Course Description

Effective and efficient decision-making is at the core of any entrepreneur’s success, large percent of their decisions are done in an uncertain and high-risk environment which make their decisions prone to mistake and biases. Although we like to think of ourselves as rational creatures, 80% of our day-to-day decisions are done with little or no conscious thought.
In this course we will discuss behavioral economics concepts and the psychological approach to decision making, and how can we use these concepts to our advantage and create better outcomes for our business?

Now more than ever, it’s critical for product organizations to know the science underneath human behavior and how to apply it. In a competitive and crowded space, Behavioral Design is crucial for both user and company success. We will learn different biases and discuss how to use behavioral science in ways that maximize the benefit for both the user and the business.

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**Course Goals**

- Learn what drives decisions offline and online
- Learn different biases in human behavior
- Provide deep understanding of the psychology behind what drives user behavior
- Learn the differences between Customer Experience, User Experience & Personalization.
- Learn how to build products to cater to core human needs.

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**Grading**

1. **Final paper in groups: 80%**
2. **Group presentation 20%**

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**Learning Outcomes**

- Full Attendance – Class will take place in the following format:
  1. Lecture on a weekly topic
  2. Work in groups (groups will be determined at the beginning of the semester and remain the same throughout the semester).
  3. Group presentation – Each week a different group will present its work

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**Active Class Participation:**

You are expected to come to class well prepared and to participate in class discussions.
Teamwork is an essential component of this class. Be respectful of your team members and be an active member of the team.

Lecturer Office Hours
Appointment by email

Reading List

1. **Orientation + Introduction**

**Topics:** Introduction; Orientation; getting to know your classmates.

Behavioral Economics: Are we in control of our decisions? the role of emotions in DM. Consumer behaviors are heavily influenced by a person's impulses, emotions and moods. Unlike repeatable rational decisions, brands will inevitably have difficulty tracking and predicting future behaviors as it can vary drastically from day to day, with a good or bad mood directly impacting how they perceive their interactions with a brand. What was considered a positive customer experience one day might be perceived as negative the next.

**Readings:**

- https://www.entrepreneur.com/article/238984
- https://www.entrepreneur.com/article/235944
- https://www.cmswire.com/customer-experience/do-we-control-our-own-purchasing-habits/

2. **Experimental design -**

In order to be able to test theories, ideas and interventions we will need to use scientific tools. In this section we will understand the difference between correlation and causation, learn the basic terms when doing research, and speak about different types of experiments (lab, field, online).
3. **Mental accounting** –

People think of values in relative rather than absolute terms. This section will answer questions like: Why are people willing to spend more when they pay with a credit card than cash?

Unlike the rational theory that assumes fungibility of money, individuals treat money differently. Their treatment depends on various factors such as the origin of the money, and its intended use.


4. **Prospect theory** –

Prospect theory shows how individuals decide between alternatives that involve risk and uncertainty, and was developed by Nobel prize winners Kahneman and Tversky (1979). According to Prospect theory people think in terms of utility relative to a reference point rather than absolute outcomes. We will discuss Prospect theory in mirror of Expected utility theory with emphasis on how individuals experience results, and how do we account for probabilities of different events.


5. **Social preferences** –
Social preferences describe how much and in what way an individual cares about others. While the classic model assumes that individuals are selfish and care only about their own results, in real life the results are different. We will show cases where individuals care about the results, actions, and beliefs of other players playing against them.


6. **Nudges**

Thaler and Sunstein (2008) defined a nudge as: “any aspect of the choice architecture that alters people’s behavior in a predictable way without forbidding any options or significantly changing their economic incentives. To count as a mere nudge, the intervention must be easy and cheap to avoid.”

Nudges are currently used by different choice architectures with changes that may influence behavior of individuals at the lab and especially at the field. In this class we will show various biases that can be used as nudges. One of the main advantages of nudges is that on a cost adjusted basis they are very effective.


7. **Incentives**

According to the classic economic model, monetary incentives increase level of effort and as a result increase productivity. While this is usually the case, we will discuss several situations where financial incentives may backfire. We will discuss key concepts when thinking and deciding about monetary incentives.


8. **Entrepreneurship in movies – Dr. Eyal Boers will introduce the entrepreneur character perception in movies**


9. **How investors make decisions**

Large percent of Investors’ decisions are done in an uncertain and high-risk environment which make their decisions prone to mistake and biases. Although, we like to think of ourselves as rational creatures, 80% of our day-to-day decisions are done with little or no conscious thought. We will explore the psychological approach to decision making with an emphasis on the digital world as today most of our decisions are done digitally, but the reality is, in the digital age, our brains just aren’t equipped to cope.

10. **Customer Experience, User Experience & Personalization**

The game has changed. Your next customer will research and evaluate your products through web sites and online networks long before your salespeople get involved. In fact, a call to your salesperson may be the last step in the buyer’s journey, significantly limiting the influence and expertise that has long driven the buying discussion. As the buying process moves online, salespeople are getting less face time with clients, and thus lack insight into which of their prospects are showing the strongest buying signals.
To succeed in this new digital climate, smart businesses are adapting and realizing the necessity of reading and responding to the “digital body language” of their prospects.

Readings:


- https://www.cmswire.com/customer-experience/tap-your-customers-emotions-through-the-power-of-positive-memories/

11. Industry representative
12. Industry representative
13. How to design habit forming products?

Your brain loves routine. Routine allows you to follow the same route to work every day while your brain does other things, like thinking about your work presentation. Routine frees up your brain’s resources for more complicated actions. This is why our brains reward us for routine and encourage us to create more routines. For example, after we turn on the light switch several times, and the light turns on, our brain learns that this is what it should expect. The next time we flip the switch, we are rewarded with a small burst of dopamine. After several similar repetitions, a new association is created, and this behavioral pattern is etched into our neural pathways — a new habit is formed. This is how consumers develop habits. As we already know, habits, rather than conscious decision-making, shape about 45 percent of our everyday choices.

Readings:

https://www.psychologytoday.com/intl/blog/behind-online-behavior/201712/how-create-addictive-experiences
What the Marshmallow Test Really Teaches About Self-Control -

Recommended Ted Talks

- Experience means everything - https://www.youtube.com/watch?v=cjVDb-bXAts&t=219s

Good Luck!