

DIGITAL LESSON BUNDLE

Implementation Guide for Educators

#3: How We are Affected by Others

Objectives

Students will:

- **Examine** and **categorize** experiments related to behavioral economic theories.
- **Analyze** restaurant menus to determine how consumer decisions are influenced.
- **Apply** their understanding of choice architecture to suggest ways that student course selection and other behaviors can be influenced.

Overview

People are influenced by factors, including others, in many of the everyday decisions they make. A concept behavioral economists call herding occurs when people make decisions based on who is around them and what choices those people are making. On the other hand, our decision making can also be affected when we are provided with too many choices, a concept called decision paralysis. In these lessons, students examine experiments which help behavioral economists better understand and predict how people's choices are affected by others. Through a series of activities and discussion, this Digital Lesson Bundle (DLB) challenges students to consider how decisions can be influenced by businesses (for the purpose of profit) as well as by government and other organizations.

Futures Spotlight

Throughout the Econ Essentials digital curriculum, teachers and students will gain insight into various industries and how the roles of market participants relate to the behavioral economics concepts they are exploring. By doing so and continuing to build upon the concepts they learned in the previous two lesson bundles, they will further understand how the different industries fit into their everyday lives.

In "Introduction to Behavioral Economics" and "How We are Affected by Preference" students touched on the futures industry, specifically focusing on the role of two of its market participants – the hedger (someone who aims to manage risk by locking in a price for a commodity at a later date) and the speculator (someone who assumes risks in hopes of a financial gain). In "How We are Affected by Others," students will again revisit the futures industry, this time focusing on how the price of a specific good or item can be affected by external factors, such as weather conditions or operational costs. They will view a video about how these factors can cause the cost of everyday items, such as beef, to fluctuate. This video explores how exchanges like the CME Group allow market participants to manage the risks that these unforeseen price changes can have on their business.

CONTENT AREAS

Economics; Financial Literacy

SUGGESTED TIME

4 sessions

(Note: This lesson may be completed on non-consecutive days, if necessary.)

GRADE LEVEL

Grades 9–12

ESSENTIAL QUESTIONS FOR STUDENTS

- Why are people influenced by the decisions of others?
- How can choices be structured to influence behaviors?
- Is having more choices better for consumers?

MATERIALS

All Sessions

- How We are Affected by Others Implementation Guide
- Computer with projector, television, or interactive board

Session 1

- How We are Affected by Others [PowerPoint Slides](#) 1–14
- [Spot the Fake A, B, and C](#)—two to three copies depending on class size
- Chart paper, bulletin board paper, or a whiteboard
- Pens, markers, or dry erase markers
- [Just Jam](#)—one per student
- [Sort the Experiments](#)—one per student

Session 2

- How We are Affected by Others [PowerPoint Slides](#) 15–18
- [On the Menu](#)—one copy per student
- Internet access or printed copies of menus from a variety of restaurants

Session 3

- How We are Affected by Others [PowerPoint Slides](#) 19–24
- Online access to or print copies of the school's course selection materials including a program of study, course selection guide, or similar documents

Session 4

- How We are Affected by Others [PowerPoint Slide](#) 25
- **Nudging Teen Decision Making Challenge Activity** (available [here](#))—one copy per student

BACKGROUND

Previous lessons in this series have explored the fundamental differences between traditional and behavioral economics, including how people are influenced by preference. In this lesson, students learn about ways that people's decisions are influenced by others. These "others" could be peers, friends, experts, or the general public. Herding is a term used to describe what happens when individuals make decisions because they are following or mimicking the behaviors of others—even if they have no other information on which to base their decision. Decision paralysis, on the other hand, refers to the idea that when people have too many choices from which to select they will often avoid making any decision at all. Confirmation bias exists when people trust what they already believe to be true, even if it contradicts information they receive from others.

An understanding of these concepts and others like them can be used to influence people's choices. This is often seen in the field of marketing in order to encourage consumers to make purchases. Richard Thaler and other behavioral economists have proposed ways that policymakers and others can create choices (what they call choice architecture or nudges) in order to produce changes. By doing so, people are still given free will and a choice (as opposed to a ban, for example), but the choice is framed in such a way that the desired outcome is more likely to be the one chosen.

USING THIS GUIDE

The goal of this guide is to prepare educators to use this digital lesson bundle. It provides slide-by-slide instructions to ensure educators are prepared to explain, discuss, and facilitate the hands-on content in the presentation. The presentation is designed to cover three and a half class sessions, but it can be flexible depending on the students' needs and the time available. Additional extension ideas are included at the end of the manuscript.

The accompanying presentation was created with PowerPoint so that it can be used in a variety of classrooms. If you are displaying the slides on a projector or television, simply progress through the PowerPoint by clicking to advance. All of the interactive aspects of the presentation are set to occur on click. This may include images, text boxes, and links which will appear in your web browser. If you are using an interactive whiteboard, tap on each slide with your finger or stylus to activate the interactive aspects of the presentation. In the notes for each slide, there will be information on how to proceed.

Students begin this series of lessons by examining three sets of experiments. Within each set is one "fake" experiment. After learning which ones are real, students watch a video in which they learn about herding and decision paralysis. Students then reconsider the real experiments and decide which describe herding, decision paralysis, or a third "other" category. Students consider how people's decisions can be influenced by analyzing and comparing restaurant menus. After learning about the work of Richard Thaler, students explore how nudges could be created to change what courses students choose to take in high school. Finally, students extend their learning by applying the concept of nudges to teen decision making.

Procedure

Session 1

ENGAGE | Slides 1-5

Overview

You will begin this session by inviting students to form small groups. Each group will conduct a carousel walk in which they consider three experiments at a time. Their goal is to discuss which one they believe is **not** an actual experiment in behavioral economics. When dividing students, choose a multiple of three for the number of groups (i.e., 6 or 9 small groups depending on your class size). Before class begins, attach copies of **Spot the Fake** (A, B, and C) to chart paper, bulletin board paper, or whiteboards. Distribute these around the room.

Slide 1

- Remind students that behavioral economists use experiments to determine how people respond in various situations.
- Let students know they will be participating in an activity in which they will be rotating to various stations. Each one will have three short descriptions of experiments. Two are based on real experiments performed by behavioral economists and one is a “fake.”
- Point out the locations of each stop and determine where each group will begin. Inform students this will be a silent carousel walk. At each stop, their group will read and consider the situations and each member will have the chance to write notes on the surrounding paper or whiteboard with their thoughts. Each group member should add a unique comment about one or more of the three experiments. They might share a reason they think one is true, for example, or explain why one might be the “fake.”
- Let students know that when you call time, they will be asked to move to the next stop. This will repeat until each group has been to all three stops (A, B, and C). At their second and third stops, students may choose to add completely new information or add comments to what previous students have written. Remind students that they should be “talking” through their written comments throughout the activity.
- When students are done, have them return to their seats.

Slide 2

- Review the experiment descriptions in [Spot the Fake A](#) along with student responses on the associated papers or whiteboards.
- Click to display the correct answer. Number three is the “fake.”
- Discuss the two real experiments.
 - Number 1: Ask students for examples of answers they would provide for the first experiment.
 - Number 2: Students may recall this experiment being described in a previous lesson. If so, let students have a jumpstart on the next activity. If not, let students know it is okay, and they will get more information shortly.
- Let students know that you will discuss all six of the true experiments again later in the lesson.

Slide 3

- Repeat the process with [Spot the Fake B](#) by reviewing student responses. Ask students if it was easier or harder to comment silently when they could see the information left by the previous group.
- Click to show that number two is the “fake.”
- Discuss the two real experiments.
 - Number 1: Ask students if they believe more people made a decision when given many options or just a few.
 - Number 3: Tell students that this experiment was conducted with students at Stanford University and that many similar studies have been done since. Ask students how people’s original opinions about capital punishment might influence their reactions to the studies.

Slide 4

- Repeat the process again with [Spot the Fake C](#) by reviewing student responses.
- Click to show that number two is the “fake.”
- Discuss the first real experiment, number 1. Let students know that there are many variations on this experiment and that most have the same result: people change their votes after seeing the polls. Ask why they think people do this. Would they?

Slide 5

- Inform students that the final scenario is another example of a real experiment. Share with students that economists and other social scientists who conduct these experiments frequently write about them in order to share what they learned with others. When doing so, they must describe the setup of the experiment in detail.
 - Distribute a copy of **Just Jam?** to each student. Ask all students to read the overview. Then assign small groups to read and discuss the different sections: Participants and Experimental Site, Product Selection, and Procedure.
- Challenge students to predict the outcome of the experiment. On average, how many jams did customers try when offered 6 choices? 24 choices? Which group was more likely to buy one or more of the jams they sampled?

LEARN | Slides 6–14

Overview

You will continue the lesson by introducing students to three behavioral economics concepts: herding, decision paralysis, and confirmation bias. Students watch a video to learn about two of the concepts. They reconsider the six true experiments from the previous activity and attempt to categorize each as herding, decision paralysis, or neither. The session concludes with students learning which example fits each concept and that the remaining two are examples of confirmation bias.

¹ [How Polls Influence Behavior](#), Stanford Graduate School of Business

Slide 6

- Play the video.
- Invite students to give an example of a time when they might have been influenced by herding. Do they think herding is good, bad, or neutral?

Slide 7

- Distribute a copy of **Sort the Experiments** to each student. Challenge them to determine which experiments are examples of herding and which are examples of decision paralysis. Let them know that some represent a third or “other” concept about which they have yet to learn.

Slide 8

- Ask students which experiments they believe were examples of herding.
- Click to share the answers and discuss them using the following as a guide:
 - Researchers have found that when people eat with others, their behavior is often different than when they eat alone. Do you think you eat as much when you eat alone as you do when you are with others? What would make you eat more? Less?
 - How might hearing the results of a poll influence your opinion? One study from Stanford University professors¹ found that the extent to which people’s opinions changed depends on the type of poll. People’s opinions are most changed if the poll surveyed experts, followed by people with similar views, and then the general public. Why might this be?

Slide 9

- Challenge students to consider how herding could influence the stock market or investors.
- Click to share several examples of herding impacting investors.
- Let students know that the final example is a common investment called a pump and dump scam.

Slide 10

- Of the remaining experiments, find out which ones students believe are examples of decision paralysis.
- Click to share both answers.
- Share with students that economists generally favor giving people choices. However, at some point too many choices become problematic. Ask students at what point they think there are too many choices.
- Challenge students to give examples of times they have been overwhelmed by the number of choices. Did they make a choice? Was it harder? If students struggle to think of an example, ask if they have ever been to a restaurant with a really long menu. Does having more choices make it easier or harder for them to choose?

Slide 11

- Show the students the video and stop it at 1:46.

²Wason, P. C., & Johnson-Laird, P. N. (1972). *Psychology of Reasoning: Structure and Content*. Cambridge, MA: Harvard University Press.

- Point out that this person is conducting a version of the 2-4-6 experiment which was developed many years ago by a man named Peter Wason.
- Ask students if the participants in the experiment behaved as they would have if they had been asked the question. Point out that participants continued to guess similar patterns as opposed to trying to disprove the one they had already guessed.

Slide 12

- Inform students that the same person, Peter Wason, developed several other experiments including one called the Four Card Test.
- Invite students to read the problem and answer the question on their own. Then, direct students to compare answers with a partner.
- Click to reveal the correct answer.
- Explain the answer. The only way to disprove an "if X, then Y" statement ("if there is a vowel on one side, then there is an even number on the other") is by finding an instance of "X and not Y" ("there is a vowel on one side and an odd number on the other"). The cards with the D and 4 are irrelevant, because neither can show a vowel and odd number combination.
- Share that in an experiment² by Wason and a colleague, nearly half of the people studied chose A and 4. The next most popular answer was A by itself. In other words, most people chose cards that would confirm the statement rather than disproving it.

Slide 13

- Tell students that the tendency to seek out confirming evidence is known as a "confirmation bias"—a phrase coined by Wason.
- Challenge students to explain how the second experiment could be used to prove confirmation bias. (The students in the experiment who agree with capital punishment rated the study that says it helps deter criminals more than the other one and vice versa).
- Remind students of the previous experiment about polling and herding. People's minds were changed more by polls of experts or like-minded individuals. How is this related to confirmation bias, too?

Slide 14

- Share the definition of confirmation bias with students.
- Invite students to think about a time they might look for information to confirm their own opinions rather than disproving them.

SESSION 2

APPLY | Slides 15–18

Overview

Students consider how businesses such as restaurants influence customer decisions using theories from behavioral economics. To begin, students will examine aspects of two sample menus. In small groups, students locate menus from at least two restaurants and consider their design, content, and layout. Once they have completed their analysis, students will share what they found with the class.

Slide 15

- Remind students that in the first session they learned about more concepts from behavioral economics, including herding, decision paralysis, and confirmation bias.
- Remind students that the basis of behavioral economics is that individuals often make irrational decisions. They are influenced by a variety of factors including what others think and more. Businesses and others often use this knowledge to encourage customers to make more or specific purchases.
- Let students know that they will be applying this knowledge and other ideas from behavioral economics to eating out, or—more specifically—the design of restaurant menus.

Slide 16

- Display the first menu. Ask students what they might select from this menu.
- Click to display the second menu. Challenge students to compare and contrast the two menus. Point out that many of the menu items are very similar but described in different ways. For example, haricots verts and pommes puree are French for green beans and mashed potatoes.
- Share with students that restaurant menus are often designed to encourage very specific customer behaviors. For example, they hope that:
 - People will pay more for items with detailed or fancy descriptions.
 - If they provide a very expensive option, people will pick the one that is slightly less but not the least.
 - Pointing out a popular item will encourage people to purchase it (herding).
 - Keeping the number of items to a reasonable amount will encourage people to make a choice (avoiding decision paralysis).

Slide 17

- Inform students that they will be working in small groups to analyze restaurant menus. Each group should locate and evaluate at least two restaurants.
- Allow time for students to divide into groups, decide which restaurants they will use, and locate the menus.
- Distribute a copy of [On the Menu](#) to each student or group. Direct students to consider the questions on the handout when analyzing the menus they selected.

- Invite students to share their findings with the class. Challenge students to compare and contrast the menus and what they found.
- Use the [On the Menu Facilitation Guide](#) to engage students in a discussion about what they found.
- Ask students how they will look at menus differently in the future. Will their choices be influenced by knowing some of the “tricks?”

Slide 18–Futures Spotlight

- Inform students that not everything on the menu is a trick. For example, there are many factors that go into pricing items. If a restaurant serves a hamburger or a steak, for example, the underlying price the restaurant paid for the beef will be a main factor in how much the restaurant will charge for the dish.
- Show the video, Risk on the Ranch. Challenge students to note at least three factors that can influence the price of beef as they watch. Examples mentioned in the video include market conditions such as severe weather, feed costs, threat of disease amongst the herd, ranch upkeep and maintenance, gas prices, and transportation costs.
- Explain to students how exchanges like the CME Group and futures contracts can help market participants, such as cattle ranchers and farmers, manage the ramifications of these unforeseen risks and protect the value of their businesses.
- Challenge students to explore how consumers can differentiate between information shown on a menu with the purpose of influencing the way we think about our choices and those that are there for legitimate business purposes.
- Challenge the students to continue to apply these concepts outside of the classroom and think about why certain items or products may be priced the way they are the next time they are out at a restaurant—or even at a grocery store.
- Let students know that you will continue discussing choices and how choices are framed in the next session.

SESSION 3

CONNECT | Slides 19–24

Overview

Students learn about choice architecture and how “nudges” are used by businesses, organizations, and policy makers to influence decisions. Students then work in small groups to analyze the course selection process in their school and offer a nudge that could influence students’ course selection.

Slide 19

- Pose the “Would you rather...” question to students.
- Click to show examples. Discuss responses. Which is preferred—being told what to do or being given a choice?

Slide 20

- Inform students that Professor Richard Thaler, one of the “fathers” of behavioral economics, was recognized for his efforts with a Nobel Prize in Economics in 2017. He is very well known for co-writing the book *Nudge: Improving Decisions About Health, Wealth, and Happiness*.
- Explain that Thaler and Sunstein propose that choices can be provided to people in such a way that they are still given options but that their behavior is influenced or “nudged” in a particular direction.
- Click to reveal the conversation bubbles from the previous slide. Ask students to consider how the choice given (“carrots or broccoli”) still led to the desired outcome (eating vegetables).

Slide 21

- Challenge students to consider another example: the placement of a salad bar in a school cafeteria. If school officials want students to make healthier choices, should they place the salad bar at the back of the cafeteria or in the middle where it must be passed?
- Remind students that in either position, students still have a choice of whether or not to get a salad. However, by placing the salad bar toward the front or middle, they are “nudging” students to get a salad and make a healthier food selection.
- Challenge students to consider their own school cafeteria. Where is food placed? Are student decisions being influenced by their placement? If so, how?

Slide 22

- Ask students what a fly and a urinal might have to do with nudges?
- Share that the Amsterdam International Airport saw an 80% reduction in urinal “spillage” when it etched small flies near the drains of the urinals. Ask students why they think that is.
- Explain that the concept has caught on and can be found in urinals around the world. While this may seem trivial, ask students to consider the implications to cleaning costs and sanitation.

Slide 23

- Let students know that governments also use the idea of nudges to influence people’s decisions. In response to concerns that people were not saving enough for retirement, the U.S. government

now allows employers to automatically enroll new employees in a retirement plan.

- Challenge students to consider how decision paralysis plays into this nudge.
- Explain that when given a choice to enroll or not enroll, most people do not enroll. They are often overwhelmed by the options. Not enrolling means they save less.
- When people are automatically enrolled, they still have a choice to withdraw from the savings plan. However, most do not. As a result, they end up saving more.

Slide 24

- Let students know that they will be playing the role of choice architects — people who create choices with the purpose of influencing decisions or behaviors. Working in small groups they should consider the course registration or selection process at their school. If possible, they should review documents such as a program of study or course selection guide.
- Challenge them to consider:
 - What course do you think more (or less) students should take?
 - Analyze the documents and/or process by which students select courses.
 - How can their decisions be “nudged” in a particular direction?
 - What behavioral economics concepts could be applied when nudging student behavior?
- Invite groups to present their nudges and invite other students to consider the impact each might have.
- Optional: Allow students additional time for research and development of their ideas and have them present at another class session.

SESSION 4

EXTEND | Slide 25

Overview

Students extend their learning by surveying peers about their preferences and decisions processes. They analyze the data and draw conclusions regarding the role of behavioral economics. Students may further extend the lesson by considering “nudges” that could encourage peers to make more informed and/or better choices.

Slide 25

- Distribute a copy of the [Nudging Teen Decision Making Challenge](#) to each student.
- Brainstorm decisions that teens make which could use improvement. Record student responses.
- Allow students to form small groups or work independently to further consider specific decisions and propose nudges.
- Invite students to share their recommendations with the class. Lead a class discussion about how realistic some of these nudges are to implement and what next steps could be taken to implement one or more, if desired.

Slide 26

- Invite students to consider how their understanding of nudges, behavioral economics, and choice architecture changes the way they think about their own decisions and/or how others might be trying to influence them without knowing it.
- Ask students if knowing the “tricks” businesses use to influence people’s decisions will help them make more informed choices and recognize attempts to influence them in the future.
- Click to show the additional questions and discuss each.
- Challenge students to think about ways that they can remind themselves of what they learned and help use this knowledge to make better choices in the future.

- [Voluntary National Content Standards in Economics](#) from the Council for Economic Education
 - Standard 4: Incentives (Grade 12 Benchmark 1): Acting as consumers, producers, workers, savers, investors, and citizens, people respond to incentives in order to allocate their scarce resources in ways that provide them the highest possible net benefits.
 - Standard 16: Role of Government and Market Failure (Grade 12 Benchmark 8): Government laws establish the rules and institutions in which markets operate. These include such things as property rights, collective bargaining rules, laws about discrimination, and laws regulating marriage and family life.
- [National Standards for Personal Financial Education](#) from the Council for Economic Education and Jump\$tart Coalition for Personal Financial Literacy
 - investing (12.1): A person's investment risk tolerance depends on factors such as personality, financial resources, investment experiences, and life circumstances.
 - Investing (12.9): Common behavioral biases can result in investors making decisions that adversely affect their investment outcomes.
- [National Standards for Family and Consumer Sciences Education](#) from the National Association of State Administrators of Family and Consumer Sciences
 - Consumer and Family Resources (2.7): Demonstrate the ability to use knowledge and skills to manage one's financial resources effectively for a lifetime of financial security.
- [The College, Career, and Civic Life \(C3\) Framework for Social Studies State Standards](#) from the National Council for the Social Studies
 - Economic Decision Making (D2.Eco.1.9-12) Analyze how incentives influence choices that may result in policies with a range of costs and benefits for different groups.
 - Exchange and Markets (D2.Eco.6.9-12): Describe the possible consequences, both intended and unintended, of government policies to improve market outcomes.
 - Psychology (D2.Psy.2.9-12.): Investigate human behavior from biological, cognitive, behavioral, and sociocultural perspectives.

- 1.** People are given a set of numbers (2, 4, 6). They are asked to come up with three numbers that have a similar pattern. They can guess patterns, and the experimenter will let them know if they are correct.
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- 2.** Researchers observe the amount of food people eat when alone versus when they are with a group of people.
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- 3.** Students are asked to sit in the front row of the class. An observer tracks which ones accept the invitation.

1. People were asked to select an investment plan from a list. One group's list had many options. The other had only a few. Participants were asked for their decision.

2. Restaurant goers were asked how much they would pay for items on a menu by reading only the descriptions and then again after tasting the food.

3. College students with opposing views on capital punishment read two pretend studies (one saying it helps deter criminals and the other that it didn't). They were asked how convincing the studies were.

1. Voters were asked their opinions on policy issues and then given fabricated poll results on the same topics. They were asked if their opinions changed and why.

2. Restaurant goers were asked how much they would pay for items on a menu by reading only the descriptions and then again after tasting the food.

3. Shoppers at an upscale grocery store encountered a tasting booth with either 6 or 24 different flavors of jam. Researchers tracked how many approached the booth and how many made a choice.

Overview

In this field experiment, consumers shopping at an upscale grocery store encountered a tasting booth that displayed either a limited (6) or an extensive (24) selection of different flavors of jam. The two dependent measures of customers' motivation were their initial attraction to the tasting booth and their subsequent purchasing behavior.

Method

Participants and Experimental Site

Study 1 involved a field experiment that examined the motivational consequences of limited versus extensive choice in an upscale grocery store (Draeger's Supermarket) located in Menlo Park, California. This grocery store is of particular interest because its salient distinguishing feature is the extraordinary selection it offers, especially when compared with large grocery chains. For instance, Draeger's offers roughly 250 different varieties of mustard, 75 different varieties of olive oil, and over 300 varieties of jam. In addition, because of the regular presence of tasting booths at this store, shoppers are frequently offered sample tastes of the enormous array of available products. As a result, this store provided a particularly conducive environment in which a naturalistic experiment that used tasting booths could be conducted. On two consecutive Saturdays, neither of which fell on a long holiday weekend, a tasting booth was set up inside the grocery store. Over the course of these two 5-hr experimental periods, the behavior of approximately 754 shoppers was observed. Among the 386 customers present in the store during the hours when the extensive-choice booth was displayed, only 242 actually encountered the display. Among the 368 customers present in the store during the hours when the limited-choice booth was displayed, only 260 actually encountered the display. By observation, the customers who stopped at the booth were typically middle-aged Caucasians; approximately 62% of these customers were women and 38% were men.

Product Selection

Exotic jams. Before the study, the number of brands and selections within a number of product categories were carefully catalogued. On the basis of the following criteria, the product selected as the experimental stimulus was Wilkin & Sons (Purveyors to Her Majesty the Queen) jams. To control for potential differences that might arise from different types of packaging or advertising, it was necessary to find one brand for which there was a sufficiently large variety to constitute an extensive-choice condition. (In total, Wilkin & Sons has 28 varieties of jams.) In addition, careful attention was given to selecting a product with which most consumers would be familiar, yet not so familiar that preferences would already be firmly established. Hence, to ensure that potential customers would not just reach for the more traditional flavors such as strawberry and raspberry, these common flavors were removed from the set of 28, leaving a choice set of 24 more exotic flavors. Finally, because the dependent measure involved purchasing behavior, a relatively inexpensive product needed to be chosen. The price of Wilkin & Sons jams ranged from 4 to 6 dollars. Jam preferences survey. To ensure that the limited-choice set consisted of neither the most preferred nor the least preferred jam flavors, a preliminary survey of 30 Stanford undergraduates examined individual preferences for the 24 flavors of jam. These students were provided a list of the 24 exotic jam flavors and were asked, "Please read the following list of jams. Put a star next to the two best-sounding jams, in your opinion. Put a check mark next to two good but not excellent-sounding jams, and an X next to the two worst sounding jams." On the basis of this preliminary survey, kiwi and peach jams were selected to represent the two most preferred jams, black cherry and three-fruits marmalade were selected to represent the moderately tasty jams, and lemon curd and red currant were selected to represent the least preferred jams.

Two research assistants, dressed as store employees, invited passing customers to "come try our Wilkin and Sons jams." Shoppers encountered one of two displays. On the table were either 6 (limited-choice condition) or 24 (extensive-choice condition) different jams. On each of two Saturdays, the displays were rotated hourly; the hours of the displays were counterbalanced across days to minimize any day or time-of-day effects. Initial testing. Consumers were allowed to taste as many jams as they wished. All consumers who approached the table received a coupon for a \$1-discount off the purchase of any Wilkin & Sons jam. Afterwards, any shoppers who wished to purchase the jam needed to go to the relevant jam shelf, select the jam of their choice, and then purchase the item at the store's main cash registers. As a result, regardless of the tasting-booth display encountered by each customer, all potential buyers of Wilkin & Sons products necessarily encountered the entire display of flavors. An inconspicuous observer recorded the number of customers who approached the table, as well as the number of passers-by who did not stop. A second observer, also unobtrusive, made educated guesses about the ethnicity, age, and gender of each customer who did stop at the tasting booth. In addition, a random sample of solicitations was tape-recorded and later presented to two independent raters, unaware of both the conditions and hypotheses of the study, who rated each solicitation on a 1-5 Likert scale of "friendliness" ranging from not at all friendly to very friendly. Overall, the average friendliness score was high ($M = 4.5$), and the correlation between the raters was high, $r = .90$, $p < .0001$. Subsequent analyses on these scores showed that the solicitations did not vary according to condition, $F(1, 99) = .86$, ns. Subsequent purchasing. On the bottom left-hand corner of each discount coupon was a code indicating the condition assignment and gender of each consumer. Other numbers and letters surrounded these codes to lead customers to believe that the code represented a coupon scan number. Coupons could be redeemed over a period of 1 week.

Excerpt from [When Choice is Demotivating: Can One Desire Too Much of a Good Thing?](#), a paper by Sheena S. Iyengar (Columbia University) and Mark R. Lepper (Stanford University) published in the *Journal of Personality and Social Psychology*, 2000, Vol. 79, No. 6.

SORT THE EXPERIMENTS

Directions: Decide if you think the experiment is an example of herding, decision paralysis, or another behavioral economics concept.

| Experiment | Herding | Decision Paralysis | Other |
|---|---------|--------------------|-------|
| <p>People are given a set of numbers (2, 4, 6). They are asked to come up with three numbers that have a similar pattern. They can guess patterns, and the experimenter will let them know if they are correct.</p> | | | |
| <p>Researchers observe the amount of food people eat when alone versus when they are with a group.</p> | | | |
| <p>People were asked to select an investment plan from a list. One group's list had many options. The other had only a few. Participants were asked for their decision.</p> | | | |
| <p>College students with opposing views on capital punishment read two pretend studies (one saying it helps deter criminals and the other that it didn't). They were asked how convincing the studies were.</p> | | | |
| <p>Voters were asked their opinions on policy issues and then given fabricated poll results on the same topics. They were asked if their opinions changes and why.</p> | | | |
| <p>Shoppers at an upscale grocery store encountered a tasting booth with either 6 or 24 different flavors of jam. Researchers tracked how many approached the booth and how many made a choice.</p> | | | |

ON THE MENU

STUDENT HANDOUT

Directions: Consider the following as you examine your menus.

- How many choices are there within each category? How many categories are there for the main dish?
- Are there photos? If so, what do they show?
- Are there any specials?
- What is on the top right-hand side of the menu?
- How are the prices written (\$14.00, \$14, 14.00, 14, or fourteen dollars)?
- Is there a “decoy” item—one that is priced significantly more than other items?
- How is the food described?

Use the following information to guide your discussion with students.

- How many choices are there within each category? How many categories are there for the main dish?

Studies show that with too many choices people will have a hard time making a decision and/or not make a choice at all—decision paralysis. Some say the “magic number” to have is no more than seven. With a restaurant menu, having too many choices makes customers want to choose a familiar menu item. This is why many restaurants will have at least one “comfort” item—something most customers will be familiar with and not have to give much thought to choosing.

- Are there photos? If so, what do they show?

High-end restaurants and/or those who want to charge more for food tend to avoid using photos on their menus. When photos are included, they are often used to encourage customers to order specific foods—especially “upsells” like appetizers, cocktails, or desserts.

- Are there any specials?

Specials can be used to draw attention to an item that is a house specialty and/or a meal combination that might seem to offer a good deal.

- What is on the top right-hand side of the menu?

This is the area of a menu where a person’s eye is naturally drawn. Many menu designers know this and will put important information or a feature item in that area.

- How are the prices written (\$14.00, \$14, 14.00, 14, or fourteen dollars)?

Dollar signs remind people that they are paying money for their food. Some menus avoid them, so people don’t think about how much they are spending.

- Is there a “decoy” item—one that is priced significantly more than other items?

In another lesson, students will learn about anchoring, but this is an example of that concept. A “decoy” item that is priced much higher than others is used to help “anchor” people to a specific cost. They don’t expect many people to order the higher priced item. But, by comparison, the next cheaper item looks like a bargain by comparison.

- How is the food described?

Studies show that there is significant power in words—especially in descriptions. Think back to the two menus. Would you pay more for “Hand formed patties of artisanal beef topped with a blend of curated cheeses” or a cheeseburger? It could be the exact same food, but people expect to pay more for food with a fancy description.