


















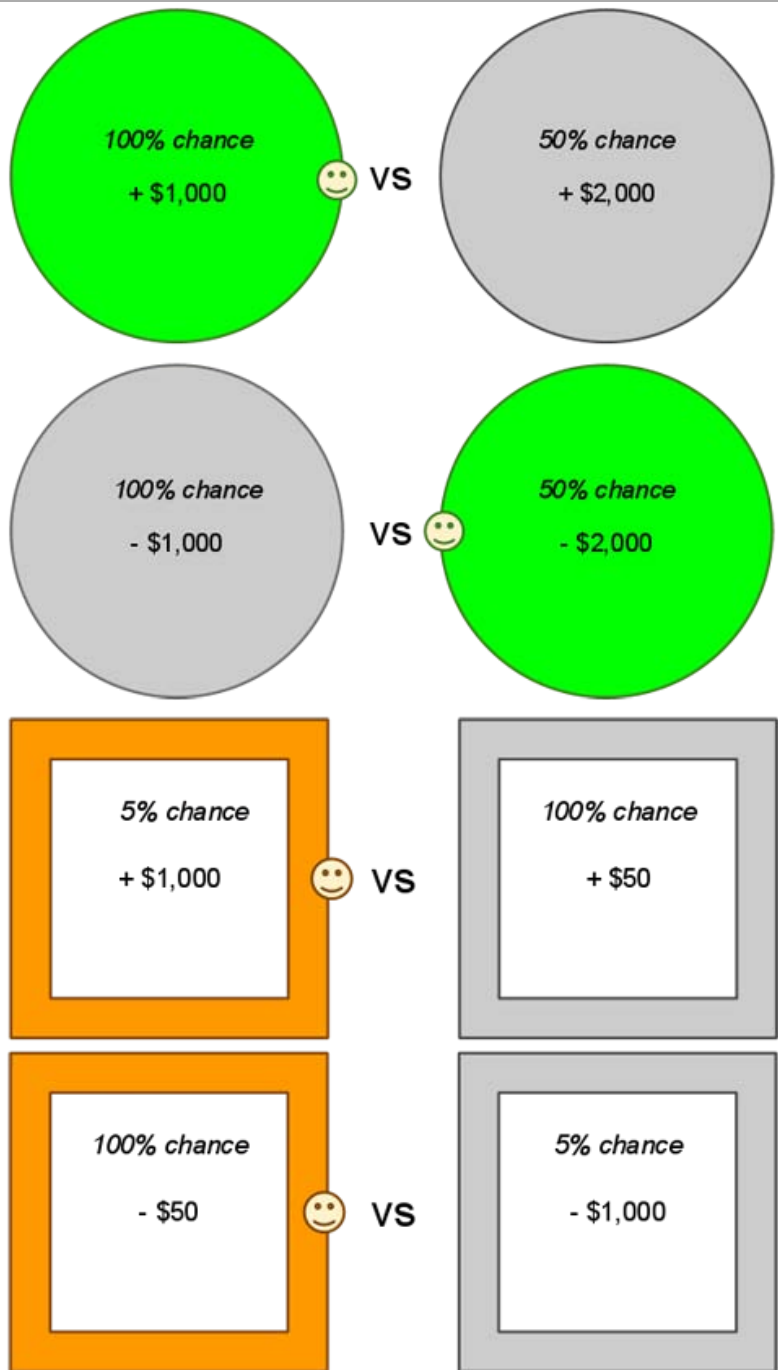


Prospect Theory	
 TAKE ACTION	 FIND ANSWERS
People make decisions under risk in four ways	
HIGH PROBABILITY CHANCES	
<input type="checkbox"/> Faced with gain, prefer less risk	 Which feels more comfortable:
<input type="checkbox"/> Faced with loss, prefer more risk	 Win \$1,000 (100% chance) vs. \$2,000 (50% chance)?
<input type="checkbox"/> Decisions evaluated against reference point	 Lose \$1,000 (100% chance) vs. \$2,000 (50% chance)?
<input type="checkbox"/> Reference point = status quo (usually)	
Completed:	
	 How can advertisers use this? A: Frame offer as loss prevention
LOW PROBABILITY CHANCES	
<input type="checkbox"/> Preferences reversed	 Which feels more comfortable:
<input type="checkbox"/> Faced with gain, prefer more risk	 Win \$1,000 (5% chance) vs. \$50 (100% chance)?
<input type="checkbox"/> Faced with loss, prefer less risk	 Lose \$50 (100% chance) vs. \$1,000 (5% chance)?
Completed:	
	 How can advertisers use this? A: Use a high risk, high reward offer
LOSS > GAIN	
<input type="checkbox"/> Loss is 2x more powerful than gain (emotionally)	 How would you feel about winning \$1,000?
<input type="checkbox"/> "The aggravation that one experiences in losing a sum of money appears to be greater than the pleasure associated with gaining the same amount." - Kahneman & Tversky	 How would you feel about losing \$1,000?
Completed:	
	 How can advertisers use this? A: Position as insurance against a bigger loss
CERTAINTY IS BEST	
<input type="checkbox"/> People tend to prefer certainty, even if reward is smaller	 Which feels more comfortable:
	 Win \$1,000 (100% chance) vs. \$3,000 (50% chance)?
Completed:	
	 How can advertisers use this? A: Give prospects a safety net--like a 100% satisfaction guarantee
HISTORY	
<input type="checkbox"/> Amos Tversky & Daniel Kahneman	 What can we learn from the authors' unconventional method of research?
<input type="checkbox"/> Started work around 1975	 Which professional disciplines regularly use this theory?

 Visualize, as if your idea has already materialized.
Draw or sketch below. Ask yourself what is missing?



<input type="checkbox"/> Original name "value theory"	? How can I use this theory in my line of work?
<input type="checkbox"/> Met each afternoon for several hours	
<input type="checkbox"/> Gambled & observed their own instincts	
<input type="checkbox"/> Assumed their instincts were true for all people--to rapidly formulate theory	
<input type="checkbox"/> In a few months, 20+ theoretical formulations	
<input type="checkbox"/> Seriously verified formulations later	
<input type="checkbox"/> Introduced final theory in 1979 issue of <i>Econometrica</i> - 'Prospect theory: an analysis of decision under risk'	
Completed:	
<input checked="" type="checkbox"/> This eMindset is based on the article by Chris Guthrie, "Prospect Theory, Risk Preference and the Law," <i>Northwestern University Law Review</i> 97.3 (2003), Questia, Web, 28 Apr. 2010.	<input type="checkbox"/> What theories does Prospect Theory disagree with? A: Rational choice theory, Expected utility hypothesis

