1. Besides *two undergraduate* degrees one in Economics and one in Business Administration and a *graduate degree* in Macroeconomics, Jorge Sá has a **master's degree** from the Peter F. Drucker Graduate School of Management in California, where he studied with Peter Drucker (who offered letters of recommendation and endorsements for his books), and a **doctorate (PhD)** in Business Administration, from Columbia University, in New York, where he was a student, research and teaching assistant. He finished first in his class and always in the Dean's list.
2. Awarded the **Jean Monnet Chair** by the Jean Monnet Foundation at **Brussels** (the highest European academic award), with several distinctions including Fulbright fellowships, Beta, Gamma, Sigma, etc., Jorge Sá is currently a **professor at Swiss Business School** (Zurich), **AESE/IESE** of Barcelona and **University of Lisbon**.
3. He published **twenty four books in twelve languages: English, Portuguese, Spanish, Chinese (Mandarin), Russian, Ukrainian, German, Lithuanian, Thai, Korean, Norwegian and Iranian** and have received **endorsements**, among others, from Peter F. Drucker, Cecily Drucker, Philip Kotler, Al Ries (author of the bestsellers Marketing Warfare and Positioning), Don Hambrick (Professor at Columbia University and at The Pennsylvania State University), Karl Moore (Professor at Oxford and McGill University), Luiz Moutinho (Professor at Glasgow University), Peter Starbuck (President of the London Drucker Society), etc.
4. Addressed **conferences and gave seminars** at several international universities and institutions including TED USA (<https://youtu.be/SOkjPVi1Fts>), Drucker School, London Business School, IESE, Glasgow Business School, ESSEC (France), ESSAM (European Consortium of Business Schools), Oxford, Manchester Business School, George Washington University, University of São Paulo School of Economics, Institute of Experimental and Technological Biology, Liberty Forum (Brazil), University Jorge Amado, American Chamber of Commerce Luxembourg, Foundation Idea/Chamber of Commerce Luxembourg, European Centre For International Political Economy, Timbro, European Commission, Marketing Institute Estonia, etc. He also addressed conferences and presented articles in several academic meetings, namely Academy of Management, Western Economic Association, Peter Drucker Society of Europe, etc.

5. He has also worked as **private consultant**, has been a **non-executive director** or has taught in the **executive programmes** of **multinational companies** such as: Coca-Cola, SHELL, Unisys, IBM, Price Waterhouse, Klynveld Peat Main Goerdeler, Glaxo, British Petroleum – BP, Dun & Bradstreet, Deloitte & Touche, Makro (Metro group), Système U, I.F.A, Intermarché, Mini Prix Bonjours, Accenture, Watson Wyatt, Cap Gemini, Cesce, Scottish & Newcastle, Sara Lee, Microsoft, Total, Johnson & Johnson, Pfizer, Logica, Indra, Grandvision, Jafep, Euler Hermes, Cosec, Pestana Group Hotels, Tivoli Hotels & Resorts, Millennium Bank, Julius Baer, SGG, Henkel, Abencys, Broadbill, Volkswagen Group, McDonald’s, MiTek, United Steel Products, Base Group, UnitedHealthcare, Inapa, Vodafone, IDC, Merck, etc. That, besides all companies where his office (Vasconcellos e Sá Associates) acted as advisor in M&A operations.

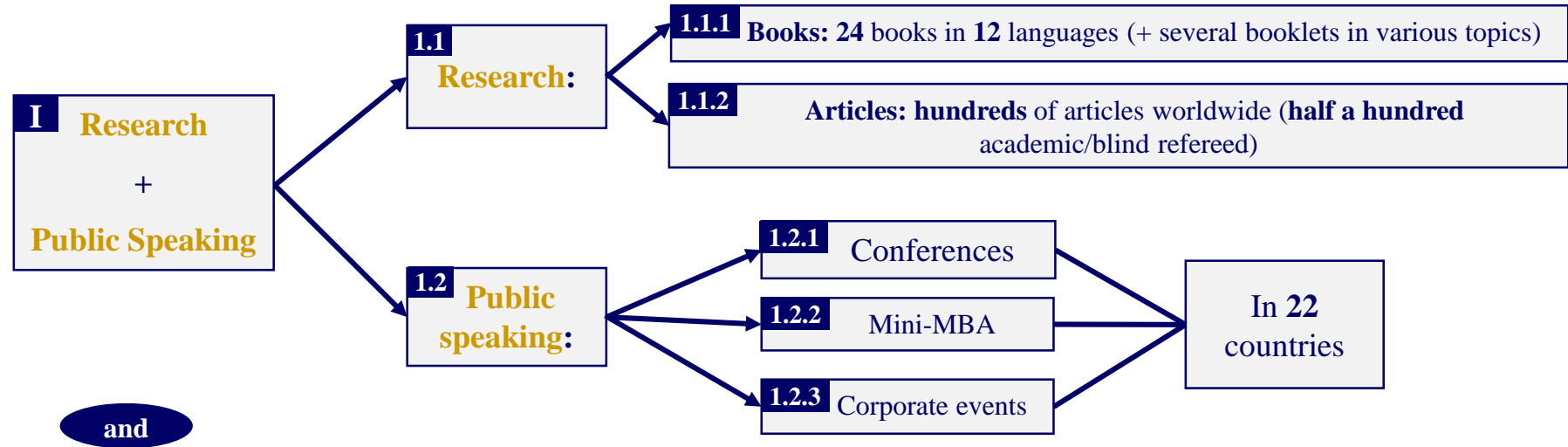
6. Professor Sá founded the Institute for Economic Freedom and his hobbies are History, Krav Maga and Kapap (black belt and instructor, by the respective international federations) and soccer (degree as a professional soccer coach). He **speaks and writes** (by alphabetical order) English, French, German, Portuguese and Spanish.

“Congratulations Professor Sá on your wonderful career.”

(Peter Drucker, founder of modern management)



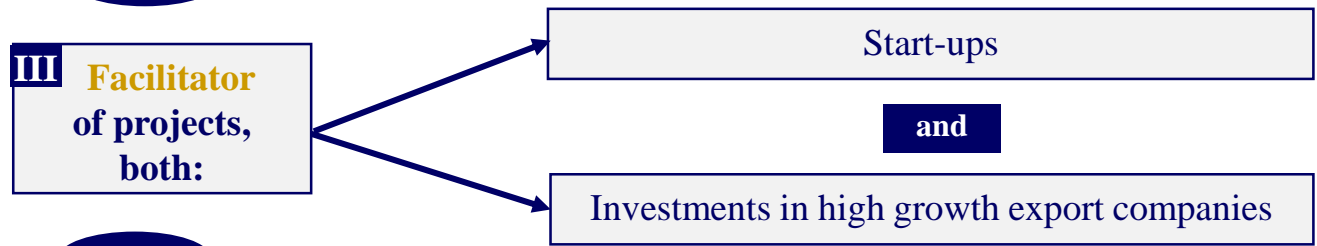
ACTIVITIES OF THE OFFICE VASCONCELLOS E SÁ ASSOCIATES



and



and



and



VS

Vasconcellos e Sá Associates, S.A.

Opus artificem probat

To act upon one's **convictions**, while **others** sit on the sidelines.

To create a **positive** force, when **cynics** do nothing.

To offer a **choice**, to those who **languish**.

To make things **better**, by venturing into the seemingly **impossible**.

To do that and bring **understanding** where **discord** reigns.

That is to make a **difference**: to leave **footprints** in life. (-)



Office: Vasconcellos e Sá Associates, S.A.
Alameda Combatentes da Grande Guerra
Edifício S. José – 405
2750-326 Cascais
Portugal

Tel: (+351) 21 482 1544

(+351) 21 482 1563

(+351) 21 484 1028

Fax : (+351) 21 482 1566

Email: associates@vasconcellosesa.com

Website: www.vasconcellosesa.com

Twitter: @VasconcelloseSa • LinkedIn: <http://www.linkedin.com/in/vasconcellosesa>

Weekly articles and diagrams: <http://economiasemana.blogspot.pt/> • Blog: www.institutoliberaldadeeconomica.blogspot.com