

Decision Processes Colloquia

Monday, April 6, 2015

Where: 245 JMHH

When: 12:00 – 1:15 pm

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In Search of Optimally Effective Defaults: Lower-Bar, Scale-Back and Distraction Effects

ABSTRACT: How does setting one option as the default in a menu affect people's decisions? We first investigate this question in six studies, including savings goals, willingness to pay and opt-in offers. Then, in another eight studies, comprising 11,508 participants who made 2,423 donation decisions in both experimental settings and a large-scale natural field experiment, we focus on charitable donations. Across the studies, we investigate the effect of defaults on the participant rate, how much the participant chooses, and the resulting net effect (e.g., amount of money raised). Consistent with prior research, we find that defaulting an option increases choices of that option.

However, the net effects of defaults are more complex, as defaults have multiple psychological effects on decisions. We find (1) a “lower-bar” effect, where defaulting a low amount increases participation rate, (2) a “scale-back” effect where low defaults reduce average donation amounts and (3) a “default-distraction” effect, where introducing any defaults reduces the effect of other cues, such as positive charity information. Contrary to the view that setting defaults will backfire, defaults increased revenue in our field study. However, our findings suggest that defaults can sometimes be a “self-cancelling” intervention, with countervailing effects on decisions and resulting in no net effect on revenue. We discuss the implications of our findings for research on fundraising specifically, for choice architecture and behavioral interventions more generally, as well as for the use of “nudges” in policy decisions.