GALLUP
PAKISTAN

OCTOBER 2017

Gallup Pakistan's Behavioral Insights

A monthly newsletter on Behavioral Economics

IN THIS EDITION

Reading Time: 15 minutes

Welcome

to Gallup Pakistan's 3rd edition of a series of monthly Behavioral Insights Newsletter. In this series, we principally aim to encourage an empirical understanding of Behavioral Economics and its related topics. ***By disseminating international and local research findings, Gallup Pakistan aspires to create a knowledge hub that people in Pakistan can benefit from. In this regard, we would be borrowing extensively from external sources to keep our readers updated of the latest developments in this sector.***

This edition will explain how behavioral economics can be used to change the behavior of the individuals to get a specific outcome. The first section focuses on explaining the mistakes one makes while driving those behavioral changes. The second and the third sections explain the phenomenon of The path of least resistance and social proof respectively with examples. Since most of the insights shared in this newsletter are based on research carried out in western countries, a new section-Nudge Lab Pakistan- has been added to find out if the same insights apply for the Pakistani population. In this section we will be sharing our latest research being carried out with the general Pakistani population as participants.

Your valuable suggestions and ideas are much waited for and appreciated. We are also open for partnerships with other teams working in similar domain. Please feel free to write to us at caf@gallup.com.pk.

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Key Behaviors

First step in changing behaviors

Instead of simply educating consumers and users, behavioral economists use an understanding of our common behavioral biases to drive positive behavioral change.

The first step in changing behavior is understanding which behavior we want to change. The first mistake is to focus on the outcome rather than on the behavior. For example, an extremely common desired behavior is "greater retention." However, this is not a behavior. It is the outcome of specific user behaviors.

Instead of reporting on "active use" or "retention" as general outcomes, we should measure how many times a behavior has been completed.

For example, some behaviors for a mobile banking app are:

- Transferring money from checking to savings;
- Depositing a check online;
- Setting up a bill on auto-pay

A second mistake we often see is that people often write out vague desired behaviors, such as: "get people to eat better."

A good way to approach such issues is to identify ways in which to trigger the specific behaviors at the right time and in the right context.

The Path of Least Resistance

our tendency to avoid work

We define the Path of Least Resistance as the behavior that is most easily done in a given environment.

It is the behavior that has the lowest amount of friction

What causes friction?

1. Making a decision.
2. Complexity and number of options.

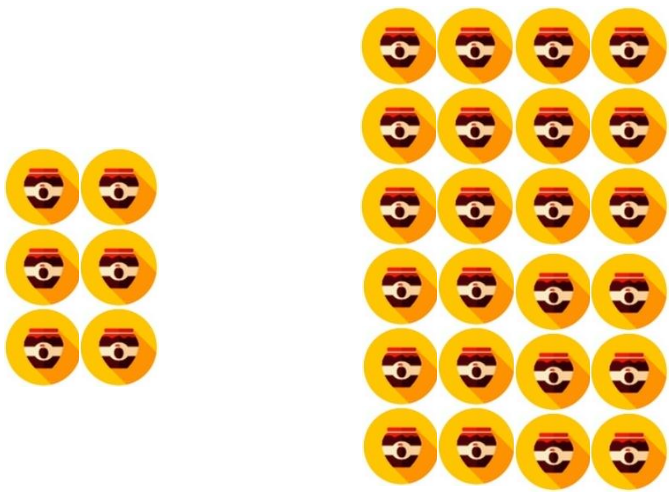
As choices become more complex, we become less likely to make any choice at all. We pick the Path of Least Resistance.

What causes Friction?

Making a decision	Complexity and number of options

Experiment: Jam Choices

Here's a well-known experiment that illustrates this point: in this study, consumers at a grocery store were either presented with 6 jam choices or 24 jam choices.



6

24

Which stall did more people approach?

Iyengar, S. S., & Kamenica, E. (2010). Choice proliferation, simplicity seeking, and asset allocation. Journal of Public Economics, 94(7), 530-539. doi:10.1016/j.jpubeco.2010.03.006

While more people approached the jam stand when there were 24 jams to choose from, more people bought jams when there were only 6 varieties to choose from.

6

24

More people approached 24 jam stall

6

30%

24

3%

More people bought from 6 jamsstall

When buyers had to choose between 6 choices, purchase rates were 30%. When buyers had to choose between 24 choices, purchase rates were 3%. (3).

Experiment: Saving

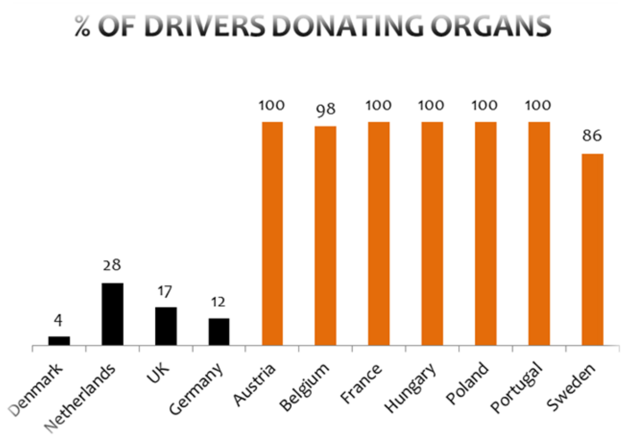
Let's look at a more serious topic: Saving

It's a complex process. There are many steps to the process and they're not easy.

- How do we calculate how much we'll need in retirement?
- What type of account should we use?
- Once we pick the type of account, where do we sign up for one?

As choices become more complex, we become less likely to make any choice at all. We pick the Path of Least Resistance.

Experiment: Donating Organs



SOURCE: JOHNSON & GOLDSTEIN

A significant difference was noticed between the number of drivers who were willing to donate their organs between two set of countries.

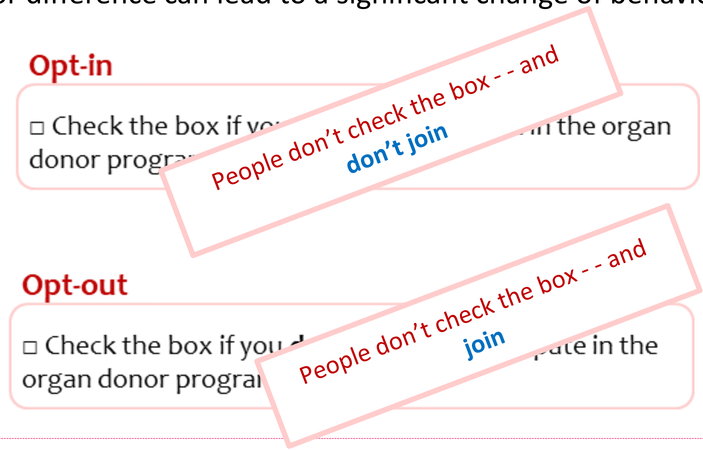
Opt-in

□ Check the box if you **want** to participate in the organ donor program

Opt-out

□ Check the box if you **don't want** to participate in the organ donor program

This difference was due to the options given between the two set of countries. In the countries where people were asked to opt-in the donor program, people chose not to tick the box leading to a significantly lower number of drivers donating organs. In the other set, people were asked to opt-out of the donor program and hence people chose not to tick leading to a higher number of people donating organs. This reflects how a minor difference can lead to a significant change of behavior.



Experiment: Taxes

The UK government has used behavioral science findings on complexity to get people to pay their taxes and fines on time. They simplified the design of their form, adding a clear call to action and a prominent "pay now" stamp.

This improved design is estimated to result in an additional $10 million in fines being paid by their due date, with over 60,000 late fees avoided

How to create one?

These are the two options that you can use to bring about behavioral change:

Give no Choice

Simpler Choices

1.Give no choice:

Apple sends an iPhone to iPhone message as an iMessage by default. There is no choice there on the part of the sender.

2.Simpler choices:

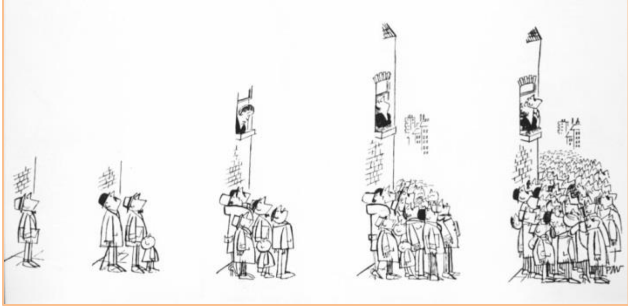
Decrease the number of choices. Make the choices easily understandable. For example, think about how many more people could understand storage space on a phone if it were listed in the number of photos or songs that could be saved on it, instead of in gigabytes, which is an abstract concept for many.

As far as tactics, here are a few options for you:

- Pre-filled out options or forms;
- Pre-selected options

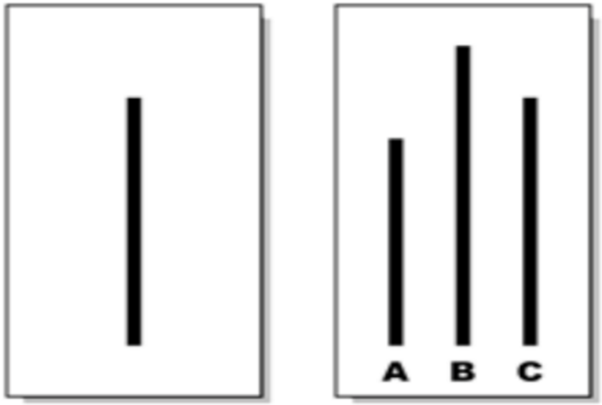
Pre-filled out options or forms

Pre-selected options



Social Proof

Why we do as others do?



Imagine that you are sitting in a room at your university with 15 other people. A man walks into the room and puts the images you see above on an easel. He asks each person to tell him which line (A, B or C) they believe is pictured on the left.

Strangely enough, each one of the 15 people answers "B." You cannot really believe what's happening and now it's your turn. What do you answer?

Even though the correct answer is C, 75% of the people answered incorrectly. **That's the power of social pressure.**

In almost every single context during our day, there is a social norm in the background guiding our behavior:

- Ordering what your friends are getting at a restaurant.
- Popular TV shows – "Aren't you watching 'House of Cards?'"
- Using laptops during meetings.

How to Use Social Proof

When thinking about when to use social proof, here is a good framework to apply:

- Think about the behavior you most want to trigger. For example, if you're a charity, you probably most want people to donate. In this case, a button that says "donate with 2,300 others" could be more powerful than "donate."

- Think about when your user is most likely to hesitate. Research shows that social proof is most powerful when we aren't sure what to do.

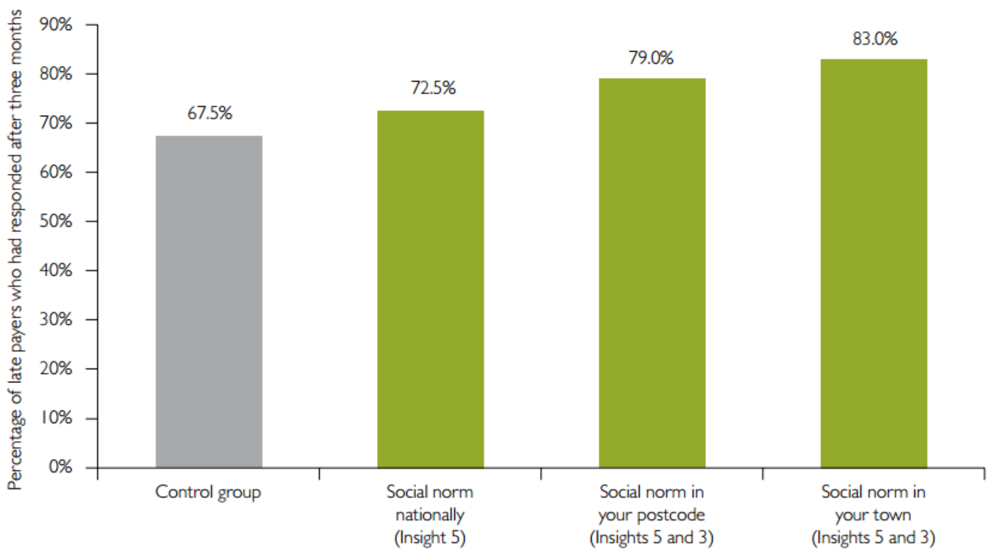
In terms of tactics, here are a few options that are frequently used:

- Using experts or authorities. This is why we see so many celebrity endorsements-they are powerful.
- Displaying reviews, ratings, or testimonials. Yelp and Amazon are classic examples.
- Listing products as “best-sellers.”
- Marking one choice as “recommended” when multiple choices are presented.
- Displaying trending topics or products.

Using social norms to increase tax collection

One excellent example of the social proof is the increase in tax collection revenue by **£** 30 million.

Trial 1a: Using social norms to increase tax debt payments



£30 million extra revenue annually

Anchoring

You might recall from our first edition that anchoring can heavily influence the judgments that we make. To recap, anchoring is our tendency to rely too heavily on the first piece of information when making judgments and decisions. This happens even when that first piece of information is irrelevant to the actual judgment or decision being made. Many of us are able to see that we are falling prey to anchoring, however we never adjust enough in our final judgment or decision.

*https://commons.wikimedia.org/wiki/File:Minar-e-Pakistan_Park_Lahore.jpg

Minar-e-Pakistan

In order to find out whether Pakistani population falls for anchoring as well or not, we decided to run a little experiment with our national sample. To half of the people, we asked whether they think that the height of Minar-e-Pakistan is less or greater than 50 feet. To the other half, we asked them whether they think that the height is less or greater than 400 feet. We then asked everyone (n=1,656) to give us an estimate of the height of Minar-e-Pakistan.

less than or greater than	Less than or greater than
50	**400**

Results

People who were anchored on 50 feet estimated that on average the height of Minar-e-Pakistan is 271 feet. While people who were anchored on 400 feet estimated the height to be 454 feet. This is almost a 200 feet difference in the judgment caused by anchoring!

Take away

Even though our experiment was trivial, we were still able to see the powerful role being played by anchoring. When designing interventions, developing a communications campaign or pricing a product be mindful of any anchors that exist in your customer's mind or better try to figure out whether you can introduce some anchors to help people make better decisions. Remember, even when we know that we have been anchored we don't adjust enough.

Please send all correspondence to

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