Check ‘Yes’ or ‘No’

Defaults, or automatic opt-ins, are a good way to upsell consumers, but are they ethical?

BY MARY STEFFEL, ELANOR WILLIAMS AND RUTH POGACAR

In Belgium, 98% of people are officially willing to donate their organs when they die. Conversely, in the U.S., only 28% of people are on record as organ donors, despite 85% of people saying that they want to be donors. Why is there such a huge difference between the two countries? Evidence suggests that a major reason may be whether the default option is to be an organ donor.

In Belgium, organ donation is a nationwide default unless people choose to opt out, whereas U.S. policy is the opposite—organ donation is not the default, and people have to opt in if they wish to be donors.

Defaults are a powerful and increasingly common way to influence choice, which has sparked controversy regarding how to ensure that they are fair and appropriate. Critics argue that using defaults to influence people's choices without informing those affected is unethical because defaults can nudge people to spend money or divulge personal information without their explicit knowledge or consent. Others, however, worry that disclosure might render defaults ineffective—even defaults designed to help people, such as those meant to encourage organ donation, increase retirement savings or decrease calorie consumption.

In our recent article “Ethically Deployed Defaults: Transparency and Consumer Protection Through Disclosure and Preference Articulation,” published in the Journal of Marketing Research, we asked whether it is possible to make consumers aware that a default has been set to deliberately sway their choices in a certain way without rendering it ineffective and undermining the potential good it can do. Further, what do consumers themselves think about the ethicality of defaults intended to influence their choices when the purpose and effect of the default is, or is not, disclosed? Finally, if transparency doesn't reduce default effectiveness, how can marketers and policymakers protect consumers from defaults that are not in their best interests?

Defaults Remain Effective Even When Disclosed

To investigate whether defaults can be effective when disclosed, we presented participants across a series of experiments with decisions in a variety of domains to see how defaults and disclosure of those defaults would influence their choices. In one experiment, participants were offered hot chocolate either with or without whipped cream by default. Some of these participants were shown a sign about why this default had been chosen; for example, the sign that participants read when no whipped cream was the default noted that people are more likely to choose an option when it is the default and no whipped cream was the default so people would be more likely to choose a healthier beverage.

We found that disclosure of the default's intent made no difference—people still overwhelmingly chose whatever beverage topping was the default, whether it was whipped cream or no whipped cream. In fact, across a variety of contexts—including financial decisions, privacy permissions and energy savings—we found that people's choices were equally influenced by what default had been set regardless of whether the intentions of a default were made transparent.

Disclosure of Defaults Influences Perceptions of Their Ethicality

In another experiment, we found that disclosure does influence perceptions of the ethicality of defaults. Participants were asked to select energy-saving apartment amenities that were either included in a hypothetical apartment's rent by default or were not included but were available if the person opted in. Participants were told that the landlord wanted tenants to choose the upgrades either because he would like to save energy and help the environment or because he wanted to qualify for a tax break and put some money back in his pockets. Finally, the landlord disclosed how the default was intended to influence renters' choices either before or after people made their decisions.

The results showed that people appreciated the openness of a disclosure, even if the disclosure revealed that the default was set for selfish reasons. When the person who set the default disclosed up front why it was configured the way it was, respondents felt the choice was more ethical and were more interested in working with the default-setter again in
the future than when they found out about the nature of the default after the decision had been made, even if the default-setter’s motive was to “put some money in his own pocket.” However, disclosure did not affect participants’ choices: they chose more amenities in the opt-out conditions than in the opt-in conditions.

**Counteracting the Influence of Defaults**

If disclosure cannot protect consumers from defaults that are not in their own or society’s best interests, how can we prevent consumers from being exploited? One reason defaults remain influential even when people know they are being nudged is that people may treat the default as a reference point to which they compare other options. Because the default has already been selected, the decision ends up being about reasons for keeping the default instead of reasons to reject it.

This “reference dependence” is a powerful bias because it leads people to focus on the advantages of the reference point over its alternatives and is rooted in basic cognitive processes that people have little ability to control. Disclosure does not make defaults less effective because once a default becomes a reference point, people do not know how to stop treating it that way.

Given that defaults lead people to focus disproportionately on reasons to choose the default, encouraging them to consider the default and its alternative simultaneously may help them evenly consider the alternatives and make them less susceptible to bias.

To test this idea, we asked people to list reasons they might prefer the default and its alternative before they chose. When people listed their reasons, they were less influenced by defaults. This is good news. It suggests that prompting people to explicitly consider their preferences for all options before making a decision can help them resist unwanted influence.

Overall, this research shows that marketers can disclose why they made a particular option the default—and even be transparent about their intentions—without making defaults less effective and without undermining the potential good they can do. Transparency can also lead consumers to perceive defaults as more ethical and increase their willingness to work with default-setters in the future.

However, disclosure alone does not seem to protect consumers from defaults that are trying to take advantage of them, so it may also be necessary to encourage consumers to consider the pros and cons of both the default and the alternatives before making a choice. This balanced articulation of preferences can reduce the influence of defaults and help people make less-biased choices.
Copyright of Marketing News is the property of American Marketing Association and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.