

Rational Choice with Status Quo Bias

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Abstract: Status quo bias refers to the psychological tendency of people to maintain existing decisions without making changes. This paper aims to explore the influence of status quo bias on regular financial management and consumption decisions based on existing literature and data and provides relevant suggestions to reduce the impact of Status quo bias. The study focuses on the influence of status quo bias on personal regular financial behavior and consumption choices and analyzes the causes of status quo bias and countermeasures. The result shows that status quo bias affects regular financial management and consumption decisions. People are more likely to stay where they are and ignore better options or opportunities. In regular financial management, they may be reluctant to change investment plans, and in consumption decisions, they prefer to consume now and ignore long-term planning. To cope with the negative impact of status quo bias, the author proposes some coping strategies, such as setting goals and providing information, setting up automated savings plans and using visual tools.

Keywords: status quo bias, rational choice, consumption behavior, diet changes, regular financial management

1. Introduction

In terms of the application of regular financial management, dietary performance, and consumer behavior in status quo deviation, the causes of status quo bias can be attributed to cognitive limitations, emotional factors, and environmental influences [1]. Research shows that status quo bias has an important impact on people's decision-making. Samuelson & Zeckhauser studied the influence of status quo bias on decision making, and proposed an experimental method based on state change to evaluate the existence of status quo bias [1]. Studies have found that people tend to stick with their current status without making changes, even when better alternatives are available. This phenomenon has important implications for investment decisions, consumption decisions and policy making. Previous studies have proved the influence of status quo bias on individual decision making, and revealed its important influence on decision-making behavior and results. On this basis, this paper will further explore the manifestation of status quo bias in regular financial and consumption decisions, and explore the mechanism of its impact on individual and organizational decision-making.

The purpose of this paper is to explore the influence of status quo bias on rational decision-making and put forward countermeasures to help people make better rational decisions. To achieve this goal, this paper uses the research method of review to sort out and summarize existing relevant studies to determine the definition, psychological mechanism, impact, and coping strategies of status quo bias.

The paper also shows the application and influence of status quo bias in different fields through specific case analysis and introduces how to apply the coping strategy of status quo bias to improve the quality and effect of decisions. Finally, this paper puts forward some suggestions and prospects for future research and application. In summary, this paper is conducive to improving people's knowledge and understanding of status quo bias and exploring effective coping strategies to help people make better decisions.

2. Status Quo Bias Basic Introduction

Status quo bias refers to the tendency of people to choose to maintain the status quo when making decisions. It is a cognitive bias that makes people more willing to take the same or conservative option rather than try a new option or make a change. Specifically, status quo bias manifests itself in people's identification and habituation with the current situation, making them more likely to accept the choices that already exist and less willing to take the risk of trying a new one. This bias may be due to people's fear of uncertainty and change, as well as their comfort with known environments and familiar situations. The significance of current prejudice lies in its broad and profound impact on individuals, organizations, and societies. It influences personal decisions, market behavior, and investment decisions. It can limit personal growth, influence consumer purchasing decisions and businesses' marketing strategies, and influence investor choice and returns. Recognizing the importance of current prejudices can facilitate the development of interventions that can facilitate more rational and beneficial decision-making by individuals, organizations, and societies.

3. Status Quo Bias in Consumption Behavior

3.1. Literature Review

Consumers often, when faced with a decision, tend to choose to keep their current choice or behavior rather than try a new choice. This status quo bias may be due to people's discomfort with the risks and uncertainties of change, or some degree of satisfaction or inertia with existing choices or states [1]. In consumption behavior, status quo deviation may be manifested in the following aspects: (1) Buying inertia: Consumers are accustomed to buying the same brand or type of goods because they think these goods meet their needs and can bring psychological satisfaction. (2) Information limitation: Consumers may not have enough information to make rational purchasing decisions. They will choose to buy what they know rather than do more research and comparisons. (3) Expected utility: Consumers may look to past experiences and expect similar results from future purchases. They tend to choose options that have been proven to work rather than try something new [2].

Taking mass tea consumption as an example, Chen empirically tested the deviation between consumers' declarative tea preference and consumption behavior and its influencing factors [3]. Based on a survey of 1419 respondents from the general public, this research utilizes logistic regression analysis to identify the key factors influencing the deviation in popular tea consumption intention and behavior. The findings reveal that consumers' gender, age, education, family income, level of tea understanding, and attention to price, brand, and quality are significant factors contributing to the deviation in popular tea consumption intention and behavior. These findings have important implications for promoting the market development of popular teas. Consumers' consumption intention can only reflect their stated preferences, but consumption intention may not effectively predict consumption behavior, that is, it may not be effectively transformed into actual consumption behavior, which leads to the deviation between the "consumption intention" of stated preference and the "consumption behavior" of displayed preference [4]. If the stated preference of Chinese consumers for mass tea is not completely consistent with their actual consumption behavior,

then the market demand and policies formulated according to the method of the willingness survey are likely to have deviated.

3.2. Cause and Influence Analysis

Current sources of bias in consumer decision-making include familiarity, constraints, and laziness. People tend to like and feel comfortable with choices they are familiar with, and feel uneasy and anxious about choices they are unfamiliar with. Current biases also relate to adherence to rules and practices, limiting consumers to their purchase history, the opinions of others, and advertising, leading to choice inertia and risk aversion. Such prejudices are further influenced by inertia, as consumers may be confused among many options and choose known options to avoid fatigue and uncertainty. Current biases influence consumer decision-making by inducing preferences and protections against existing choices while ignoring and underestimating other choices. Consumers may stick too hard to familiar choices even when there are better choices, leading to “inertia consumption”. Likewise, they may ignore the potential benefits of other choices, leading to a “failed choice.” These prejudices can prevent consumers from maximizing their profits and considering better choices.

3.3. Coping Strategies and Their Rationale and Applicability

To mitigate this impact, consumers can increase their opportunities to obtain and compare information and consciously focus on the advantages of other choices. Strategies for resolving deviations in the status quo include providing information, manufacturing conflicts, providing incentives, reducing choice, and providing frameworks. Providing information helps consumers understand the pros and cons of their choices, making them more accurate and rational in their decision-making. By creating competition by challenging consumer preferences for existing choices, more choices can be faced. It also can encourage consumers to make choices by offering incentives such as points and coupons. Reducing choice acknowledges consumer fatigue and helps simplify decision-making. Strategies like changing the way options are presented or offering categorization options can be used to give a framework that directs customers toward making more educated decisions in order to lessen the effects of status quo bias. However, it is crucial to remember that these tactics’ efficacy may vary based on the particular conditions, thus they should be carefully chosen and applied as necessary. For example, if the consumer lacks knowledge, providing the information is appropriate, and if the choice is relatively easy, reducing the choice is effective. If consumer preferences are strong, the effect of creating competition is high. In practice, these strategies can increase understanding by providing comprehensive product information, ratings, and media reviews, which can be used in consumer decision-making.

3.4. Discussion

The status quo deviation of consumers provides some inspiration help better understand and deal with the deviation of consumer behavior. People generally need to learn to take advantage of existing preferences. Consumers tend to stick with products or brands they are already familiar with and accustomed to. Therefore, by building brand loyalty and providing a consistent product experience, companies can take advantage of the status quo bias to attract and retain consumers. People need to provide comparison and choice convenience. Consumers tend to choose existing options when making decisions. Therefore, providing consumers with convenient comparison tools and a choice environment can help them evaluate different options more easily and mitigate the impact of status quo bias. To create new consumption habits, although the status quo deviation makes people less willing to change, through active marketing and creative promotion strategies, consumers can form new consumption habits. For example, consumers are encouraged to try new products or services by

offering trial periods or special offers. By understanding the implications of consumers' current deviations, enterprises, and marketers can better cope with the deviations in consumer behavior and design corresponding strategies to guide consumers to make decisions that better meet their interests and needs [2].

4. Status Quo Bias in Regular Financial Management

4.1. Literature Review

Periodic financial management refers to a financial management method that conducts investment and financial management regularly and obtains financial freedom and wealth growth through long-term accumulation. Regular financial management can help people plan for future financial goals, and improve financial stability and risk control ability [5]. Theoretically, status quo variation affects people's typical financial behavior, especially for those with frequent financial demands. Due to the bias, they are more likely to keep things as they are than make adjustments, which prevents them from following a regular financial plan. For successful solutions to assist people overcome this bias and engage in improved financial planning, it is essential to comprehend the impact and causes of status quo deviation on regular financial management. A tendency for immediate gratification, short-sightedness, impatience, a lack of financial awareness, and choice overload are the key aspects of ordinary personal finance that are impacted by status quo bias. These traits all work against long-term savings and investment goals as well as financial independence [6].

4.2. Cause and Influence Analysis

The reasons for the current situation deviation to affect regular financial management mainly include short-term interests. People are more likely to be affected by immediate interests and needs while ignoring long-term investment and savings plans. Moreover, many people lack financial education and knowledge and do not know how to make effective investments and savings planning, which makes it difficult to achieve financial freedom and independence. Faced with information overload, people tend to have difficulty in choice and paralysis in decision-making when facing complex investment options and information, thus giving up investment and savings plans [7]. The influence of status quo deviation on regular financial management is reflected in the tendency toward short-term consumption. The status quo deviation makes people more inclined to prefer current consumption while ignoring long-term investment and savings, which leads to insufficient asset accumulation. People often have difficulty sticking to long-term investments because they lack patience and long-term vision [8].

4.3. Coping Strategies and Their Rationale and Applicability

By improving information access and comparison, consumers may assess various options. Exploration can be encouraged by encouraging customers to think about the benefits of alternative possibilities through focused marketing efforts or product demos. Making educated decisions is aided by decision support resources like tailored planning tools and comparative websites. Individuals are empowered when goal-setting and financial literacy are encouraged. By putting these tactics into practice, status quo bias is lessened, which encourages consumers to make decisions that are more sensible and in line with their long-term objectives. Through the effective application of these strategies, consumers can better avoid the influence of status quo deviation and make more rational and objective decisions [9].

4.4. Discussion

The enlightenment from the status quo bias of regular financial management is that people need to recognize the impact of the status quo bias on our financial decisions and take corresponding measures to overcome this bias.

Enhance long-term vision: people should abandon the temptation of short-term gain and realize the importance of long-term investment and saving to achieve financial freedom and independence. Be patient and aware of long-term planning, stick to a regular financial plan, and put your long-term goals first [10]. Improve financial literacy: By learning and improving our financial education, we can better understand the knowledge and skills to invest and save so that we can make more effective financial planning. Understanding various investment tools and strategies and seeking professional advice can help make informed decisions. Simplify your choices: When faced with a multitude of investment options, it's easy to get caught up in difficult choices and hesitant decisions, leading to the abandonment of your financial plan. Therefore, they can simplify the selection, select a few investment options that are suitable for us, and conduct in-depth research and comparison to make a more informed decision [11].

5. Conclusion

Status quo bias is when people tend to maintain their current state or choose options similar to their current state when making decisions. In consumer decision-making, status quo bias can lead people to make irrational decisions, thus affecting their consumption behavior and financial planning. To cope with the negative impact of status quo bias on consumer decision-making, researchers have proposed some coping strategies, such as setting goals and providing information, which can effectively help people overcome the status quo bias. In terms of periodic financial management, status quo deviation will also affect people's decision-making, leading to the situation that people give up existing benefits when investing in periodic financial management. Strategies such as setting up automated savings plans and using visual tools can be used to solve this problem. These strategies can help people overcome the status quo bias, promote regular personal financial behavior, and improve the effectiveness of personal financial planning. The current research is based on existing literature and experimental results. Future research will combine relevant experiments and data to further deepen the understanding of how regular financial and consumption decisions manifest in the status quo bias.

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