

Key Behavioral Economics Concepts

Why Behavioral Economics?

Humans make decisions based on emotion **and** logic. Appeal to the user's emotional brain before appealing to the rational brain.

Ethical BE users avoid "social engineering," or trying to "trick" someone into taking an action, especially actions which may be harmful not in their best interest.

There are dozens of behavioral economics principles that influence human (consumer) behavior. Below are a set of core concepts to test frequently in association marketing. [Sources to learn more: [source 1](#), [source 2](#), [source 3](#), [source 4](#)]

Cognitive Fluency

Simple language and design require less mental work, thereby removing friction from the decision-making process.

Which of the below instruction sets are you more likely to follow? Why is that? Because it's hard to read one of them...

Tuck your chin into your chest, and then lift your chin upward as far as possible. 6-10 repetitions. Lower your left ear toward your left shoulder and then your right ear toward your right shoulder. 6-10 repetitions.

TUCK YOUR CHIN INTO YOUR CHEST, AND THEN LIFT YOUR CHIN UPWARD AS FAR AS POSSIBLE. 6-10 REPETITIONS. LOWER YOUR LEFT EAR TOWARD YOUR LEFT SHOULDER AND THEN YOUR RIGHT EAR TOWARD YOUR RIGHT SHOULDER. 6-10 REPETITIONS.

How to apply this principle: when writing marketing copy. We should focus on benefits, not features!

Features are often technical, like "triple-walled construction."

Who cares!

A benefit explains why they should care about the technical features.



Benefit: to keep beverages cold for up to 24 hours or hot for up to 12.

Behavioral economics at work: **Cognitive Fluency**

Simple language and design require less mental work, thereby removing friction from the decision-making process.

People prefer simple. Don't make me think!

See what I did there??



Key Behavioral Economics Concepts

Loss Aversion

People try to prevent losses more than they try to make gains. [\[learn more\]](#)

Defaults

Set the default action / setting to be the behavior you wish to encourage. [\[learn more\]](#)

This is why some associations have turned to automatic membership renewals, just like magazine subscriptions or cable TV, or have the subscribe box pre-checked on a form.

Anchoring

People are tied to their first decisions. [\[learn more\]](#)

Anchoring is one of several action biases that humans exhibit. Other include status quo bias and status quo bias. [\[learn more\]](#)

Rational Choice Theory/Prospect Theory

We look for support for making decisions. Sometimes the decisions still aren't optimal. [\[learn more\]](#)

Social Proof

We look to others to guide our decision. Three types: peer, expert, numbers. [\[learn more\]](#)

How to apply this principle: when writing marketing copy. We should focus on benefits, not features! Don't tell me what the product features are without explaining how they benefit *me*.

In a well-known 1978 study, group A gave a reason for cutting in line to make copies, group B did not.

Those participants who instructed to give a reason were over 30% more likely to get a yes.

And the kicker? The reason didn't even have to be good. In fact, sometimes, the reason was, laughably, "because I need to make copies."

Something in our psychology is begging for a because or a why. So give customers a reason—a benefit—for every feature.

Behavioral economics at work: **Rational Choice Theory/Prospect Theory.**

We look for support for making decisions.

Sometimes the decisions still aren't optimal.

BE #2: **Social Proof.** We look to others to guide our decisions. Three types: peer, expert, numbers.



Key Behavioral Economics Concepts

Endowment Effect

Consumers value products and services they already own higher than those they do not, making it difficult to downgrade from currently held products/services. Example: “Claim” your discount:

| Cognitive Fluency | Social Proof | Endowment Effect (related to loss aversion) |
|---|--|--|
| [Name], is it rostering, single sign-on, or badges that make AAHA great? Let us know. | [Name], vets who download the AAHA app maximize their professional development time and budget. | [Name], you’ve already got access to a practice marketing toolkit. How can we make it easier to use? |
| | [Name], leading veterinarians around the U.S. and Canada have achieved accreditation. Won’t you join them? | [Name], claim your 15% discount by completing the form below. |
| | [Name], more than 2,500 veterinary practices have achieved accreditation. Won’t you join them? | |

Scarcity

People are motivated by shortage. [\[learn more\]](#)

Sunk Cost Effect

Once we invest in a particular path, our commitment to it grows.

This may help explain some of the reasons members to any association give for remaining a member (but hopefully this is not the biggest reason!).

Relative Choices

People need mental models and/or context – they have a hard time making decisions in a vacuum.

Apply it in your marketing copy:

| Control Subject Line | Test Subject Line: Relative Choices + Cognitive Fluency |
|---|---|
| Budget, get paid more frequently, and save with Even’s app. | \$200 payday loan = \$260! \$200 with Even’s app = No cost |

Re-engagement campaign A/B test. Open rates were 40% higher than the control.