

The Analysis of Focusing Illusion and Irrational Behavior in the Field of Consumption

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Abstract: The focusing illusion is perhaps one of the most important factors for the occurrence of biases in intuitive predictions. This paper investigates the cognitive bias in detail, and exactly how focusing illusion affects an individual's irrationality in daily life. The study also demonstrates how would focusing illusion affect the selection and purchase of private cars of individuals. To figure out whether focusing illusion occurs and whether it is the major factor affecting customer's mind and thinking, the paper explores the customer's consumption behaviors and the seller's marketing strategies when choosing in between potential available options within the allowance of their ability to purchase. To some extent, the viewpoints of existing researches and this study are basically consistent. Both clearly point out the irrational consumption behavior caused by the focusing illusion. In consider of this, potential theoretical methods are proposed to rectify consumer's and society's point of view, avoid the trap and consequences brought by the focusing illusion. These includes solutions such as defocusing and delay in decision-making.

Keywords: focusing illusion, focalism, irrational behavior

1. Introduction

The focusing illusion is the tendency for individuals to over or under-estimate the significance or impact of certain focused events on emotions, when predictions are made largely or entirely based on sensations. For instance, an individual's focused attention on the price of a product when choosing in between two, regardless of other factors including better suitability and higher quality. In daily life, the new energy vehicle market is one of the most prone scenarios to arise focusing illusion. The use of private cars has been drastically increasing over the last decades [1]. Up until recently, the variety in options of purchase has increased as well. Ranging from electric cars, hybrid powered vehicles and the original fuel vehicles. Especially vehicles with renewable energy, whose sales increased drastically over the last decade. For instance, Tesla, annual revenue received from car sales increased from \$413 million in 2012 to \$81.5 billion in 2022 [2]. As technology advances overtime, there has been more excitement in terms of choosing from varieties of types of vehicles. The focusing illusion is when a judgement about an entire object or category is made with attention focused on a subset of that category, a focusing illusion is likely to occur, whereby the attended subset is overweighed relative to the unattended subset [3]. Usually, individuals are keen towards the most suitable options, however most of the time what is chosen is perhaps what they wanted, but not the most suitable. Some might argue that there is barely any subtle difference between the two, despite

the fact that their ‘desired’ choice is made under irrational conditions. Whereas the ‘most suitable’ option would occur under perfectly rational conditions, giving users the best experience and most value gained from the price paid for goods or services.

Focalism could potentially be one of the significant factors that fiddles with one’s mind, when considering different options. Moreover, it could have further financial impact on individuals purchasing vehicles, as a relatively large number of individuals purchase vehicles using auto-loans. Focusing illusion affects individual’s minds, in terms of decision making on whether and which auto-loans should be purchased, and unsuitable option would bring undesired harms of loan consumptions on individuals or households [4]. For instance, when multiple loan plans are presented simultaneously, they could be compared by consumers through common attributes such as interest rates and monthly instalments. And this might result in overweighting options that have important values for one or more criteria, hence their decision is affected by the focusing illusion [5]. This would be the fundamental problem for the consumers as focalism’s presence strongly affects the choice of consumers, hence leading to irrational decisions made. This paper will focus on evident causes of focalism, how it affects the consumers, and any suggestions for potential solutions in order to avoid the effects brought by it, thereby going back to more rational thinking accordingly.

2. Focusing Illusion in Consumption and Marketing

As a very common bias in daily life, focusing illusion is often overlooked by most people when making decisions. Generally, focusing illusion usually manifests as people’s attention being focused on a certain point, overestimating the impact of that point and ignoring other points. From an economic perspective, focusing illusion can lead to incomplete and inaccurate understanding of goods or services, which will lead to irrational consumption choices.

2.1 Consumer’s Focusing Illusion When Purchasing

As mentioned previously, the fundamental principle of focusing illusion tends to shift one’s focus heavily on one specific aspect of the event, thus making irrational decisions. In this case, it is noticeable between the consumers and the products when they are purchasing. Take an example of one of the most prestigious economics review magazines, *The Economist* [6]. This magazine offered three options of subscriptions for its customers: web-only subscription for £59; print-only subscription for £125; web and print subscription for £125 as well. As the studies show, that no subjects chose the print-only subscription, meanwhile with the majority of the rest ending up choosing the price-equivalent web and print subscription, which obviously seems to be the best option. However, when they take away the print-only option, immediately the behavior of the subject’s changes. Most of them end up choosing the web-only subscription which is less costly. This shows that the print-only option has been provided as a pure speculative subject amongst the options, shifting consumer’s attention to the availability and amount of services provided, while having a much higher cost than the service that they needed.

The use of similar methods of nudging consumers’ decisions and preferences can be shown in the advertisements of the car industry as well. For instance, the advertisement page of one of the most prestigious brands [7]. The text enlarged on the top of the page quickly grabs viewer’s attention as soon as they enter the webpage. There is also a show of purchasing deadline of until 30th of June implying the urgency to the customers, with smaller subheadings suggesting that there are only limited stocks of this type of car at the moment. All of which, strongly indicating consumers to take no chance of thinking, but making the purchase immediately. However, this could potentially only be the case for relatively more expensive products. As for the cheaper types of products, the merchants tend to be located towards the bottom of the page or on a completely different page, showing

smaller subheadings and less descriptive commercial lines. Afterwards, consumers' attention would be shifted heavily towards availability of time left for them to finalize their decisions, as well as other interests and demands in the market for this type of car. Under this circumstance, the consumers' mind is focused on only a couple of subsets when making decisions, therefore whatever decision they make would be quite irrational. Spontaneously, the decision of the purchase could be potentially not the most suitable choice for consumers in terms of their experiences of usage and value of price which they paid. In the context of energy structure transition and addressing the climate change, the development of new energy vehicles in China has achieved unprecedented prosperity (see Figure 1). Among them, focusing illusion plays a certain driving role in the growth of sales invisibly.

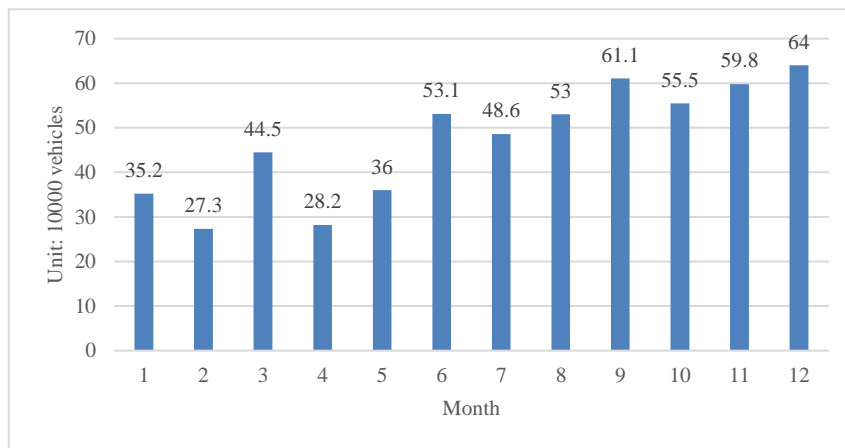


Figure 1 : Monthly sales of new energy vehicles in China in 2022.

Data source: <http://www.cpcauto.com/>

However, despite any current evidence, there are limitations to determine whether it is the bias, focalism in particular, that causes people to act irrationally. The occurrence of irrational behaviors when there is evidence of focalism's existence does not certainly prove direct relations between the two. Furthermore, it is exceptionally difficult to discover whether that is the direct cause, or whether most consumers are irrational subjects in the first place.

2.2 Exploitation of Focusing Illusion for Sellers

Under the existence of cognitive bias and the constant manipulation on consumer's minds when making consumption decisions of goods, it is possible that producers and firms would exploit the existence of focalism further to gain more profit from the irrational decisions made by customers potentially. They could potentially nudge the preferences for products through making consumers consider that good and organic essential part, which improves the quality of consumers' life [8]. Some consumers would be made to think that only using better quality products or high-end luxuries could improve life satisfaction the most. Companies could be able to nudge consumer's preferences and beliefs in choosing goods or services through various methods without even noticing [9].

For instance, some companies tend to focus on enhancing first-time experiences for consumers. Plant-based meat producer (Beyond Meat) took the extra benefit from the delay in meat products delivery in the early pandemic period. By establishing connections with local restaurants and catering services, freshly prepared quality food was being sent to hospitals and community centers on time and for free. This gave the customers an almost perfect first-time experience with the company's products. As a result, sales of its products have more than doubled in two consecutive quarters in 2020. Moreover, this method has been proved effective for firms in other industries simultane-

ously. In 2020, amongst the amount of population in the States who tried online grocery deliveries for the first time during the pandemic, about 80% of them were enjoying the convenience, safety and punctuality of the services [9]. Even more, about 40% of them intend to continue with the delivery services after the Covid-crisis. This showed a change in belief and preferences in style and forms of the shopping habits, which was caused primarily by a high level of satisfaction with the first-time experience.

Despite the surprising benefits ‘unboxed ’in the first experience, they are not necessarily beneficial to specific households and certainly do not last forever. Supposedly, online shopping and groceries deliveries are easy and less time-consuming especially in Covid pandemic times. However, people’s attention could be overly shifted on to these cases, thus ignoring other possible disadvantages or extra opportunity costs generated. For instance, the continued use of deliveries in the post-pandemic era would have extra costs, as it could be cheaper if products are bought at local shops just down the road in town, rather than still paying for an extensive amount of delivering fees and premium fees for faster and quality services. Furthermore, shopping in supermarkets and local shops in person would also allow customers to be more flexible and have more freedom in products which they choose. Both of which are, to an extent in online shopping, very limited in terms of price, quantity and quality of goods desired.

3. Discussion on Rational Consumption

As much as bias exists and bothers consumers in life, there are ultimately methods to avoid going into the trap of illusions. One of the examples would be choice architecture.

Firms would often sophisticatedly design the presentation of choices to customers. There would be different forms of presenting information in order to nudge or influence consumer’s choice and focus on decision-making [10]. Through shifting the attention onto specific aspects of objects, therefore creating biases when making decisions. Even though this exists almost everywhere, it is the online presentation which could be the most effective in the producer’s interest. Therefore, to some extent, avoiding online shopping and instead starting shopping in person could help consumers from being exposed under the manipulation of choice architecture planned by the firms.

Zooming out from the specifics, there are several other generic methods of avoiding the company’s attempt to manipulate the consumer’s mind. For instance, attempting to divert attention. Specifically, it could be when a decision is made, in this case buying an electric car which seems perfectly suitable. Instead of making the purchase right now, the customers can lag the ultimate decision behind for a while, and revisit the idea at another time. This would help defocus on the subset that consumers weighed too much on when making the decision beforehand. Time tends to help with reducing the potency of events or thoughts. Making the final decision later would almost always help with avoiding the trap of focusing illusion from information presented when purchasing goods or services.

At the same time, buyers also need to be aware of any subtle implications about preferences hidden in a firm's advertisements. A social experiment was conducted with an US online furniture retailer. Researchers wondered whether the image in the background of the information on the website would play a significant role in nudging the consumers’ preference and focus onto either comfort or economy when choosing furniture. On the one hand, subjects who were exposed to a fluffy cloud background ended up having a more comfortable but expensive option. On the other hand, subjects who were exposed to coins of pennies in the background ended up choosing a relatively inexpensive choice. Both of which were compared to control group subjects who were not exposed to neither of these above [11]. As customers for future references, it is essential to realize the target of sellers is leading them into irrational and biased thinking unconsciously. When choosing products in the future, consumers should avoid the display of images in background and any eye-

catching commercial titles and catchphrases. To the most extent, avoid the effect of them brought onto the customers' decision when opting for products to buy.

4. Conclusion

Focusing illusion is one of the most significant cognitive biases which affects consumer's behavior and preferences when making purchases of desired products. This can be proven by the few experiments conducted and evidence found from above. Such as, finely designed commercial style by firms which nudge consumer's focus on specific aspects of their products; enhancing first time experience with their products to let consumers focus on how satisfied they were with the first-hand experience, leading them to prefer the same product onwards; heavily emphasized information by firms to create the urgency of purchase for the potential buyers etc. Despite these instances, it is limited to find out whether there are direct cause and effect relationships between the focusing illusion and consumer's change of preferences and irrational behaviors. Overall, judging from pieces of evidence presented in the above, it could be concluded that the focusing illusion does exist, which could almost definitely shift people's focusing attention to specific subsets. And it can be manipulated manually for firms, to potentially shift focuses onto their desired aspects. As much as it is claimed how in depth that focalism has been investigated, there is still a lack of general knowledge in the focusing illusion overall. Specifically, the subtler causes leading to the general public falling for it, as well as more potential methods of avoiding the trap of the focusing illusion. The society should be more informed about its presence especially in the markets and daily life.

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