



The impact of Behavioral Biases on the process of Decision-making

Framing – Mental Accounting

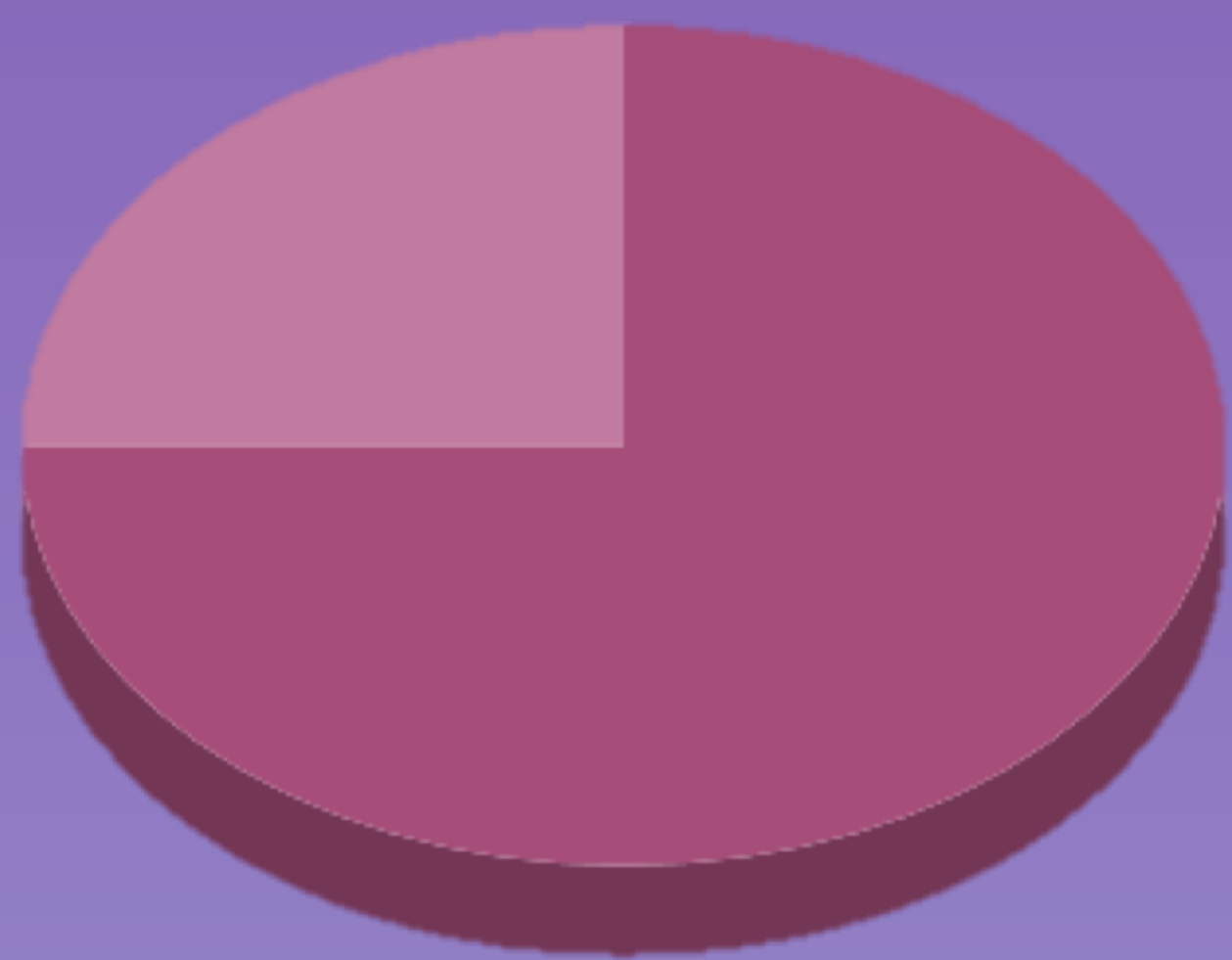
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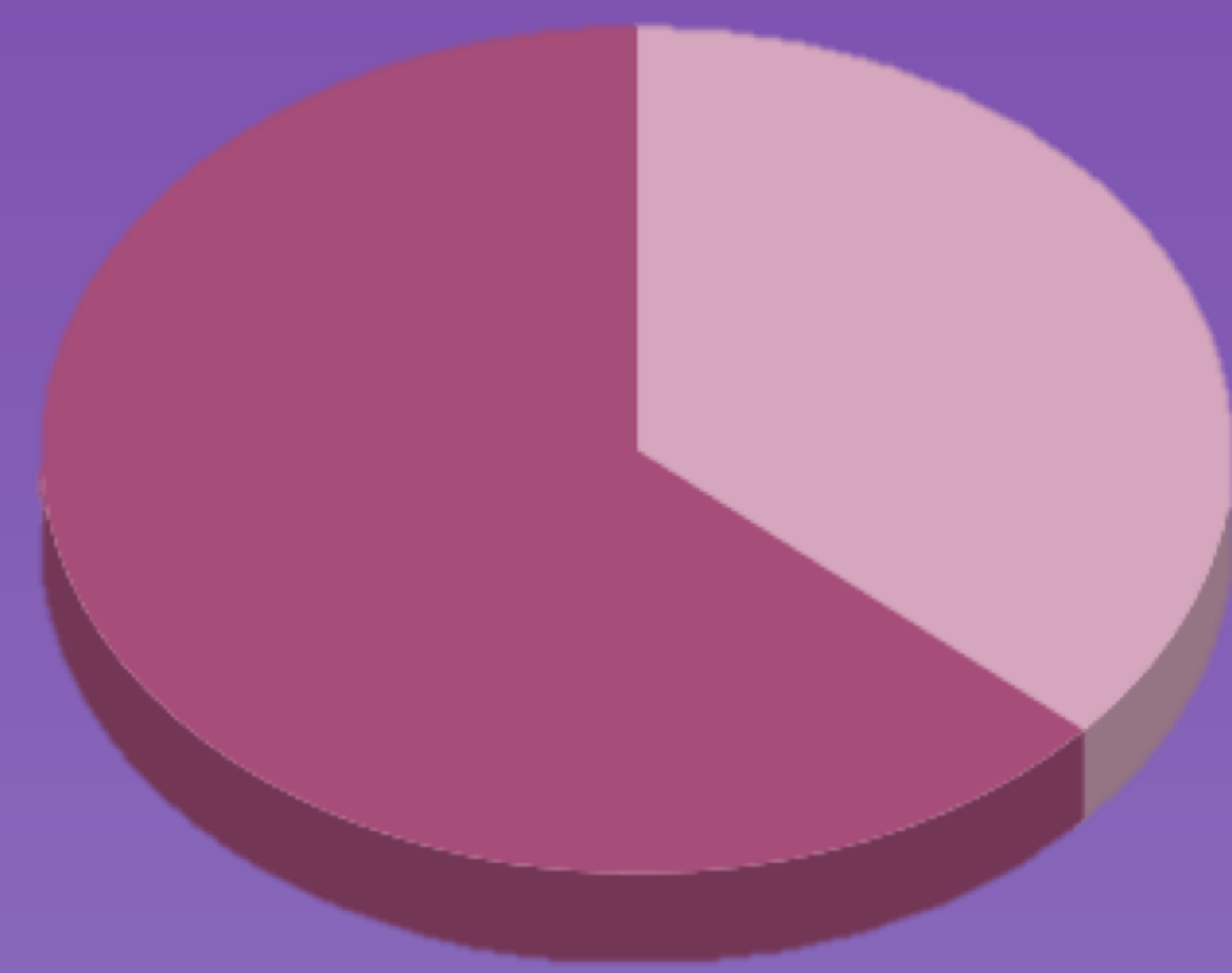
Question 1 :

You want to go watch an American Football Match with your friends and there is an offer on the internet : If you buy 3 tickets you get 1 free .Would you accept it ?



21 persons out of 28 accepted this offer

Difference	38.5 %
95% CI	16.3801 to 54.8807
Chi-squared	11.379
DF	1
Significance level	P = 0.0007



Question 2 :

You want to go watch an American Football Match and there is an offer on the internet : the only thing is that you must take 4 tickets to get a discount of 25 % .Would you take it ?

23 persons out of 63 accepted this offer

Results

For the first question 75% of the people accepted the Deal. However, for the second one only 36.5% accepted the offer. The difference is around 38.5%.

The P-value(0.0007) is significant considering a confidence level of 95%. So, I can say that these biases have an effective impact on the decision-making process.

Findings

There is no difference between these 2 questions. It's just the way they are formulated that confuses people's mind and that's what the concept of Framing is all about. It's about conditioning people's mind to affect their future decisions.

Mental Accounting is also a bias to consider here because everyone don't treat money the same way. Not everyone is ready to take 4 tickets even if it's the same as the first question.

If you calculate it, it will be the same price and the same outcome.

Ways of avoiding these biases

Framework effects can be reduced, or even eliminated, if enough credible information is provided to people, or simply look up the information by yourself. Diversifying ways of presenting the information can be a good solution also. For the Mental Accounting Bias, you have to consider that Money is fungible whatever it's source or what is it intended for.