Homer Leaves a Legacy:
A Guide to Behavioral Economics and Fundraising

Tuesday, May 19, 5-6pm
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A little bit about me...
• What was most pressing for you professionally prior to the pandemic?

• Has that changed? If so, how?
Behavioral what???

The science of how people really behave and make decisions
A Tale of Two Contrasting Economic Theories

Rational Choice Theory

Behavioral Economics
You are in the persuasion business.
Behavioral Economics

Four Persuasion Principles
It’s 98% about emotion

Principle One
Confabulation

Social psychologists have a wonderful word to describe our tendency to make emotional decisions and then to rationalize them after the fact. They call it *confabulation*. The heart decides and the brain justifies.
The Elephant, the Rider and the Path

1. Motivate the elephant with emotion.

2. Direct the rider with a little rational assurance.

3. Shape the path with a clear call to action.
Kile Ozier’s Stanford “Think Again” Alumni Films
1. Motivate the elephant with emotion:
   • Video is from point of view of a student riding his bike on a familiar route to campus. Immerses the audience with nostalgia.

2. Direct the rider with a rational assurance.
   • Tuition covers only about half of the real cost of undergraduate education.
   • Nearly half of all Stanford undergraduates depend on need-based aid from the university.

3. Shape the path with a clear call to action.
   • Donate to Stanford.
Story is most effective tool for eliciting empathy & compassion

Principle Two
Frankly, there isn't anyone you couldn't learn to love once you've heard their story.
I am so anxious.

I lost my job and have no money!

I am afraid and worried.

I am so anxious.

I am afraid and worried.
Empathy, Neurochemistry, Story, Giving
Why Story?

• Cortisol --> Gets attention
• Oxytocin --> Increases empathy
DNA of a story

- Relatable protagonist
- Desire
- Conflict
- Small story / Significant saga
Do you want to play a game?
DNA of Story: One
Chat in the relatable protagonist
ROSE!

• Chat in: Why is she relatable?
DNA of Story: Two Chat in her desire
JACK + ESCAPING HER CLASS & LIVING A FULFILLING LIFE
DNA of Story: Three
Chat in some conflicts she faced
DNA of Story: Four
Small story / significant saga
Social norms
Principle Three
PLEASE REUSE YOUR TOWELS
MESSAGE ONE: “Reuse your towel to save the environment.”

MESSAGE TWO: “A majority of guests in this hotel have reused their towels. Join them and help save the environment.

MESSAGE THREE: “A majority of guests in this room have reused their towels. Join them and help save the environment.”
MESSAGE TWO: 18% more effective than the first message.

MESSAGE THREE: 33% more effective than the first message.
Social Norm Messaging You’ve Seen
Social Norm Messaging You’ve Seen

Record voting turn out is expected!
Social Norm Messaging You’ve Seen

Last Month Neighborhood Comparison

Last month you used 15% LESS electricity than your efficient neighbors.

YOU 504 kWh
EFFICIENT NEIGHBORS 596
ALL NEIGHBORS 1,092

* kWh: A 100-Watt bulb burning for 10 hours uses 1 kilowatt-hour.

YOUR EFFICIENCY STANDING:
GREAT 😊😊
GOOD 😊
BELOW AVERAGE 😞
Social Norm Messaging You’ve Seen

Don’t Mess With Texas
Up to $2000 fine for littering
Value is tricky

Principle Four
No one really knows what anything should cost.
Anchor

$11,000

$20,000

$2.9 million
Value Truth Two

Market norms trump social norms
Market norms
When it comes to problems, the bigger the numbers, the smaller our concern
HOW WE VALUE HUMAN LIFE: NORMATIVE MODEL

Value increases since larger losses threaten society

Value of Life Saving

Number of Lives

The Communications Network
“If I look at the mass, I will never act. If I look at the one, I will.”
Principles Review & Questions

1. 98% emotion
2. Story elicits emotions
3. Social norms
4. Value is tricky
   1. Anchoring
   2. Market norms
   3. Small, not big
Questions...