Mistakes in decision-making

Lesson 4.3.3 | Consumer psychology

Core ideas

Decision-making mistakes can happen when consumers overweight limited information, emotion or social cues.

Framing effects occur when the way information is presented changes the choice, even when the facts are similar.

Overconfidence can make consumers trust their judgement too strongly and ignore warnings, reviews or uncertainty.

Sunk cost thinking can lead people to keep spending time or money because they have already invested something.

Impulse buying can happen when immediate emotion, reward or opportunity overrides slower evaluation.

Post-purchase regret and cognitive dissonance can occur when consumers question whether their choice was right.

Key terms

Decision error: A choice that is poorly matched to the evidence, goals or situation.

Framing effect: A change in judgement caused by how information is presented.

Overconfidence: Trusting one's judgement more than the evidence supports.

Sunk cost: Money, time or effort already spent and impossible to recover.

Impulse buying: A quick purchase driven strongly by immediate emotion or opportunity.

Cognitive dissonance: Discomfort from holding conflicting thoughts, such as liking a purchase but doubting it.

Regret: A negative feeling that a different choice might have been better.

Risk perception: How risky or uncertain a choice feels to the consumer.

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Further detail and evidence

Key study: Hall et al. (2010) tested choice blindness: failure to notice that a choice outcome differs from the option originally selected.

The field experiment recruited 180 supermarket shoppers. Participants tasted paired jams or smelled paired teas, selected their preference and explained it after sampling again.

On manipulated trials, specially divided jars secretly supplied the rejected alternative. Product pairings varied in similarity; participants gave verbal reasons and were later debriefed.

Measures included switch detection and explanations, combining quantitative detection data with qualitative verbal reports.

No more than one third of manipulated trials were detected overall. Even strongly contrasting products produced detection on no more than half of trials.

People could justify an outcome they had not selected, challenging the assumption that consumers always have direct access to stable reasons for preferences.

The shopping context supports application, but a brief sampling task does not represent every considered purchase. Deception requires justification and debriefing.

System 1 processing is relatively fast, automatic and low-effort; System 2 is relatively slow, deliberate and effortful. For example, a familiar logo can trigger an immediate preference, whereas comparing several prices and product attributes requires deliberate work. Fast processing is not always wrong, and slow processing is not guaranteed correct.

Proactive interference occurs when earlier advertising disrupts memory for later advertising: remembering Brand A's old offer can interfere with a new Brand B offer. Retroactive interference occurs when later advertising disrupts memory for earlier advertising: a new competing advert can make the first one harder to recall.

Example study - Burke and Srull (1988) experimentally examined competing adverts and memory. Their first experiment found that subsequent adverts for related products or competing brands inhibited recall of the target advertising; the second demonstrated analogous interference from earlier adverts.

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Continued

Burke and Srull's third experiment found that repetition improved recall chiefly when there was little or no similar-product advertising. Thus repetition is not a universal cure for forgetting: competition and ordering affect consumer memory. Controlled exposure helps test interference, although experimental recall does not by itself establish real purchase choices.

System 1 is relatively fast, automatic and associative; System 2 is more deliberate, effortful and analytical. Shleifer (2012) discusses these processes in relation to judgement errors. They are functional descriptions, not two separate anatomical brain compartments.

Choice blindness means failing to notice a mismatch between an intended choice and the outcome, sometimes then explaining the substituted choice. Hall's covert food swaps show that a confident explanation can be constructed after the choice rather than faithfully reporting its original cause.

Proactive interference: older learning disrupts memory for newer material. Retroactive interference: newer learning disrupts older memories. Burke and Srull (1988) investigated memory for advertising under competing advertising information; multiple similar messages can impair retrieval.

Applying the ideas

If an earlier brand slogan makes a newly learned one harder to recall, interference is proactive. If a new campaign makes an older slogan harder to retrieve, it is retroactive. A customer giving plausible reasons for a swapped product illustrates choice blindness rather than necessarily deliberate lying.

Evaluation and connections

Evaluate consumer self-reports and free choice; failure to detect a switch does not mean all preferences are meaningless.

Hall has realistic tasting and an unobtrusive manipulation, but deception limits informed consent and detection varies with contrast and suspicion. Memory tasks offer standardisation but may differ from everyday repeated advertising. Fast thinking is not always wrong, and effortful thinking is not guaranteed correct.