

# THE 1-2-3-4's OF BEHAVIOURAL INSIGHTS

Dilip Soman  
Behavioural Economics in Action at Rotman (BEAR)  
[Dilip.soman@rotman.utoronto.ca](mailto:Dilip.soman@rotman.utoronto.ca), @UofT\_BEAR

A handy checklist of the world of Behavioural Insights!

Adapted from: *The Last Mile: Creating Social and Economic Value from Behavioural Insights* (University of Toronto Press, 2015)

# 1

## The central objective of any organization

**Be it a government, a welfare organization of a business; and be they for profit or not for profit, a fundamental objective of all organizations is to influence and change their stakeholders' behaviour.**

# 2

## The two flavours of rationality

The fact that people don't make choices per the laws of economics doesn't mean they are "irrational," they are just being human. Instead:

***Irrationality 1.0:*** When organizations act under the assumption that its stakeholders are rational. For instance, they offer a lot of choice, disclose a lot of information and make alternatives economically superior (but perhaps more complex) when consumers might just not care – or even worse – be confused by these actions.

***Irrationality 2.0:*** When people can't do what they intend to do. We all want to eat healthy, exercise regularly, get medical check-ups and save for the future. Life, though, gets in the way!

# 2

## The two approaches to help people make better decisions

***Equip:*** Equip them with the tools they need to improve decision making. This could include information, decision engines, advice or appropriate decision heuristics.

***Pad:*** Change the context so that should the person neglect to make a choice, or chooses poorly, the consequences are not disastrous.

# 3

## The three tools of the choice architect.

***A Frame:*** Framing the decision by changing the context, alternatives, sequence of presentation, or the presentation of relevant information can have effects on what

people choose.

**A Lock:** Designing locks allow people to accomplish things that they want to do. Locks can be social (using peer pressure to follow through on precommitments, e.g., stick.com), psychological (using an understanding of behaviour to make it easy to follow-through, e.g. Save More Tomorrow), technological (using technology to prevent deviant behaviour, e.g. Clocky) or – physically a lock on a consumption item! (e.g., Kitchensafe.com)

**A Prod:** Making choices active (or prompted choice) can serve as the prod for getting people to think and decide. Decision-points like reminders, interruptions or small transaction costs can give people the opportunity to convert passive actions into active choices.

## 4

### The four types of choices that choice architects can influence

**Compliance:** Getting people to act in accordance with a regulation set by a government or agency (e.g., tax deadlines, regulatory paperwork requirements)

**Switching:** Getting people to convert from one choice to another (e.g., brand switching, replacing soda with water at meals)

**Following Through:** Getting people to follow through on commitments they themselves made (e.g., completing a weight loss regimen, or just acting on your intentions)

**Active Choosing:** Getting people to break undesired habits by converting passive mindless decisions into active choices.

## 4

**The four approaches to behaviour change.** In getting people who are currently choosing A to do B instead, we can

**Restrict:** Ban A, or withdraw Option A altogether

**Incentivize:** Give a discount / subsidy for B, a tax or penalty for A

**Inform:** Provide people with copious information containing good reasons to choose B over A

**Nudge:** Change the default or add in a decision-point! Use the 3 tools of the choice architect