

HOW "WE" DECIDE?

Are we in control of our decisions or are we manipulated by someone else? Are these decisions actually smart and rational or are they just illustrated so? Scholars of behavioral economics claim that it is possible to affect the customer's rational-thinking process. And it is.

The Economist magazine's subscription model is an example of this. Readers were offered three types of deal: an online subscription for \$59, a print subscription for \$125 or both for \$125. The first offer was good but the second one seemed absurd when you could get both print and web subscription for the same prize. When people were surveyed, 84% of them chose the combination deal and 16% chose the print-only subscription. As you could guess, nobody chose the print-only option. But when the option that nobody wanted was removed, 68% chose the online deal but only 32% chose the combination deal. Absence of the second option caused a huge decline in sales.¹

This kind of an irrational decision-making happens more than you think. As another example, when customers could get a trip to Rome or Paris for the same price, half of them chose Rome while the other ones chose Paris. But when an option of a Rome trip without breakfast was added to the options, Rome trip became more popular because it looked superior to Paris trip.²

In another experiment, college students were gathered to find sets of repeated letters on a sheet of paper and some of them were watched by a supervisor. Others were told that their work would be collected but not reviewed and the rest of the students watched their paper shredded. For the first sheet, all students were paid 55 cents and 5 cents less for each sheet thereafter. They could stop working anytime they wanted. The students that were watched by a supervisor were doing more work than the others.³

¹ Retrieved from http://www.economist.com/blogs/democracyinamerica/2009/05/the_independence_of_irrelevant on 13 February 2016

² Retrieved from <http://danariely.com/2008/04/10/clinton-obama-and-the-decoy-effect/> on 13 February 2016

³ Retrieved from <https://blog.nus.edu.sg/audreyc/2014/03/27/what-makes-us-feel-good-about-our-work/> on 13 February 2016

In a similar experiment, a group of college students were chosen to build little Lego robots and they were paid on a declining scale for each one. Again, the subjects were allowed to stop at any point. One group was told that their work would be broken down later while the other group witnessed their work broken down in front of them and they made robots from the disassembled pieces of their previous work. The first group built 11 while the second one built 7.⁴

So yes, companies and marketing people can affect our thinking process. People make choices they think to be good but these choices can actually be bad. This can go far as to decisions about our family or our country.

⁴ Retrieved from <https://blog.nus.edu.sg/audreyc/2014/03/27/what-makes-us-feel-good-about-our-work/> on 13 February 2016