

The Prevalence Heuristic: Mistaking What Has Been Chosen for What Will Be Chosen

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Four studies demonstrate that, in predicting what others are likely to choose, people overestimate how often **common** (but bland) items will be chosen over **rare** (but exciting) options.

Study 1

The prevalence heuristic distorts predictions of choice.

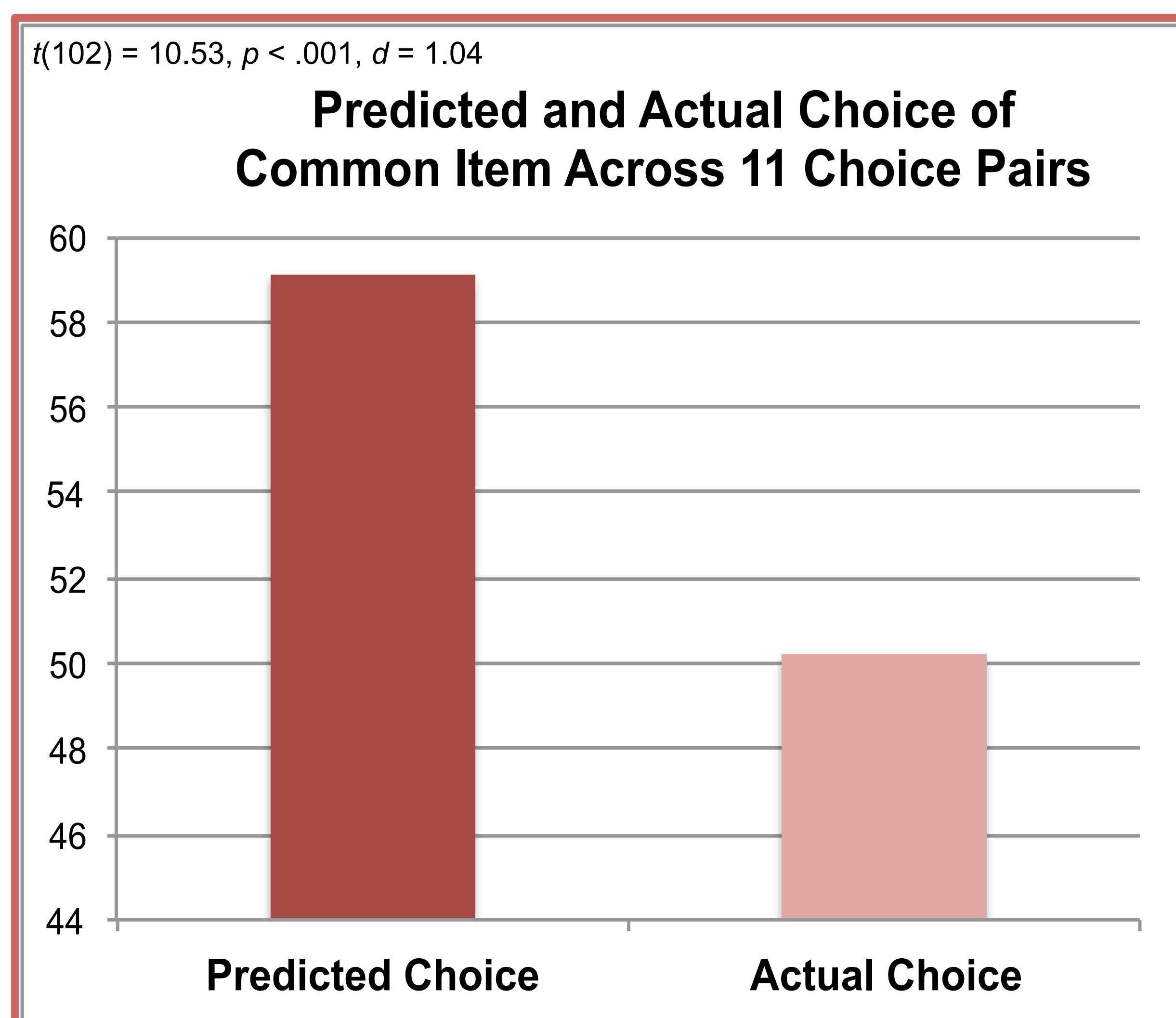
Example:

Choice: If you had the choice of the following two options for dessert tomorrow, which would you choose?

Vanilla ice cream
Tiramisu

Forecasts: What percentage of other participants will choose one v. the other?

Sliding scale: Vanilla ice cream
Sliding scale: Tiramisu
(numbers add up to 100)



Study 2

An incentive-compatible demonstration using real choice.

Perceived Prevalence



B = 2.61 (0.43)***

Predicted Choice



In two different contexts, participants overestimated choice of Original (vs. Midnight Dark) Milky Way bar.

Perceived prevalence of the common item predicted forecasted choice of common item.

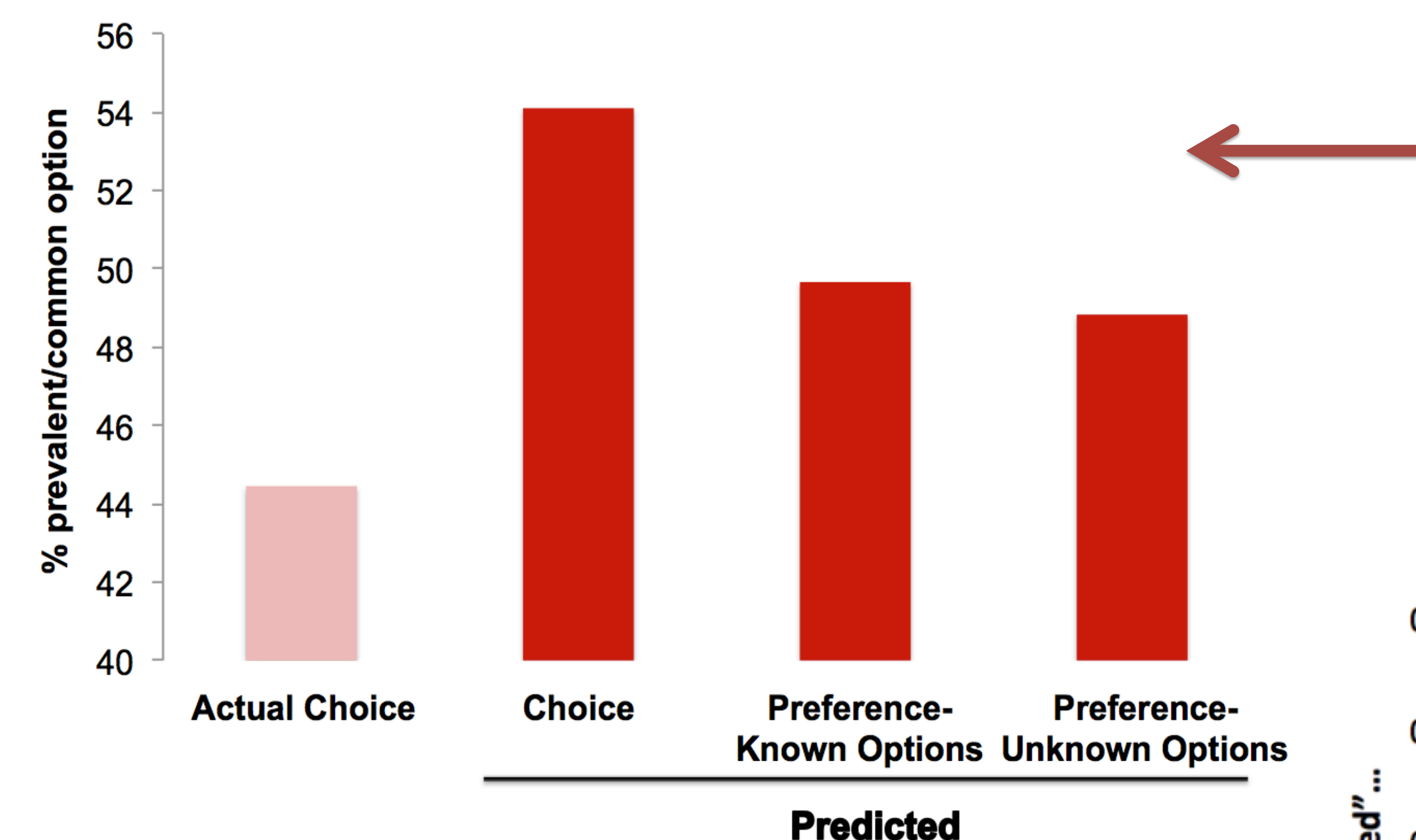
	Predicted Choice	Actual Choice	(Predicted - Actual)
Pilot Study (n = 82)	64.49 (20.22)	56.10	8.39***
Lab Study (n = 190)	63.34 (17.49)	55.26	8.08***

t(81) = 3.76, p = .001, d = .44; t(189) = 6.57, p < .001, d = .46

Study 3

Confusing what has been chosen for what one would choose

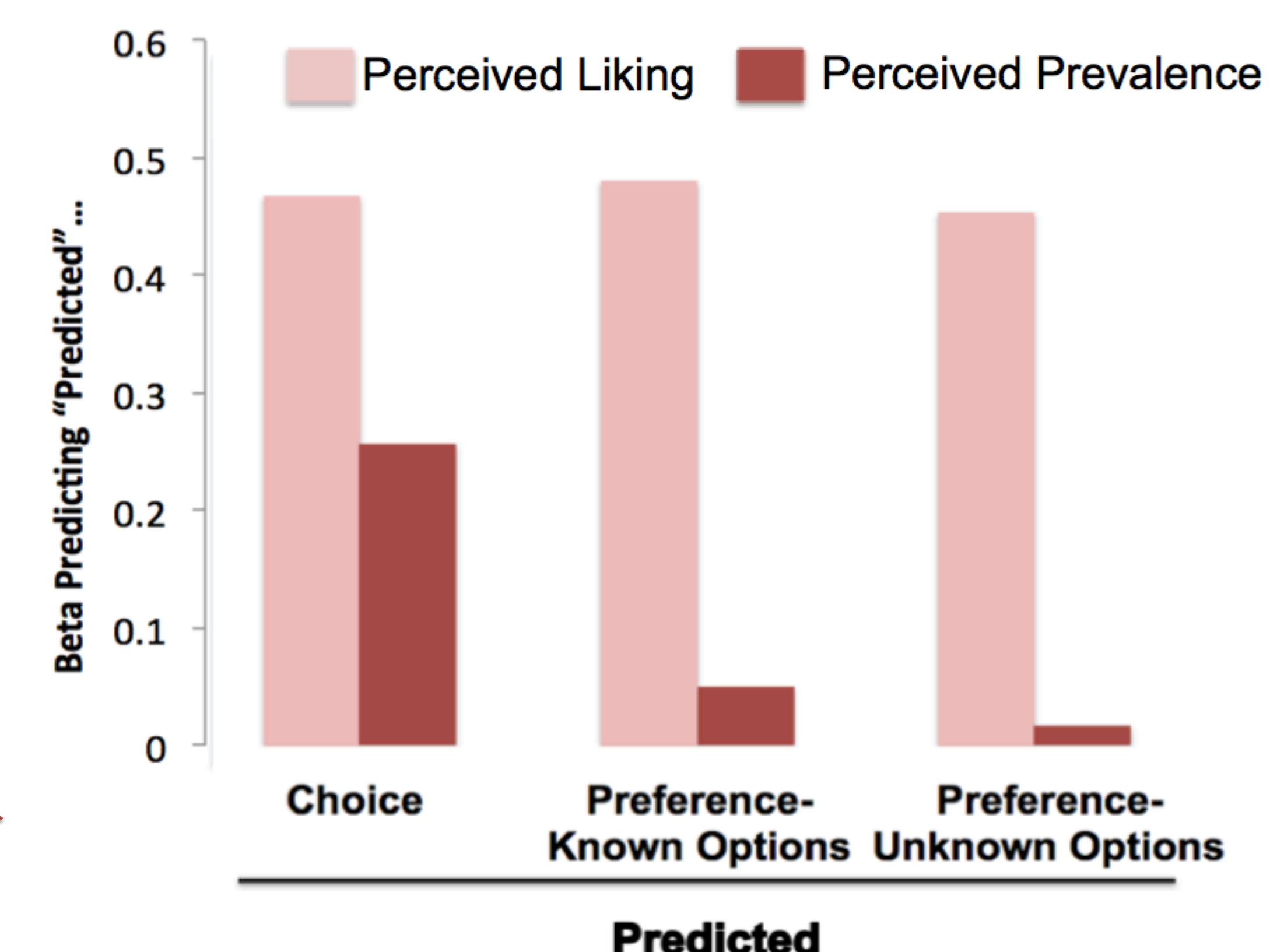
Preference Conditions: "What percent chance is there that Participant A would be more pleased to receive one item or the other?"



Participants forecasting **choice** (vs. preference) displayed greatest overestimation of common (vs. rare) item across 11 choice pairs (n = 211)

In all conditions, participants relied on *perceived liking* of common vs. rare item when making forecasts.

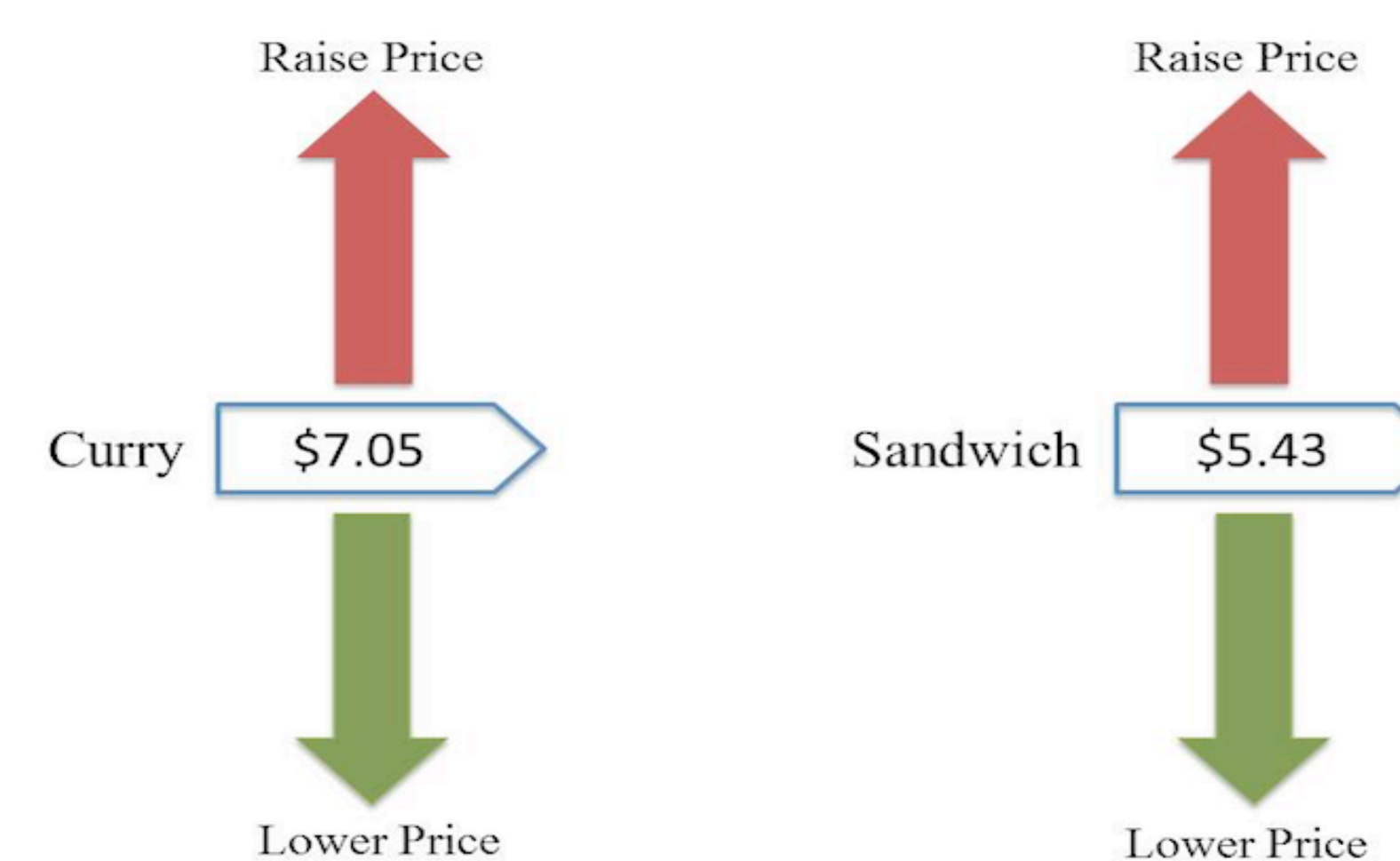
Controlling for *perceived liking*, only those in "choice" condition relied on *perceived prevalence* in forming their predictions.



Study 4

An implication for (sub)optimal pricing strategy

Ppts. more likely to raise price of common (vs. rare) items across 11 choice pairs



Prevalence heuristic (forecast choice of common - rare) predicts pricing strategy
B = .005, SE = .001, t(144.77) = 6.18, p < .001

Predicted Choice



Pricing Strategy



	Common Item	Rare Item
Raise Price	28.46%	23.49%
Lower Price	45.16%	33.41%

B = 0.17, SE = .04, t(154.17) = 4.00, p < .001