Ethically Deployed Defaults: Transparency and Consumer Protection Via Disclosure and Preference Articulation

Ana Figueras, University of Florida, USA

Elanor F. Williams, University of California, San Diego, USA

Mary Steffel, University of Cincinnati, USA

Ruth Pogacar, University of Cincinnati, USA

Four experiments show that defaults can be effective when disclosed, regardless of whether the default benefits the business instituting it or the individual's or society's interests. However, an intervention designed to weaken the default by encouraging preferences articulation before choosing attenuates defaults benefitting business while leaving intact defaults benefitting society.

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Mary Steffel, University of Cincinnati, USA
Ruth Pogacar, University of Cincinnati, USA
Elanor F. Williams, University of California, USA
Ana Figueras, University of Florida, USA

EXTENDED ABSTRACT

Consumers don't always make choices in their own best interests. For instance, sixty-eight percent of people save less than they intend to save for their retirement (Thaler and Sunstein 2008). Designing decisions in a way that nudges consumers to make choices in their own best interests offers a solution (Thaler and Sunstein 2008). Defaults are a form of choice architecture that nudge consumers by automatically enrolling them unless they opt out, or by requiring them to actively opt in. Defaults can be powerfully effective, but questions of ethicality arise. How to increase transparency and protect consumers from defaults not in their best interest without jeopardizing the effectiveness of individually and socially beneficial defaults remain open questions.

Query Theory posits that defaults are effective because they serve as a reference point (Johnson, Haubl, and Keinan 2007). If default effects are rooted in reference dependence, then disclosure should not reduce their effectiveness. However, encouraging consumers to articulate their preferences may help them reframe the reference point of the decision (Tetlock 1992), thereby reducing default effects. We examine whether defaults can be disclosed for transparency without reducing effectiveness, and whether preference articulation can attenuate default effects when not in consumers' or society's best interests.

Experiment 1

Experiment 1 explored whether defaults influence people's choices even when people are made aware of their intent and potential influence. Participants imagined they were ordering a hot chocolate that could be served either with or without whipped cream in a 2 (choice architecture: opt-in or opt-out) x 2 (disclosure: present or absent). Participants were more likely to retain the whipped cream default in opt-out conditions than to add whipped cream in the opt-in conditions (Wald $X^2 = 23.82$, $p < .001$, Odds Ratio = 1.73). Whipped cream choice did not vary based on default disclosure (Wald $X^2 = .75$, $p = .39$, Odds Ratio = .91) or based on the interaction between choice architecture and disclosure (Wald $X^2 = .03$, $p = .86$, Odds Ratio = 1.02), demonstrating that people tend to retain the default regardless of whether or not the default is disclosed.

Experiment 2

Experiment 2 explored perceptions of ethicality when the default benefitted business or society, and whether default effectiveness depended on the beneficiary. Participants were randomly assigned to one of four versions in a 2 (choice architecture: opt-in or opt-out) x 2 (beneficiary: society or business) and asked to imagine that they had moved to a new apartment complex and could choose (opt-in) or retain (opt-out) a variety of upgraded amenities that were either green or premium. In all conditions, the intention behind the choice architecture was disclosed as in experiment 1. Participants also indicated how ethical it was for the landlord to make , green [premium] amenities opt-in [opt-out].

Overall, participants retained more amenities in the opt-out conditions than they chose to add in the opt-in conditions ($F(1, 189) = 126.42$, $p < .001$). There was an interaction between choice architecture and beneficiary on perceived ethicality ($F(1, 189) = 3.81$, $p = .052$), such that participants thought the opt-out format was less ethical than the opt-in format when the amenities were premium and the upgrades benefitted the business ($t(92) = 2.55$, $p = .01$), but not when the amenities were green ($t(97) = -.25$, $p = .80$). However, despite the lower perceived ethicality, there was no interaction between choice architecture and beneficiary ($F(1, 189) = .003$, $p = .96$). Thus disclosure does not reduce default effectiveness, even when the default is perceived to be unethical.

Experiment 3

Experiment 3 examined whether encouraging people to articulate their preferences reduces default effects. As in experiment 2, participants imagined adding or retaining apartment amenities that benefitted society or business in a 2 (choice architecture: opt-in or opt-out) x 2 (beneficiary: society or business) x 2 (intervention: disclosure or both disclosure and preference articulation task). In the preference articulation task conditions participants were encouraged to write about whether and why they might prefer each amenity.

Overall, participants retained more amenities in the opt-out conditions than they chose in the opt-in conditions ($F(1, 674) = 182.37$, $p < .001$). The default was attenuated when participants articulated their preferences ($F(1, 674) = 16.52$, $p < .001$). Furthermore, in the opt-out condition, participants retained fewer premium amenities after articulation relative to disclosure alone ($F(1, 173) = 51.31$, $p = .04$), but articulation did not decrease the number of green amenities retained ($F(1, 172) = .516$, $p = .47$). In the opt-in condition, participants added more green amenities after articulation than after disclosure alone ($F(1, 167) = 16.24$, $p < .001$), but articulation did not increase the number of premium amenities added ($F(1, 171) = 1.99$, $p = .16$). Encouraging people to articulate their preferences can reduce default influence. Importantly, articulation reduced business-benefitting default effectiveness but not society-benefitting default effectiveness.

General Discussion

Disclosing defaults does not reduce their effectiveness despite the fact that defaults are viewed as less ethical when benefitting business rather than society. Techniques that encourage decision-makers to consider their preferences before encountering a default may be used to help consumers counter the influence of defaults that are not in their best interests, while still allowing marketers and policy makers to effectively nudge consumers toward choices that benefit themselves and society.

This research shows that reference dependence can be the dominant mechanism behind defaults, and that such default effects can be mitigated using a task that helps participants articulate their preferences before they make decisions. This research also contributes to the framing literature by showing that preference articulation can be used as an effective method of reframing the reference point.

Our work suggests that default disclosures can be employed for transparency. However, disclosures offer insufficient protection. Therefore, more active interventions, such as the preference articulation task described in experiments 3 and 4, may be warranted when the default runs contrary to what consumers would likely choose without the default or when the consequences are significant (e.g., expensive upgrades or automatic renewals).

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