How Do We Know What to Buy?

285 variety of cookies, 75 iced teas, 230 soups, 175 salad dressings, 40 toothpastes, etc.
Why?: Economics and Psychology

• One reason intentions and policies fail is endogeneity
  – Those who overeat when visiting a fast food restaurant do so because they like to
  – They will be more resistant to information, or other policies

• Reactance
  – Rebelling against a threat to freedom
  – Fat tax versus a thin subsidy
  – Limits on ketchup

• Attribution
  – I chose it, I own it
  – Carrots and Celery
What is normal anyway?

- Soda can – 12 oz
- Starbucks – “Tall” 12 oz
- McDonald’s soda – “child” 12 oz
- McDonald’s coffee – “small” 12 oz
- Consumers presented with two sizes of items
  - Regular and Double
  - Half and Regular

Just, David R. and Brian Wansink. “One Man’s Tall is Another Man’s Small: How the Framing of Portion-size Influences Food Choice.” Health Economics, DOI: 10.1002/hec.2949, Published online: 13 June 2013.
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- 140 more calories just by naming it smaller
- Higher WTP, eat less—win-win
All-You-Can-Eat

>Rational: eat until the next bite of food provides no more enjoyment

>Individuals entering an AYCE pizza buffet were asked to participate
  – Half were given a coupon for a free drink
  – Half were given a coupon for a free drink and 50% off their meal

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Don’t like it? Eat 0.5 slices more
Costs more, like it less—lose-lose

Hot/Cold Study

Behavioral Interrupt

• Upstate NY schools with pre-ordering of lunch items through SmartBoards

• Students who did NOT pre-order (Hot State):
  ➢ 11.8% less likely to take a fruit
  ➢ 8.9% more like to take a snack food
  ➢ 25% more likely to take a starchy side

10 Spanish and English Floor Stickers (6 ft long by 3 ft wide) Placed Throughout the Grocery Store.
Smarter Lunchrooms™

- Smarter Lunchrooms™
  - Move the fruit
  - Name the healthier foods
  - Signs and verbal prompts
  - Place white milk so it is more visible than other options
Conclusion

• There are limits to what behavioral tools can do
  – Generally can only tap a latent desire
  – But, most appear to have some latent desires to tap

• When we deal with policy surrounding culture and emotion, we need to tread lightly
  – Behavioral economics may provide the tools necessary for the job
  – Without these tools
    • We enrage both consumers and producers
    • We leave surplus on the table
    • We are less effective at reaching our stated goals

• Using these tools correctly can remove the slack
  – Win-Win solutions