

# The power of Nudge

## Applying Behavioral Science in the Real Estate Sector

BVA Nudge Unit



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# Behavioral Economics is about Understanding how people make decision and what shape their behaviors with 4 + 1 Nobel Prize winners



HERBERT  
SIMON



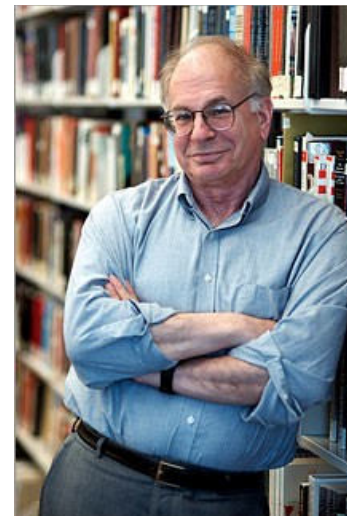
1978  
Bounded  
rationality

REINHARDT  
SELTEN



1994  
Game Theory  
Experimental  
economics

DANIEL  
KAHNEMAN



2002  
Prospect theory  
Behavioral  
economics

ROBERT  
SHILLER



2013  
Behavioral  
finance

# The Main learnings

***“We are really far less rational than standard economy theory assumes.***

*Moreover, these irrational behaviors of ours are neither random nor senseless.*

***They are systematic,** and since we repeat them again and again,*

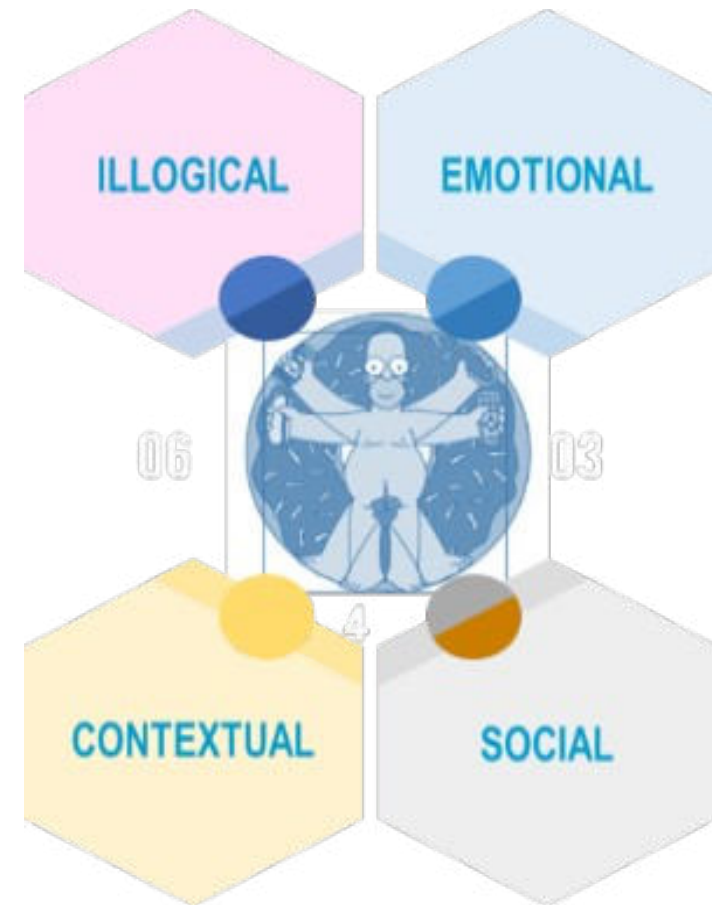
***predictable.”***



Prof. Dan Ariely (DUKE university)

# ...Behavioral Scientists have identified what influence our Behaviors

|  |                              |                               |
|--|------------------------------|-------------------------------|
| Ambiguity effect                       | Functional fixedness         | Ostrich effect                |
| <b>Anchoring</b>                       | Focusing effect              | Outcome bias                  |
| Attentional Bias                       | <b>Framing effect</b>        | Overconfidence effect         |
| Availability heuristic                 | Frequency illusion           | Pareidolia                    |
| Availability cascade                   | Gambler's fallacy            | Pessimism bias                |
| Backfire effect                        | Hard-easy effect             | Planning fallacy              |
| Bandwagon effect                       | Hindsight bias               | Post-purchase rationalization |
| Base rate neglect or Base rate fallacy | Hostile media effect         | Pro-innovation bias           |
| Belief bias                            | Hyperbolic discounting       | Pseudocertainty effect        |
| Bias blind spot                        | Illusion of control          | Reactance                     |
| Choice-supportive bias                 | Illusion of validity         | Reactive devaluation          |
| Clustering illusion                    | Illusory correlation         | <b>Recency bias</b>           |
| Confirmation bias                      | Impact bias                  | Recency illusion              |
| Congruence bias                        | Information bias             | Restraint bias                |
| Conjunction fallacy                    | Insensitivity to sample size | Rhyme as reason effect        |
| Conservatism or Regressive             | Irrational escalation        | Selective perception          |
| Conservatism (Bayesian)                | Just-world hypothesis        | Semmelweis reflex             |
| Contrast effect                        | Knowledge bias               | Social comparison bias        |
| Curse of knowledge                     | Less-is-better effect        | Social desirability bias      |
| <b>Decoy effect</b>                    | Loss aversion                | Status quo bias               |
| Denomination effect                    | Mere exposure effect         | <b>Stereotyping</b>           |
| Distinction bias                       | Money illusion               | Subadditivity effect          |
| Duration neglect                       | Moral credential effect      | Subjective validation         |
| Empathy                                | Negativity bias              | Time-saving bias              |
| Endowment effect                       | Neglect of probability       | Unit bias                     |
| Essentialism                           | Normalcy bias                | Well travelled road effect    |
| Exaggerated expectation                | Observer-expectancy effect   | Zero-risk bias                |
| Experimenter's or Expectation bias     | Omission bias                |                               |
|  | Optimism bias <sup>1</sup>   |                               |



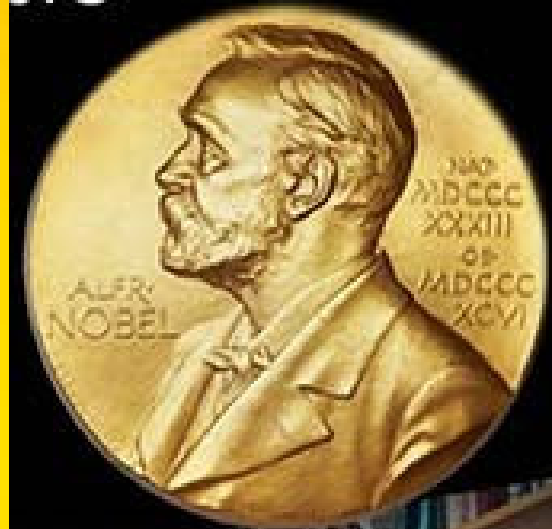
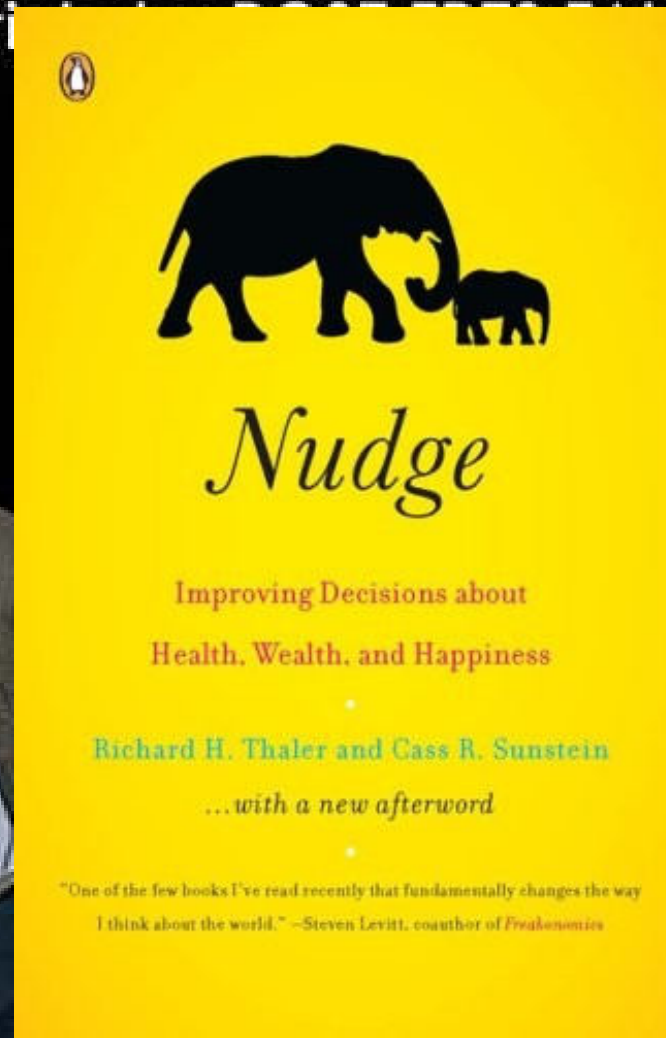


# ***Behavioral Economist***

## **Richard Thaler wins the Nobel**



article by [ALEXANDER STOKER](#)



# Encouraging and facilitating the adoption of the new desired behaviors with ideas that activate powerful drivers of influence



# How to Reduce the Number of Road Accidents?



Decreased  
By 36%

# How to decrease littering in Copenhagen ?



❑ Place green footprints on the ground, pointing the way to the nearest garbage bin



A 2011 Copenhagen study showed a 46% decrease in littering in the streets where the green footprints were in use.





# Based on the learnings from Behavioral Science the Nudge approach is powerful to change people behaviors

**The Potential to Change Behavior...**

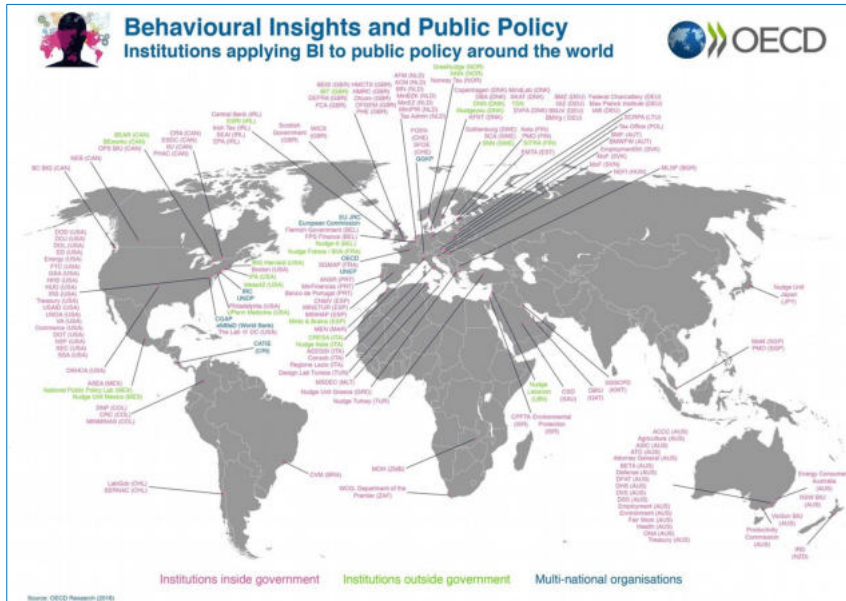


+

**...At Modest Cost**



# It has first started in Public Policy and is now applied by big companies including in the real Estate sector







# Key Urban Challenges

Sustainability

Efficiency

Inclusiveness

Enjoyableness

- Urban and real estate development
- Well-being and safety
- Sustainable environmental behaviors
- Mobility and transportation
- Engagement and community building

# How to design a physical environment encouraging the new desired behaviors : the SALIENT MODEL

## Happiness by Design

change  
what you do,  
not how you  
think

Paul Dolan, PhD

Foreword by DANIEL KAHNEMAN, PhD,  
bestselling author of *Thinking, Fast and Slow*

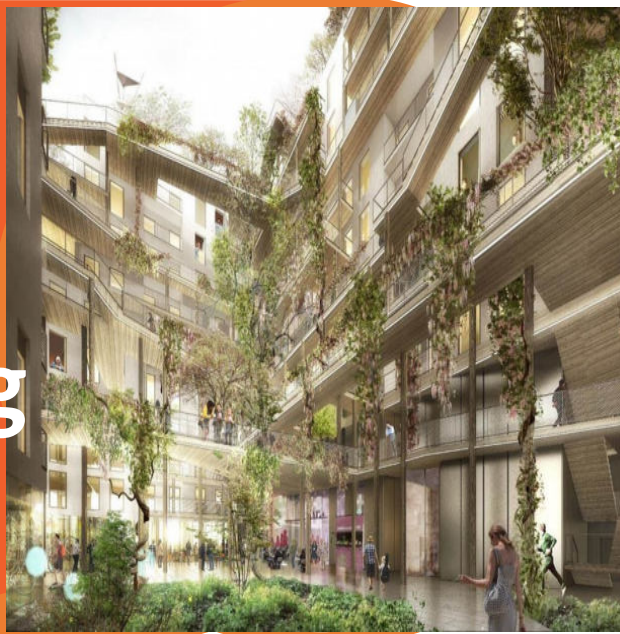
## SALIENT

Sound  
Air  
Light  
Image  
Ergonomics  
Nature  
Tint



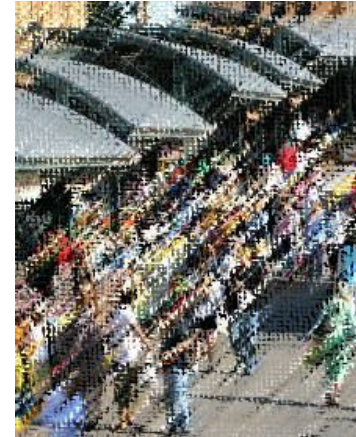
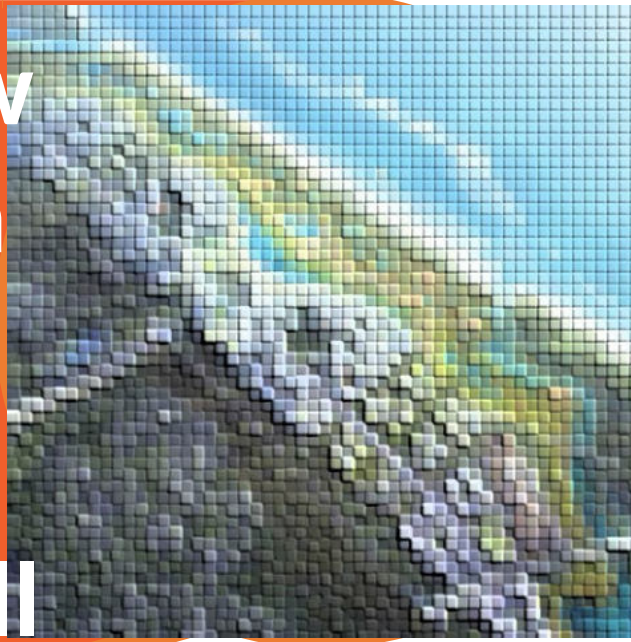


# First Residential Nudge Building in PARIS



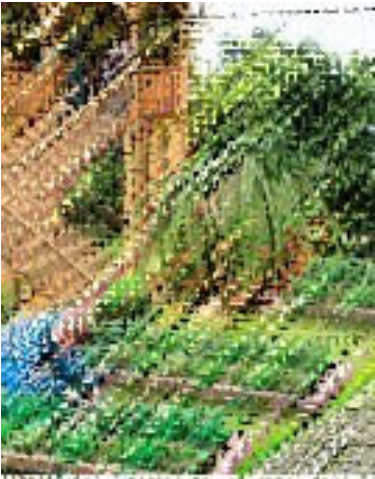
- **Environmental “Tactical Nudges”**: Make it easy to reduce the energy/resource consumption
  - **showerhead timer** that lights up after 5 minutes;
  - **sending residents comparisons of their energy/water usages vis-à-vis their neighbors** ;
  - **button to witch off all the devices** from the nightstand...
- **Personal well-being “Structural Nudges”** : encouraging healthy habits
  - **addition of trees, plants** and natural light in all spaces;
  - beautiful **central staircase** to encourage exercise;
  - **modular apartments** that adjust to different configurations to fit with evolving family needs
- **Community**: encouraging connections with your neighbors
  - **shared terrace**,
  - **shared garden** and **shared yoga rooms** and activity rooms for kids in each floor

# Creating a New City District in China optimized for health and well being



Encouraging and **facilitating social interactions as the default:**

- interactive information kiosks,
- shared gardens on buildings
- rooftops,
- shared storage units in the hallways of buildings, etc.



Enabling well-being by encouraging healthy behaviors and environmental action: e.g.

- hidden outdoor gyms,
- outdoor meditation spaces and within workplaces,
- local fruit harvest walkways, etc.

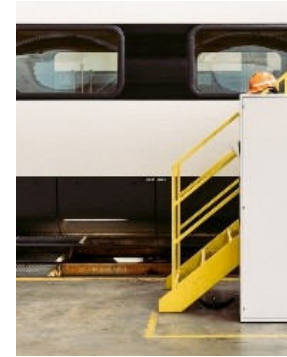


# Workplace Design : Orange new Headquarter



## BACKGROUND

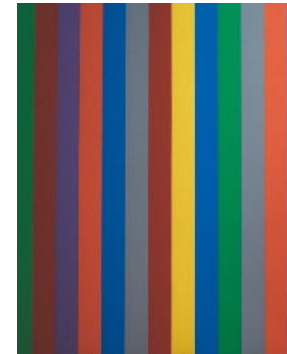
Orange is building a **new corporate headquarters** with the intention of **encouraging openness, learning and cooperation**, workspace flexibility, promoting connections and cross-functioning, and increasing digitalization



**Enhancing the space layout to foster target behaviors:** **identification of the spaces** that will encourage the behaviors and advice on the location, size and accessibility of rooms



**Fostering the right flows**, using levers such as **ad hoc signage** and other wayfinding tactics  
**Naming the rooms** (Ideation Room...)



**At the room level**, ensuring the appropriate utilization of space using micro-levers such as **sound, air, light, image, ergonomic design, items, colors, and furniture**

# And more globally, Nudge can contribute to better organizations performance



**Nudging Managers and front line employees to adopt more efficient, profitable and customer friendly behaviors**

**Applying Behavioral Science to improve marketing communication and increase conversion rates (on web sites, proposals...)**





Thanks a lot