

Banks, #fintech & the commodity trap

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1 Are you human?

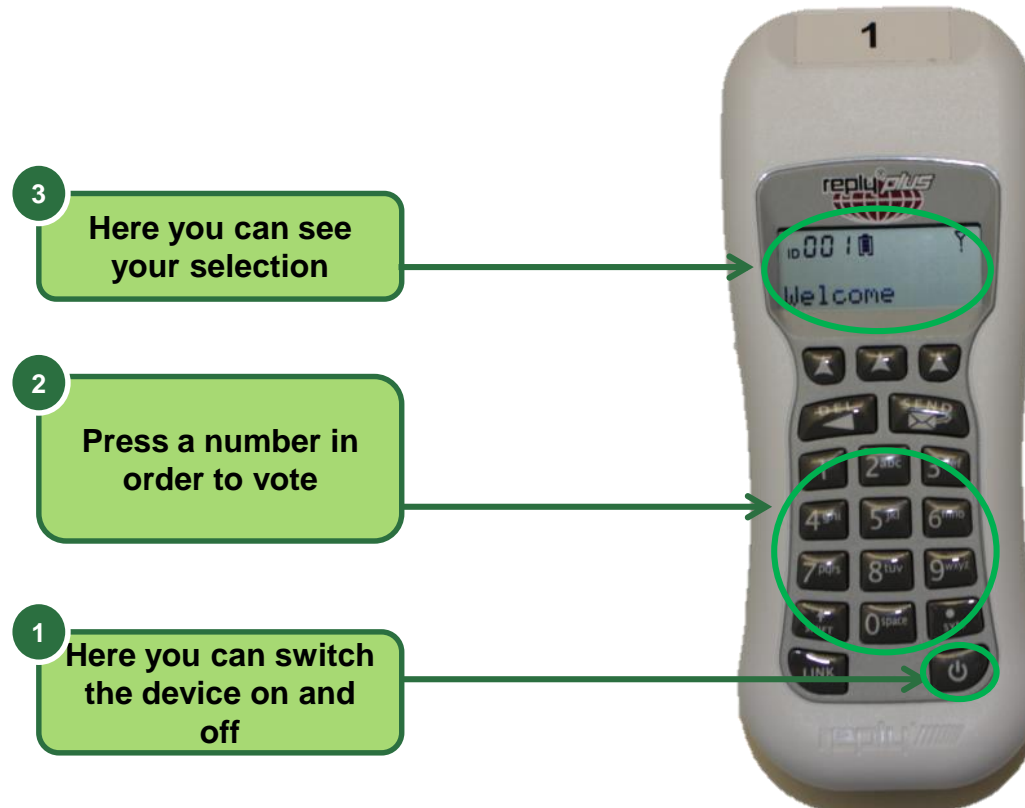
Strategic Decision Making

Consequences

Contact

How to use the «Voting Devices»

- In order to vote please select a specific number, e.g. 1
- If you want to change your selection, just enter another number, e.g. 2
- If there are any issues, we are happy to help you



Please answer the following questions...

What do you think?

How rationally do bank customers behave when buying financial services from a bank?

1: Very Irrationally



7%

2: Irrationally



41%

3: Neither/nor



16%

4: Rationally



30%

5: Very Rationally



6%



Please answer the following questions...

What do you think?

How rationally do you make decisions at work?

1: Very Irrationally



2%

2: Irrationally



15%

3: Neither/nor



19%

4: Rationally



57%

5: Very Rationally



7%



1

Together, a bat and a ball cost CHF 1.10. The bat costs 1 CHF more than the ball. How much does the ball cost?

1: CHF 1.05



11%

2: CHF 1.00



10%

3: CHF 0.20



3%

4: CHF 0.10



56%

5: CHF 0.05



20%



2

5 machines need 5 minutes to produce 5 units. How long would 100 machines need to produce 100 units?



3

A pond is covered in water lilies. Because the water lilies continue to form new leaves, the area covered by them doubles each day.

If it takes 48 days until the water lilies cover the entire pond, how many days does it take to cover half the pond?

1: 6 Days



7%

2: 12 Days



7%

3: 24 Days



12%

4: 36 Days



8%

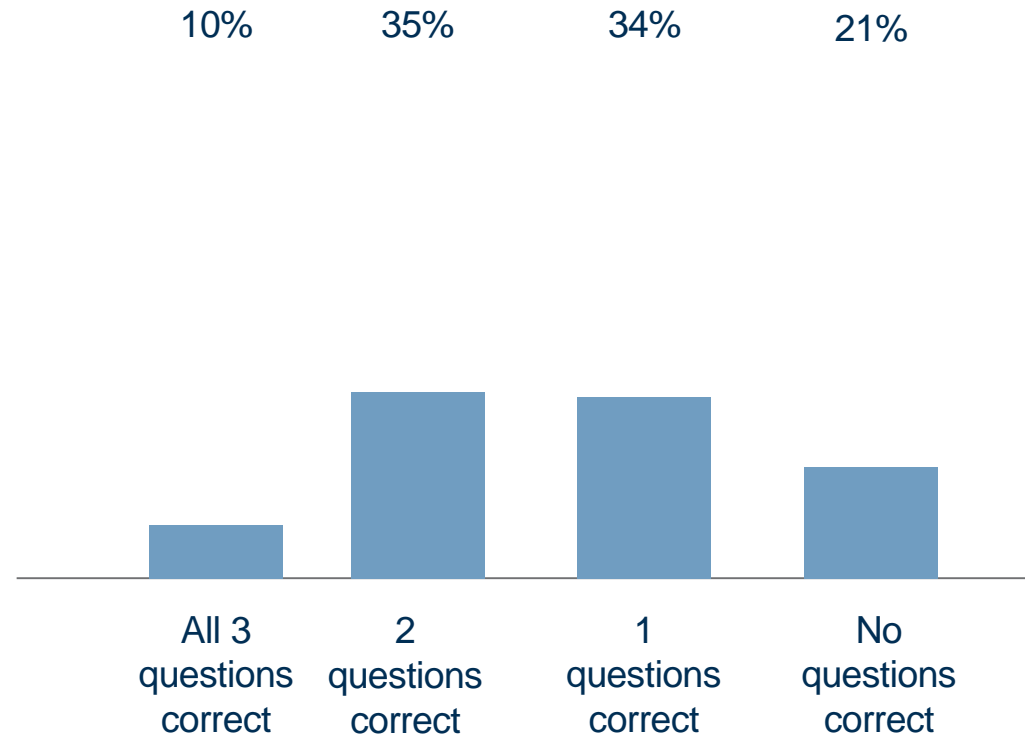
5: 47 Days



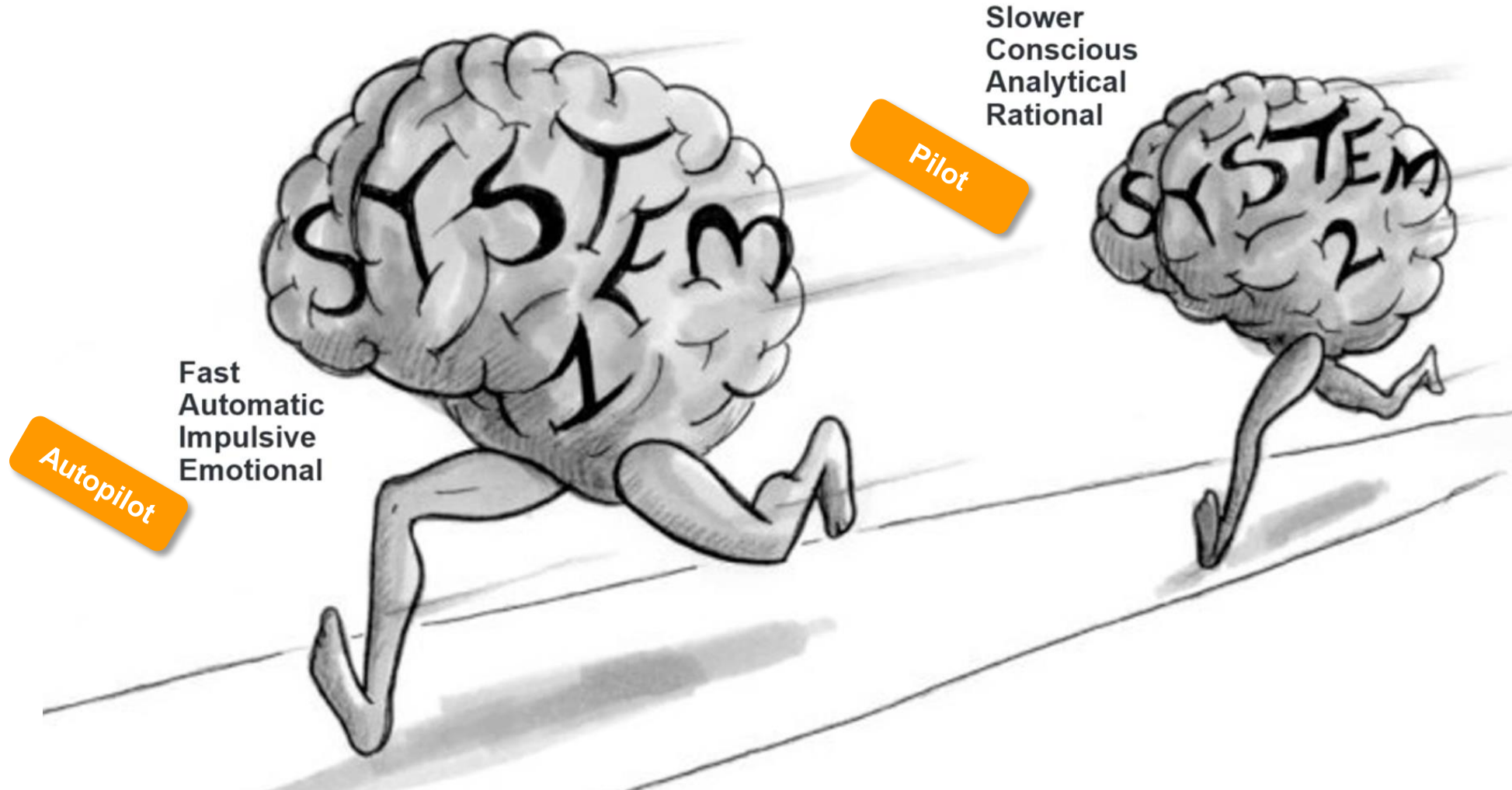
66%



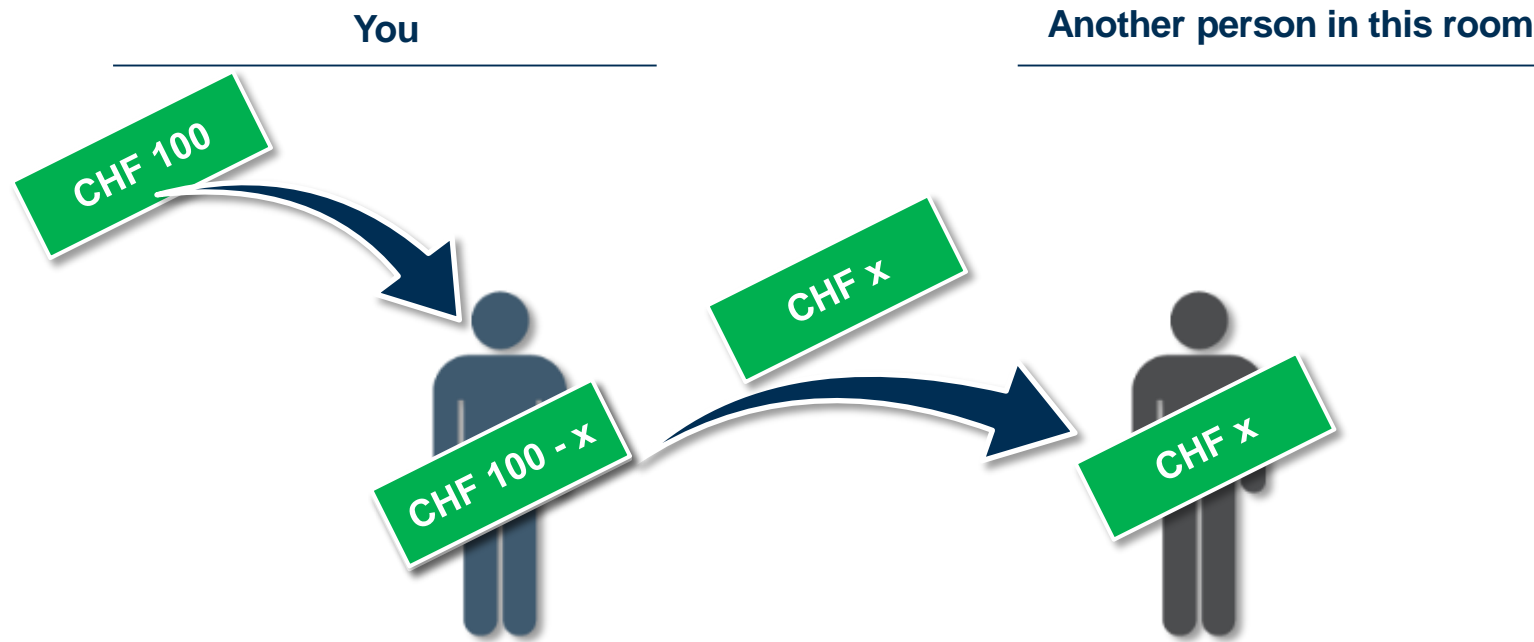
How many participants answered all three questions correctly?



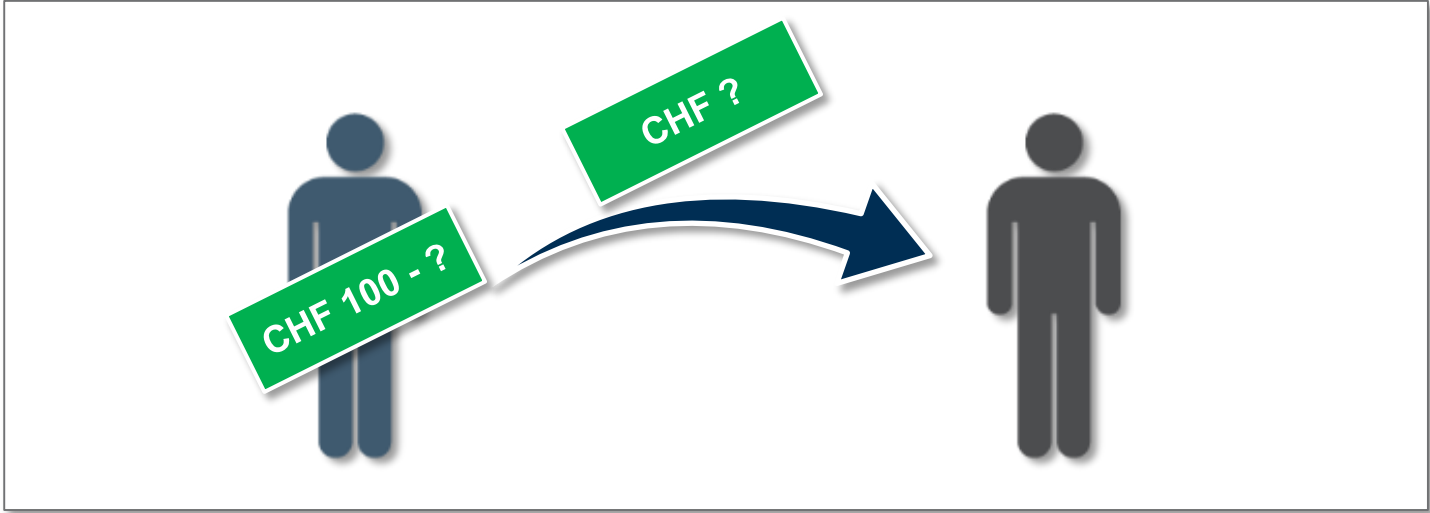
Humans think in two different systems – one system is intuitive and impulsive, the second system is rational and slow



Now a quick game



How much would you like to share with the other person?

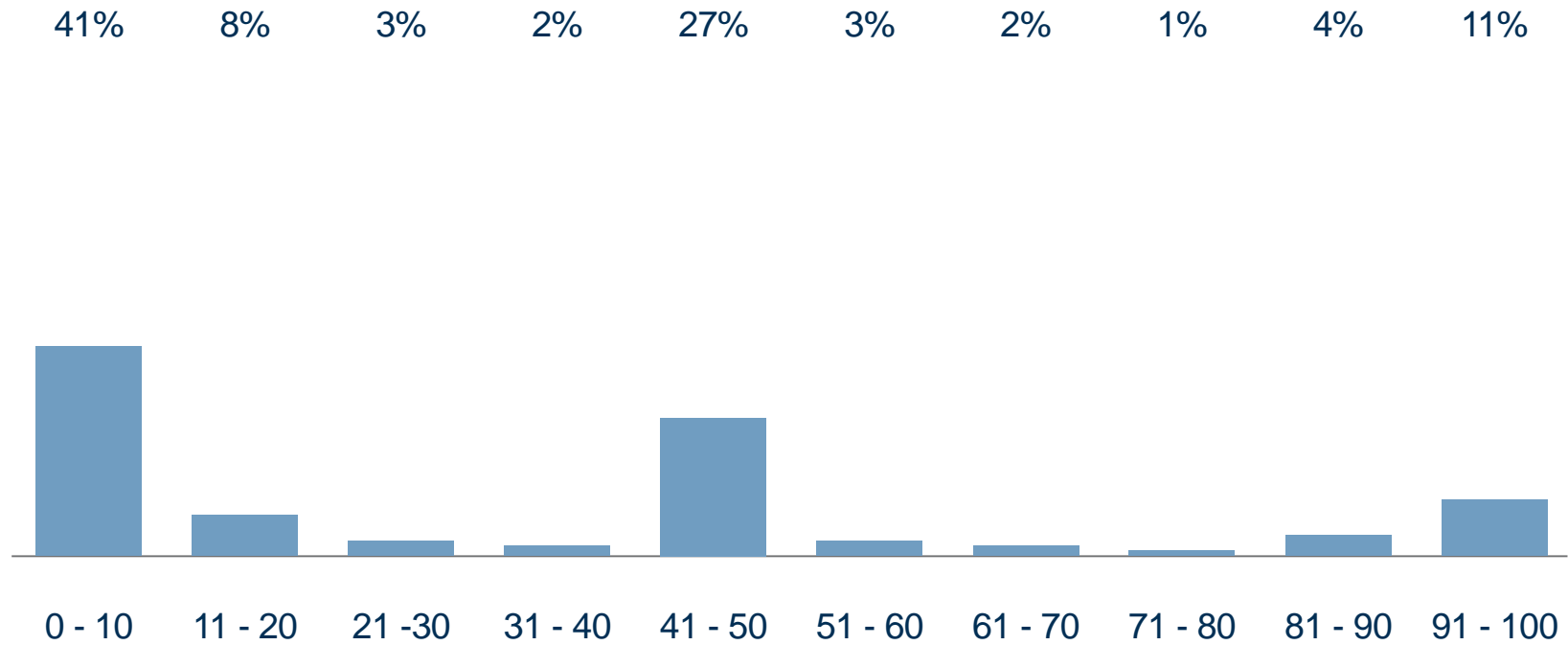


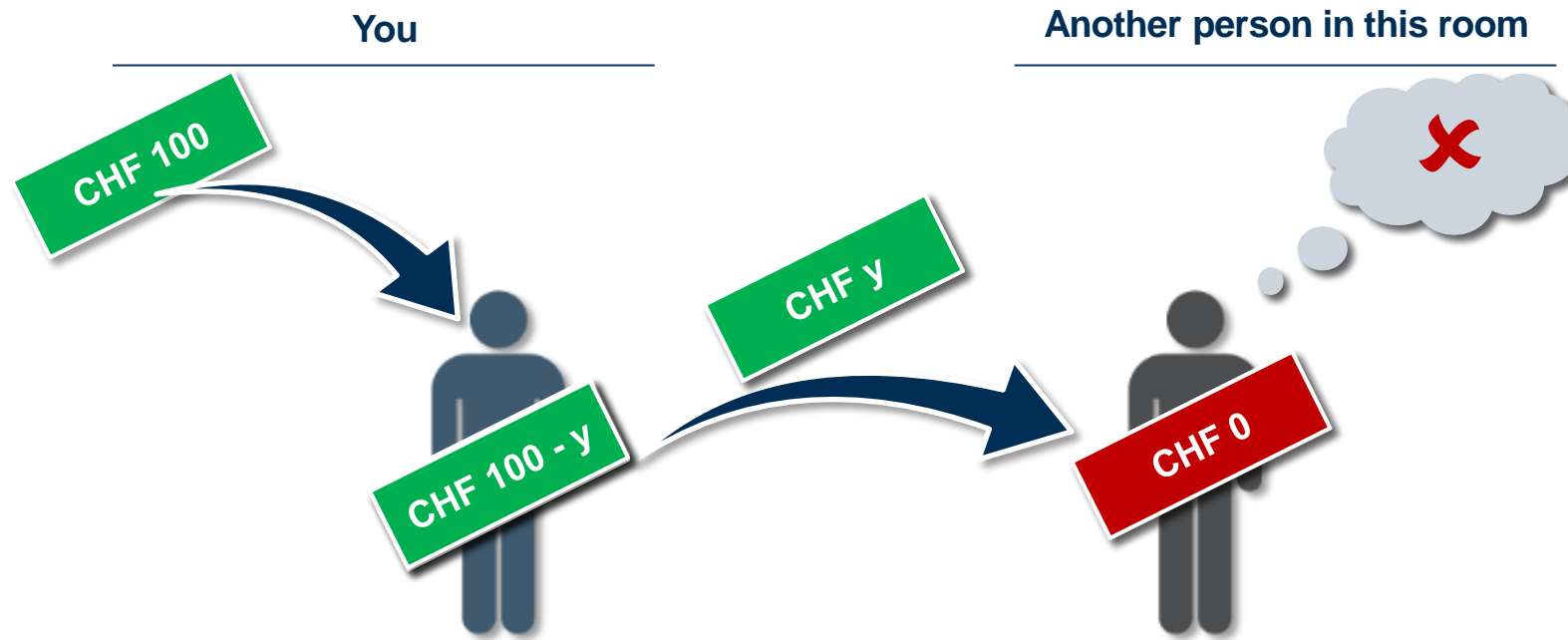
- 1: CHF 0 - 10
- 2: CHF 11 - 20
- 3: CHF 21 - 30
- 4: CHF 31 - 40
- 5: CHF 41 - 50

- 6: CHF 51 - 60
- 7: CHF 61 - 70
- 8: CHF 71 - 80
- 9: CHF 81 - 90
- 10: CHF 91 - 100

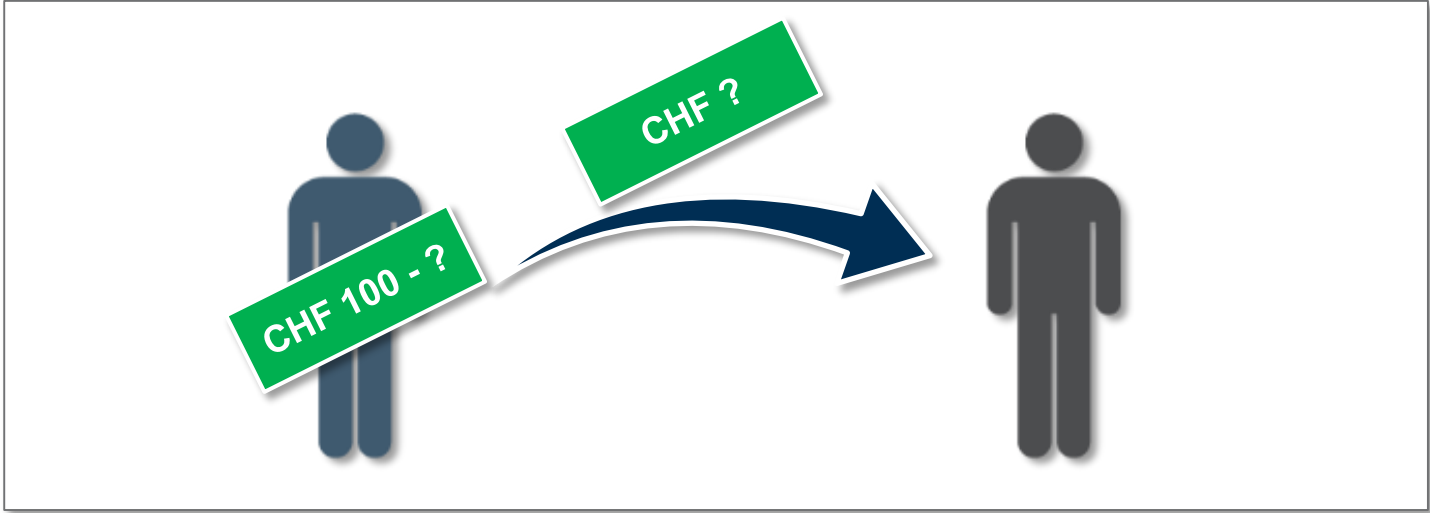


Your results





How much would you like to share with the other person?

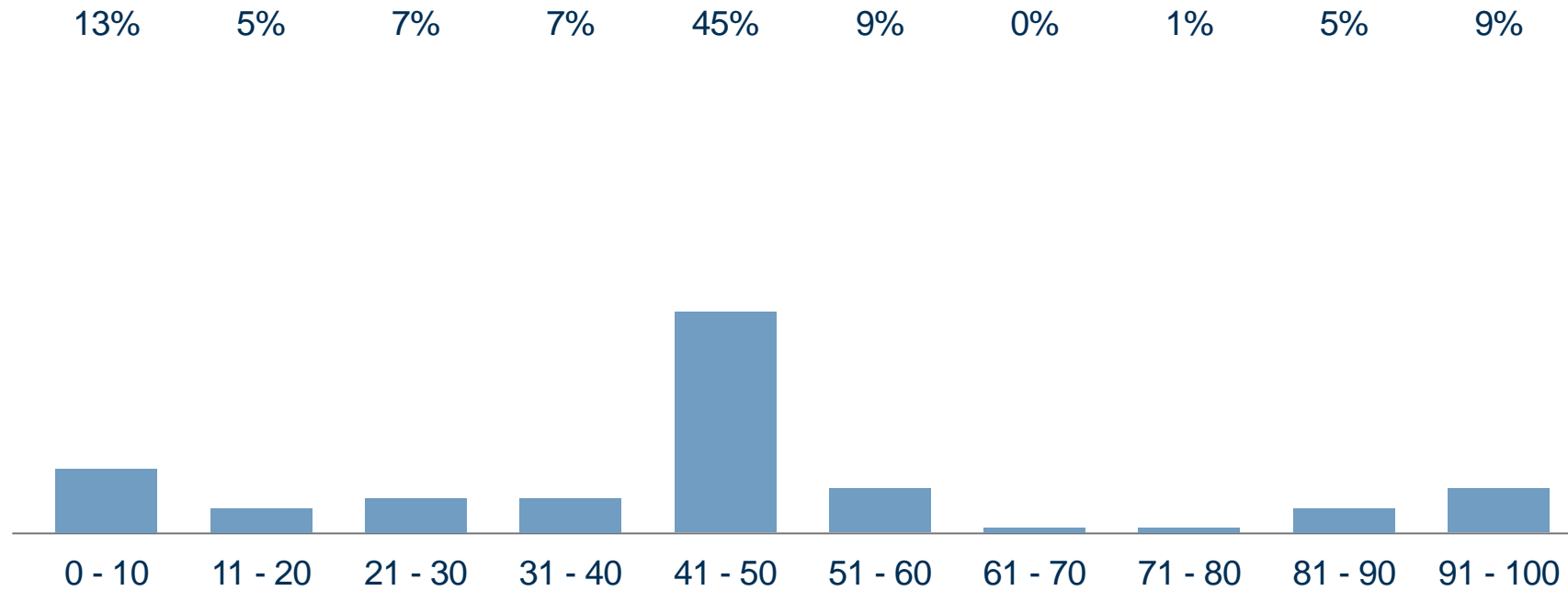


- 1: CHF 0 - 10
- 2: CHF 11 - 20
- 3: CHF 21 - 30
- 4: CHF 31 - 40
- 5: CHF 41 - 50

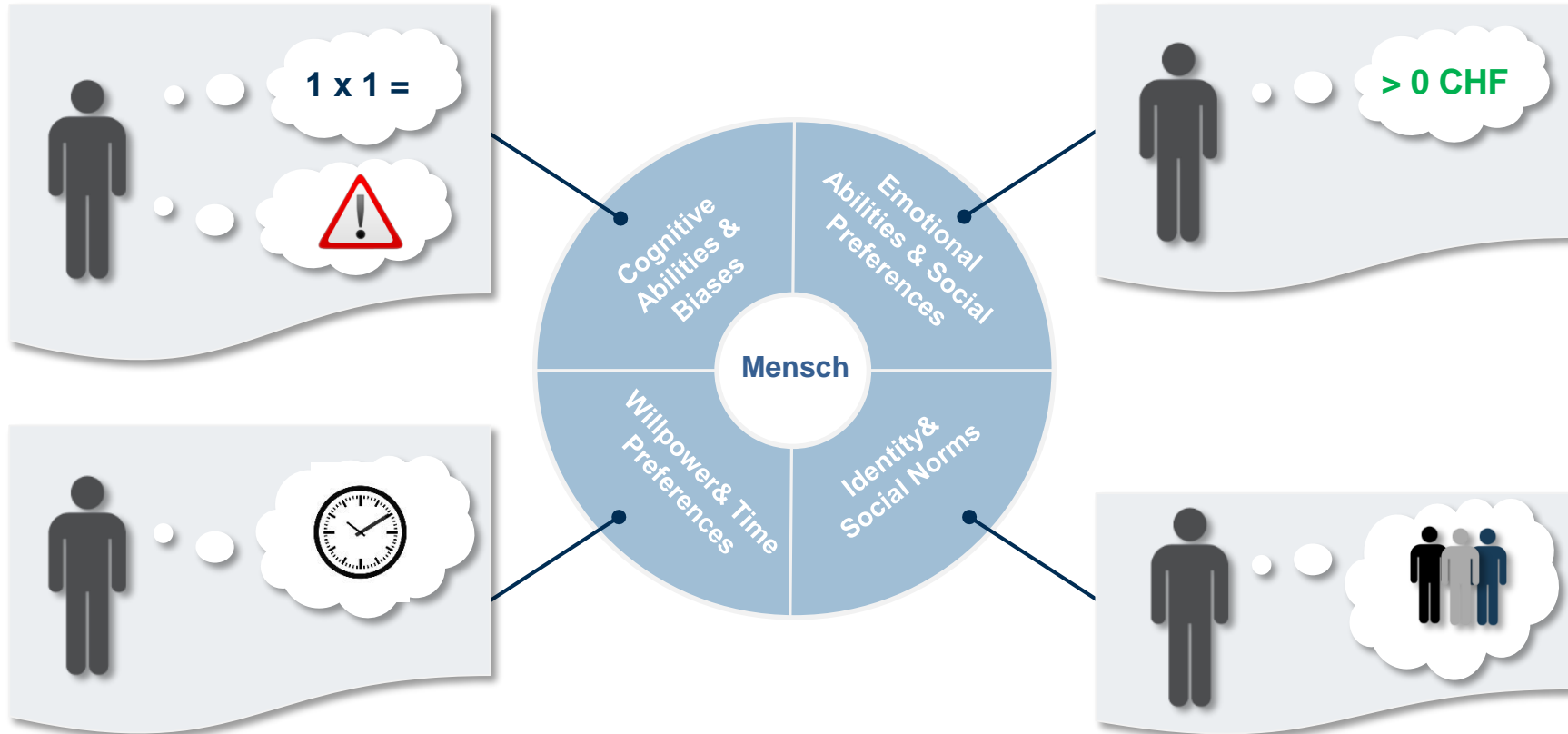
- 6: CHF 51 - 60
- 7: CHF 61 - 70
- 8: CHF 71 - 80
- 9: CHF 81 - 90
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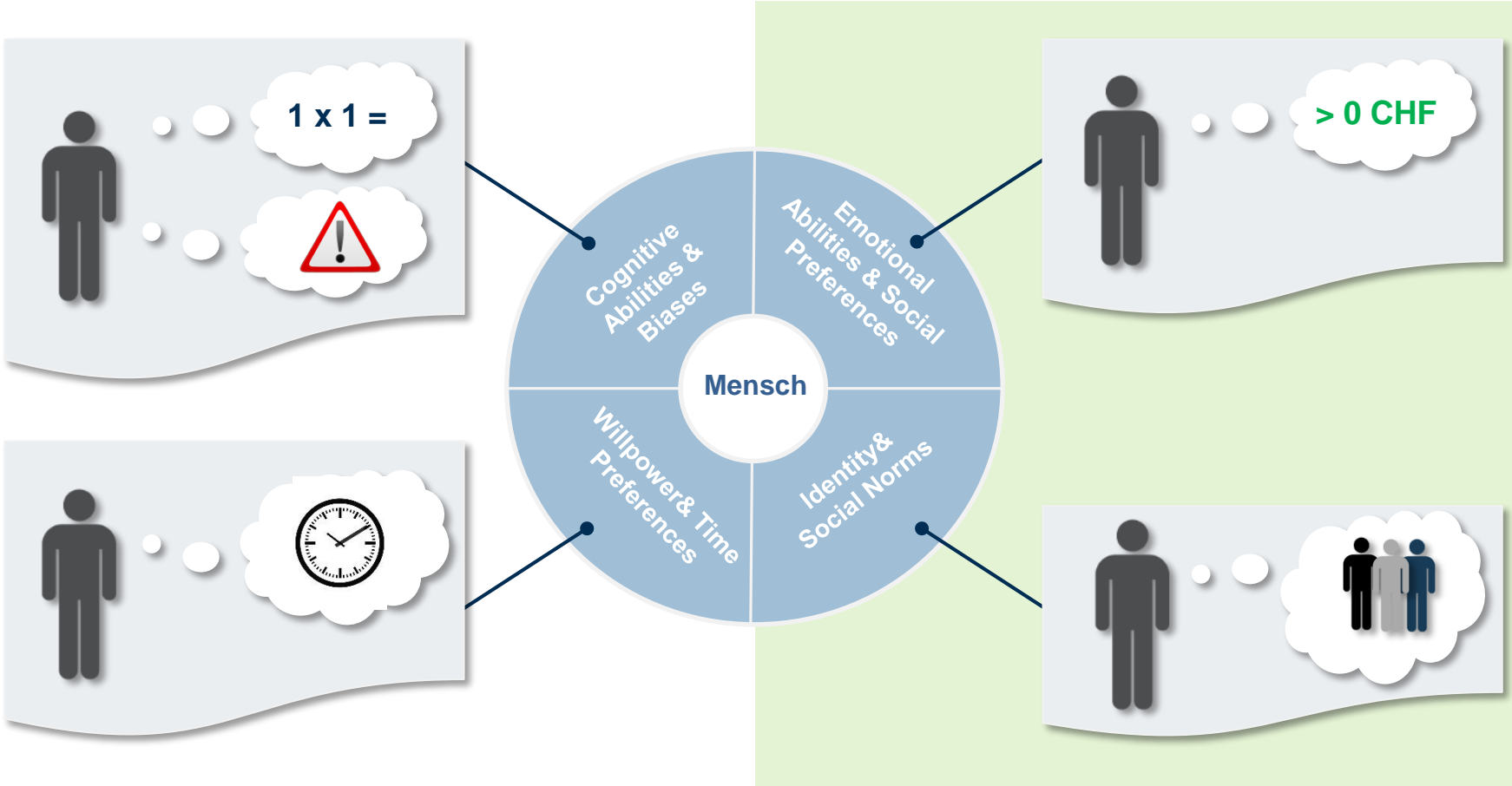
Your results



Humans do not always make decisions fully rationally



Humans do not always make decisions fully rationally



Social Preferences & Identity: When are they relevant?

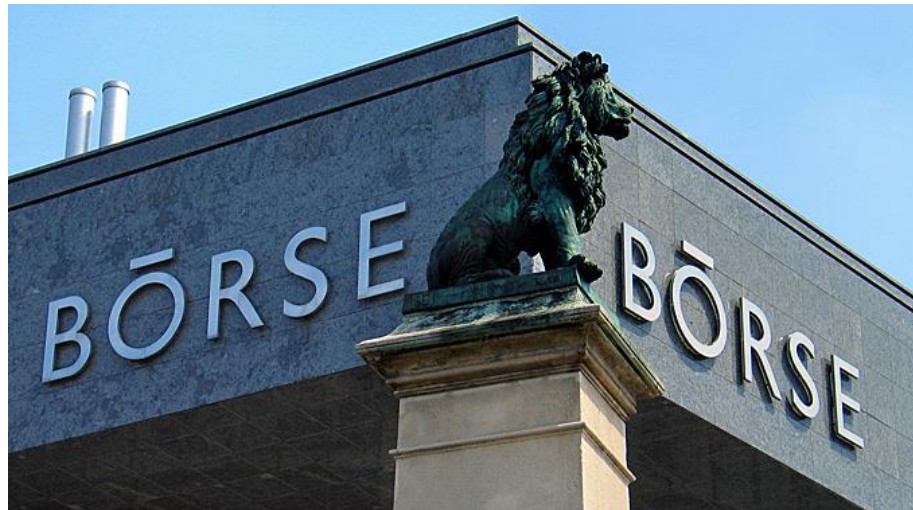
Are you human?

2 Strategic Decision Making

Consequences

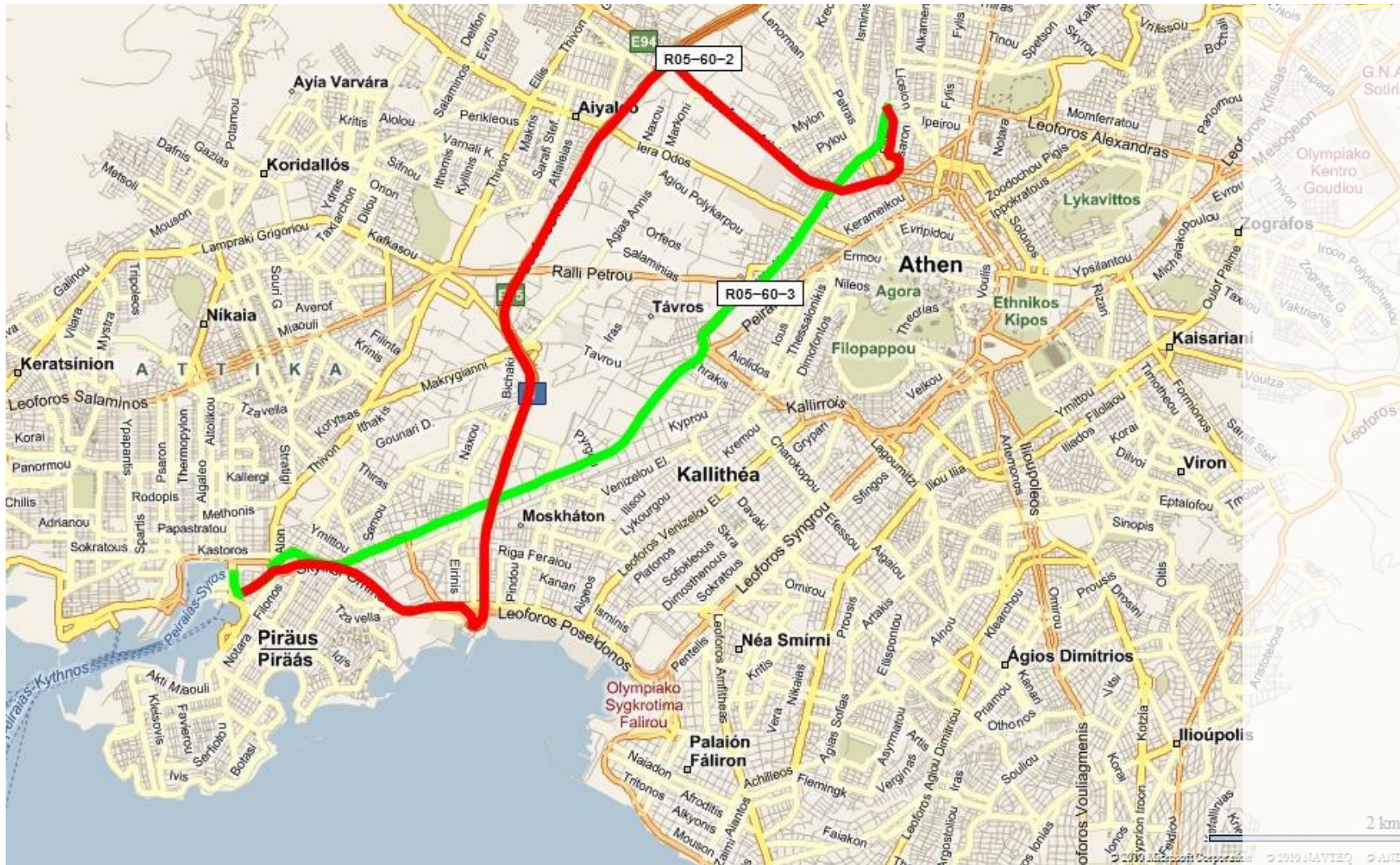
Contact

Markets in which social preferences are not relevant



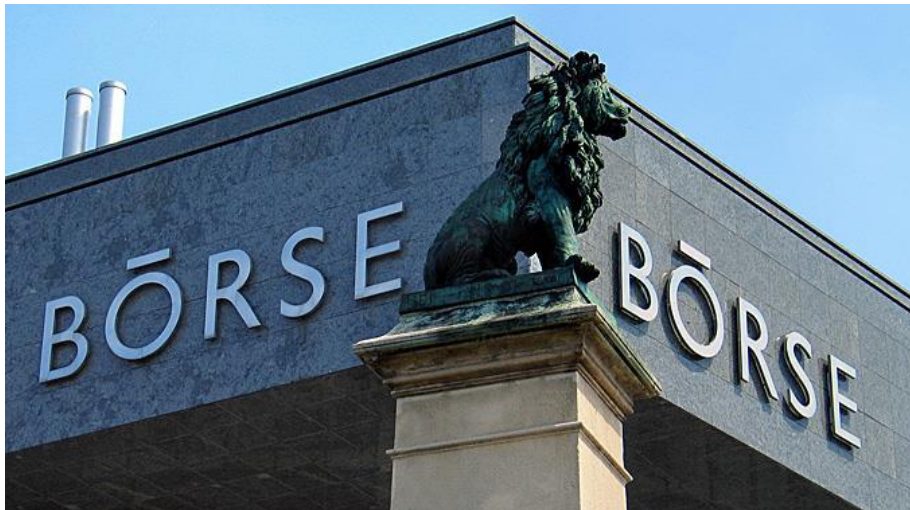
Markets in which social preferences are relevant





- The quality of Asymmetric Information
- ▶ overtreatment?
- ▶ undertreatment?
- ▶ overcharging?

Markets in which social preferences are not relevant



Utility Concept: Transactional Utility

- More
- Better
- Faster

Markets in which social preferences are relevant



Utility Concept: Relational Utility

- Social Utility
- Psychological Utility
- Behavioral Economic Preferences

Markets in which social preferences are not relevant



COMMODITY TRAP!

Utility Concept: Transactional Utility

- More
- Better
- Faster

Markets in which social preferences are relevant



ESCAPE FROM THE COMMODITY TRAP!

Utility Concept: Social Utility

- Social Utility
- Psychological Utility
- Behavioral Economic Preferences

Are you human?

Strategic Decision Making

3 Consequences

Contact

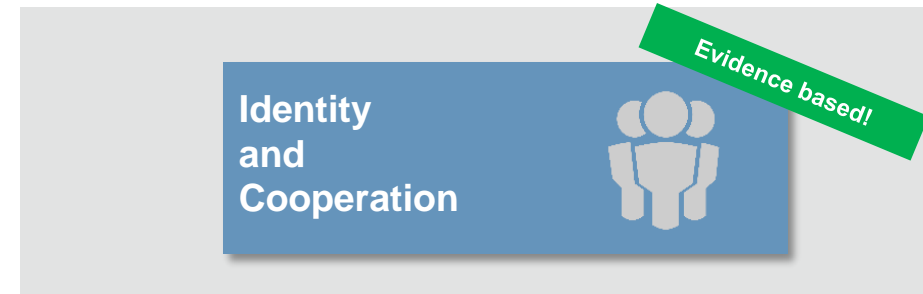
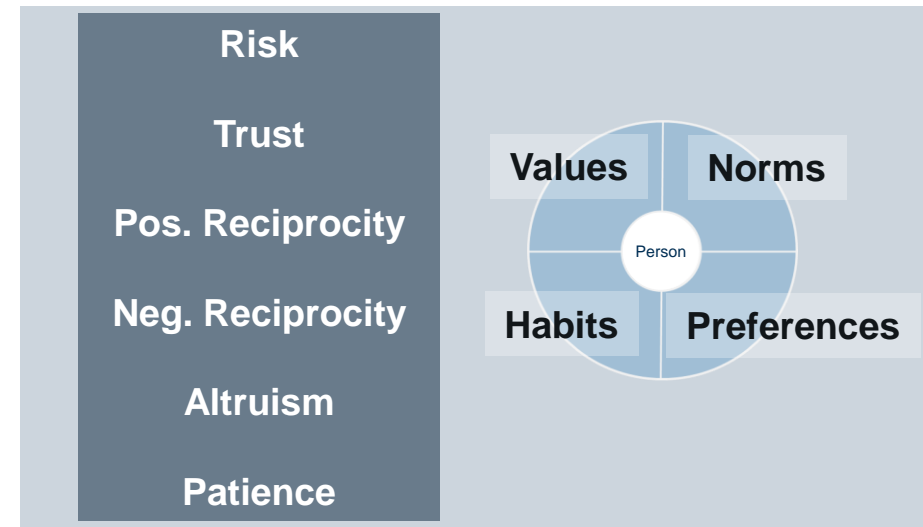
Markets in which Social Preferences are relevant



Escape from the Commodity Trap



Behavioral economic preferences and a model of behavior lead to identity and cooperation

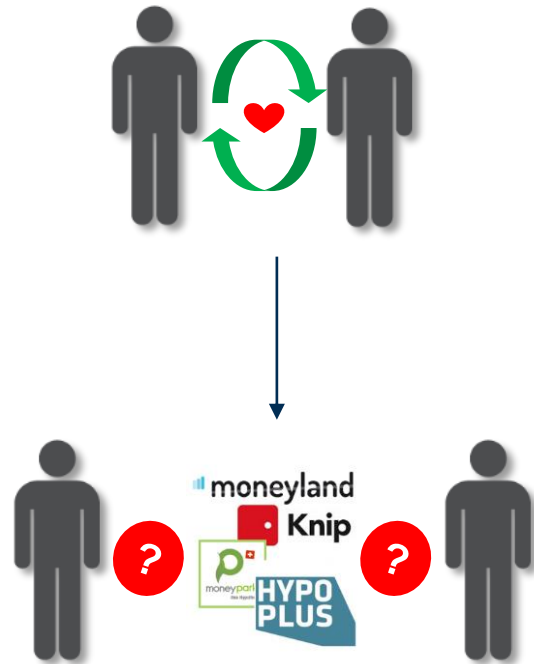


Utility Concept: Transactional Utility

- Social Utility
- Psychological Utility
- Behavioral Economic Preferences

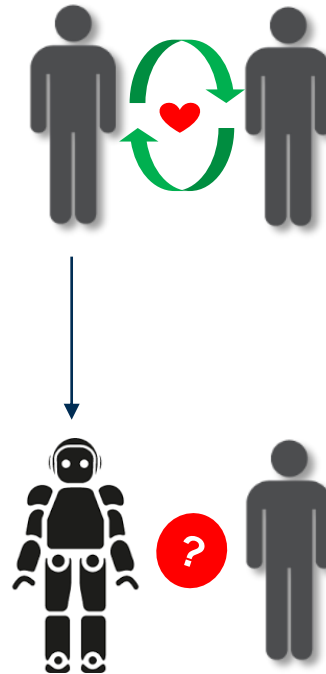
Comparing and information portals, consulting

«more-better-faster-cheaper?»



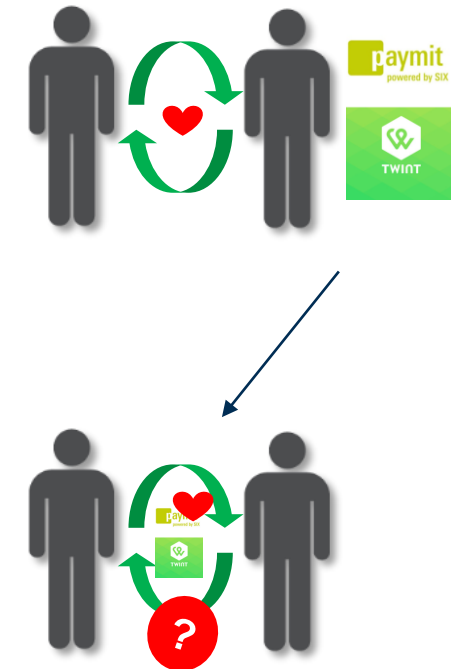
Robo-Advisor

«more-better-faster-cheaper?»



Payments

«relationship through payments?»



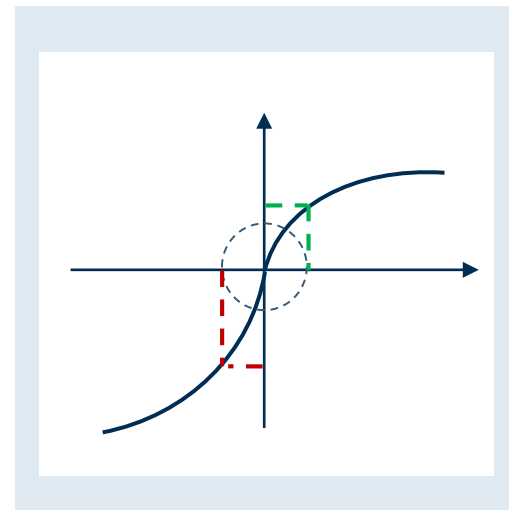
What do I have to do in order to avoid falling into the commodity trap?

How can I escape the Commodity Trap?

1 Understand behavior and markets

2 Measure Behavior

3 Manage behavior and (re)design markets



Identity and Cooperation

Focus concepts of utility:

- Transactional utility
- Relational utility

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