

Framing Effect & Irrationality of Sum of Choices

Group 8

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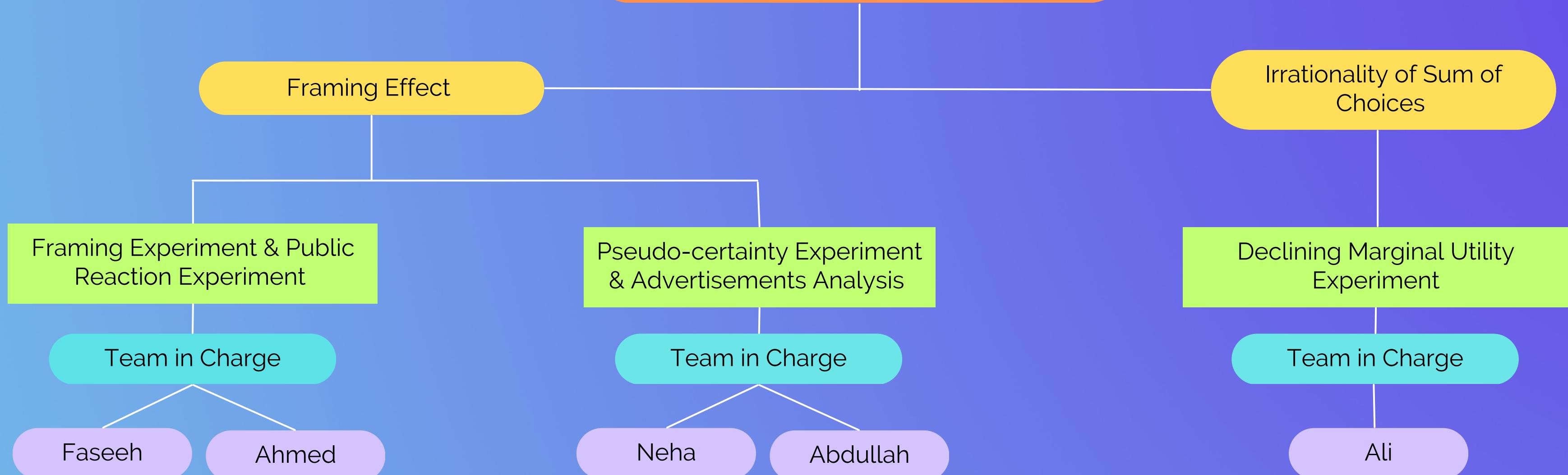
Neha Naeem

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Work Board

Framing Effect & Irrationality of Sum of Choices Project



Advertisements Comparative Analysis

Gimme a
big, juicy
burger
with
lettuce,
tomato,
ketchup,
mustard,
pickles
and
onions.

Hold
the fat.

New McLean Deluxe 91% fat-free

Say this anywhere else and you'll get a blank stare. Say this at McDonald's®
and you'll get our new McLean Deluxe.™ Made with a revolutionary 91%
fat-free beef patty, new McLean Deluxe is the leanest burger in the
business. It's the taste you've loved for years, but with a lot less fat.
Try McLean Deluxe. At 91% fat-free, it's the least you could do.



The Whopper DAY 28



THE BEAUTY
OF NO ARTIFICIAL
PRESERVATIVES



Advertisements Comparative Analysis



The image shows a side-by-side comparison of two chocolate bars. On the left is a standard dark chocolate bar with "DIABETES" written on it in large blue letters. On the right is a TRU CHOCOLATE Type 2 bar, which is dark chocolate covered with almonds and labeled "0% SUGAR". The background is white, and there is some text at the bottom right.

It's time for a sweet treat that doesn't treat your body like garbage.
Get the taste of chocolate without the negative side effects of sugar.

ALL OF THE CHOCOLATE, NONE OF THE SUGAR.

TRU CHOCOLATE
0% SUGAR
DARK CHOCOLATE COVERED ALMONDS
22% COCOA VEGAN NATURALLY SWEETENED
NET WT 3.0 OZ (85g)

Advertisements Comparative Analysis



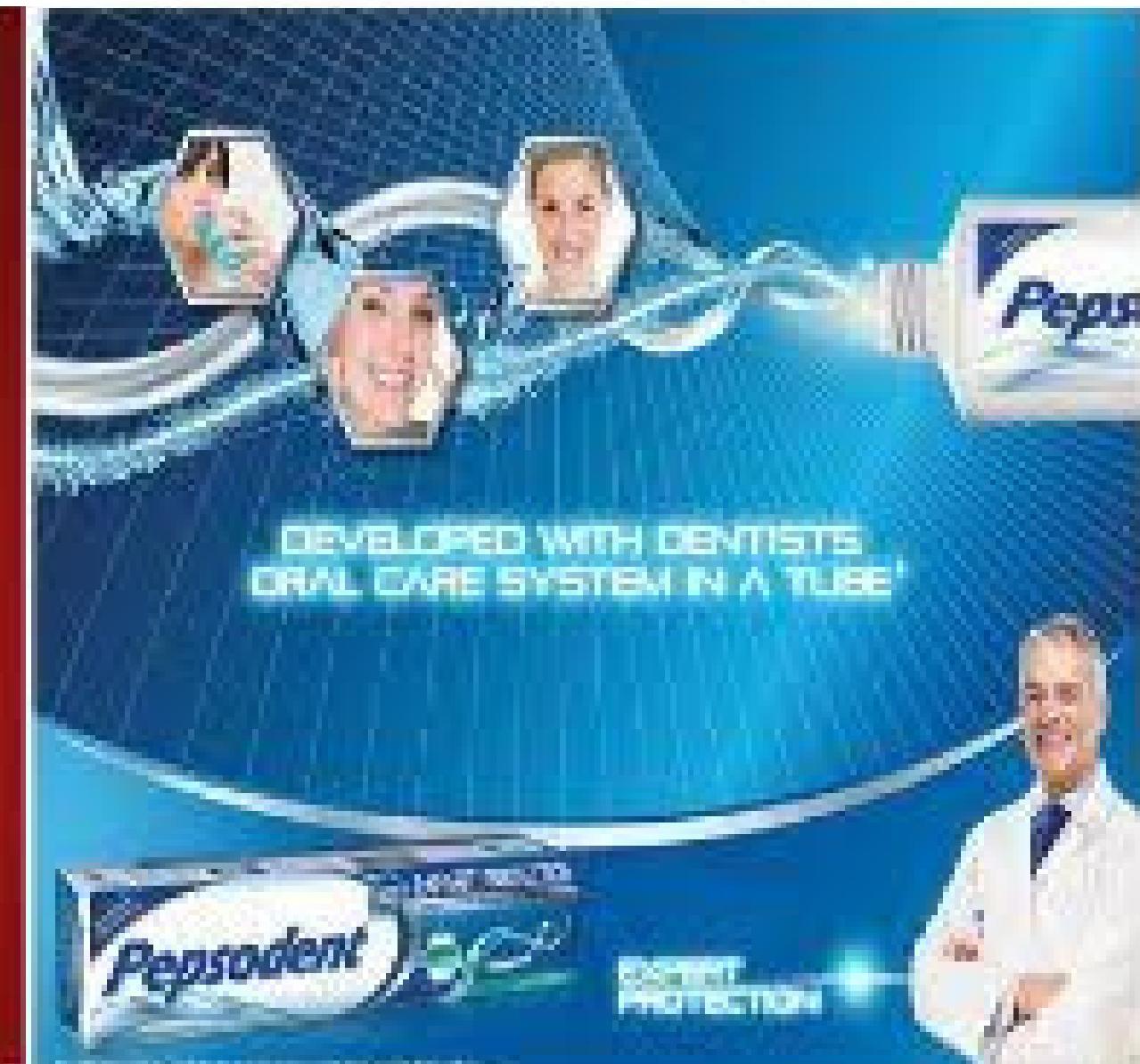
9 out of 10 Dentist recommends Sensodyne.



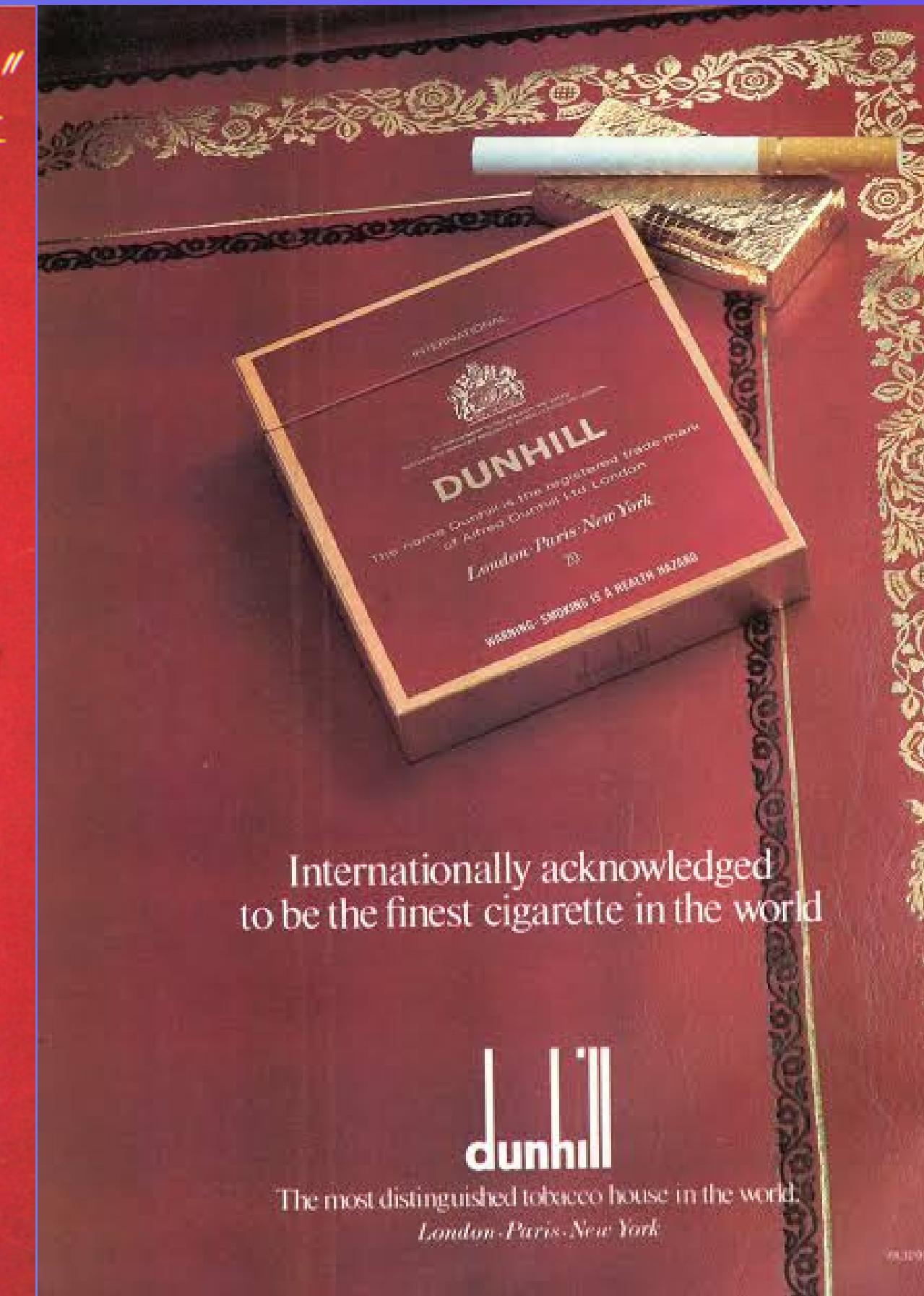
#1 brand recommended by Dentists.



The Brand More Dentists Use Themselves Worldwide.



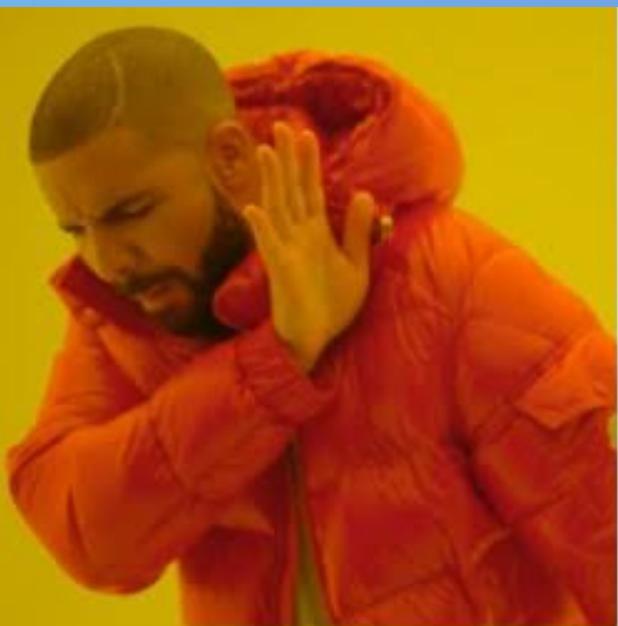
Advertisements Comparative Analysis



Negative Framing Advertisements



Effects on Decision Behaviour



25%
fat



75%
fat-free



5 SECONDS
UNSKIPPABLE
AD



30 SECONDS AD
THAT YOU CAN
SKIP AFTER
5 SECONDS

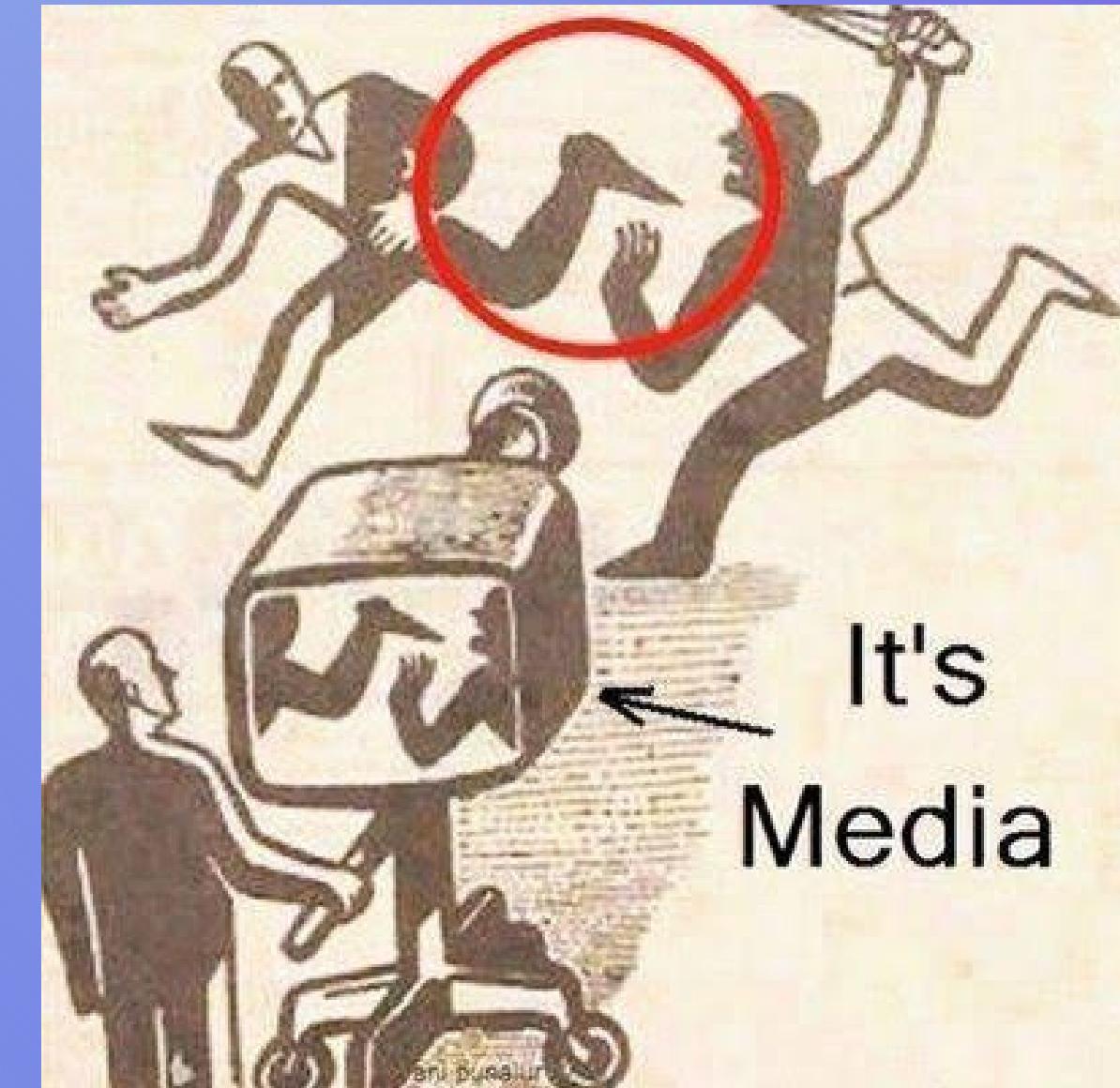


Ear Phones
₹700

Ear Phones
₹700 (50% OFF!)
~~₹1400~~

THE FRAMING EFFECT

- “Framing” refers to whether an option is presented as a loss (negative) or a gain (positive).
- Framing Bias is a type of cognitive bias or error in thinking.
- It states that choices are influenced by the way they are framed through different wordings, settings, and situations.
- Occurs when people react differently to something depending on whether it is presented as positive or negative.
- People are generally biased toward picking an option they view as a gain over one they view as a loss, even if both options lead to the same result.



THE FRAMING EFFECT IN MAINSTREAM MEDIA

The most common example can be found in social media and news channels

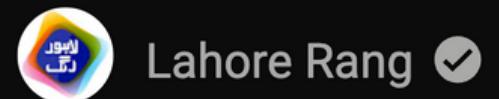
As you all know how the framing effect played a part in the media coverage of the LUMS Shadi day

A simple fun event by the seniors in lieu of their graduation, displayed in news channels as horrific and a disgrace to the country and religion.

نجی یونیورسٹی میں طلباء کی "جعلی شادی" کی ویڈیو سوشل میڈیا پر واائرل!
ایسی سرگرمیوں کا طلباء اور معاشرے سے پر کیا اثر پڑتا ہے؟ کیا ہم مغربی
کچھ کو پرموٹ کر رہے ہیں؟ ماہر تعلیم حمیرا الطیف خان کا بڑا انکشاف

28:13

LUMS Students Organized Lahore Rang
292 views • 5 hours ago



LUMS Students Organized Fake Wedding

New

India TV News
<https://www.indiatvnews.com> › Trending

Pakistani college students organise fake shaadi on 'Bollywood Day'
3 days ago — Pakistani college students organise fake shaadi on 'Bollywood Day', internet reacts. The event, which took place at the Lahore University of ...

Khaleej Times
<https://www.khaleejtimes.com> › offbeat › watch-pakistan...

Watch: Pakistani students throw fake wedding at university, go ...
2 days ago — They did not hold back, making the event a three-day affair with all major functions – 'Baat Pakki' (Confirmation of marriage), 'Mehendi' and ' ...

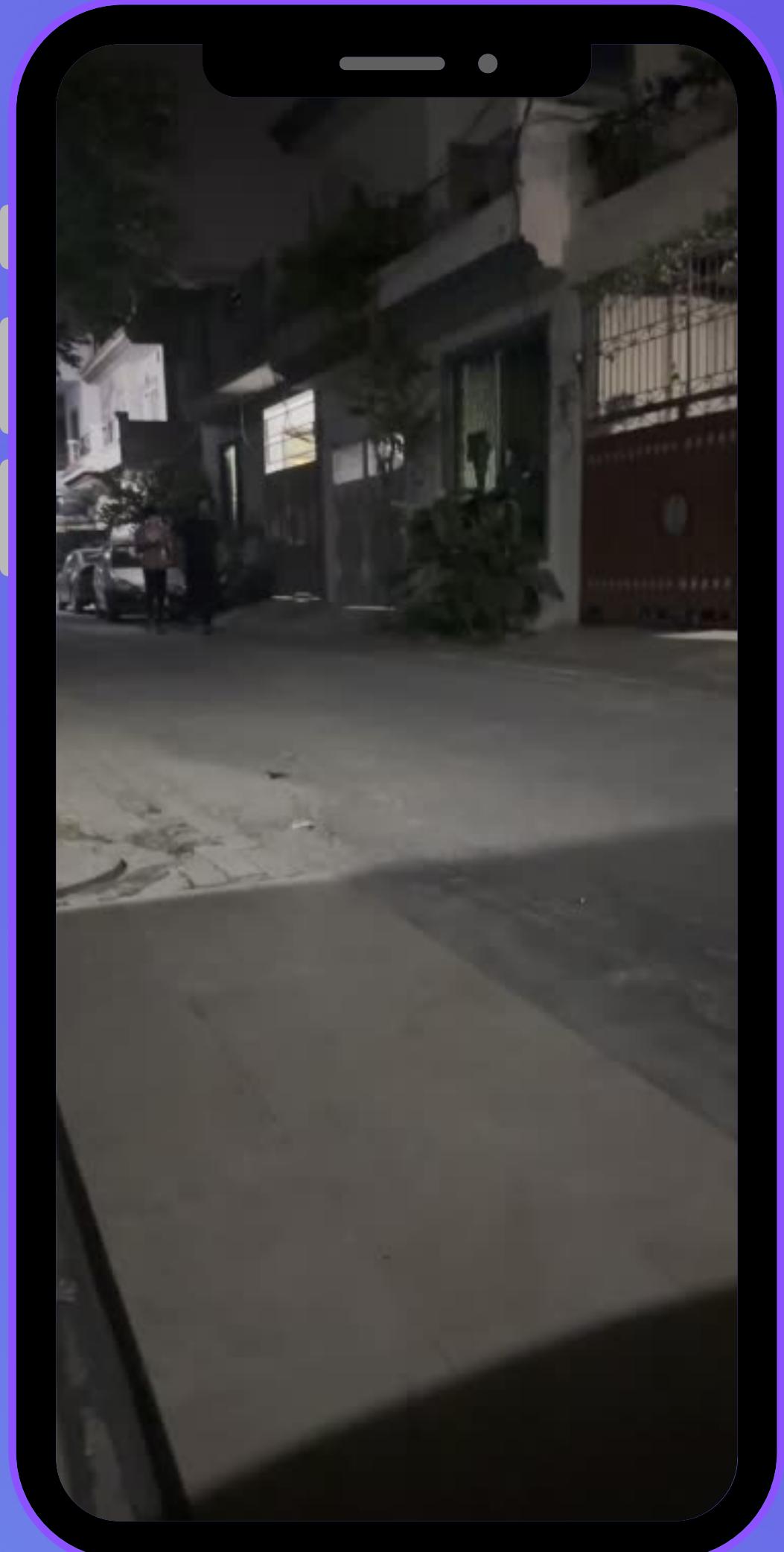
abplive.com
<https://news.abplive.com> › Trending

Pakistani University Students Organise 'Fake Shaadi', Video ...
4 days ago — The students celebrated the event as "Bollywood Day" and dressed like the renowned characters from Bollywood movies, according to twitter users.

UNDERSTANDING THE IMPORTANCE

- In the previous example of the advertisements – we witnessed that people were more inclined to choose positively framed products
- Therefore, understanding that people are influenced by framing can make us focus on how we present information we want others to accept and act on.
- Knowing that people are drawn to framing that highlights certain gains can help us present our work in this fashion, making it more attractive and effective.
- Many interconnected decisions in the real world, such as portfolio selection, budgeting, and funding for new projects, can occur one decision at a time or in groups of decisions.
- This suggests that the sequential nature of the decision-making process in organizations is likely to enhance the potential for inconsistency and nonrational choice.
- Managers may go along making individual decisions that each seem sensible but, when viewed as a whole, are obviously suboptimal.

PRANK VIDEO



SOCIAL EXPERIMENT

- We designed a social experiment on charity to test the framing effect
- Two experiments, where people were given two questions with the statement changed but presented with the same question

Fig: Survey 1

Social Issue Scenario

Donation required for two deserving students (hypothetical scenario). Imagine you are given PKR 50,000 to split between the two options.

(Please note that you can only spend PKR 50,000 - you may choose to spend less but not more than this amount)

Case 1:

There's a student struggling to pay her tuition in her last year for a university degree. She has a very good CGPA and could possibly land a respected high paying job to become financially independent! She has done multiple internships at MNC's and has an impressive resume and requires PKR 50,000 more to pay her fee.

Case 2:

There's a student struggling to pay his tuition in his last year for a university degree. He needs your help to pay his tuition. He lost his father and his mother supports the family with limited income. Without your help, he will not be able to complete his degree and will have to take up a menial job. They will become homeless and his siblings will not be able to study. He needs PKR 50,000 to complete his degree and take up a high paying job.

Fig: Survey 2

Social Issue Scenario

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EXPERIMENT

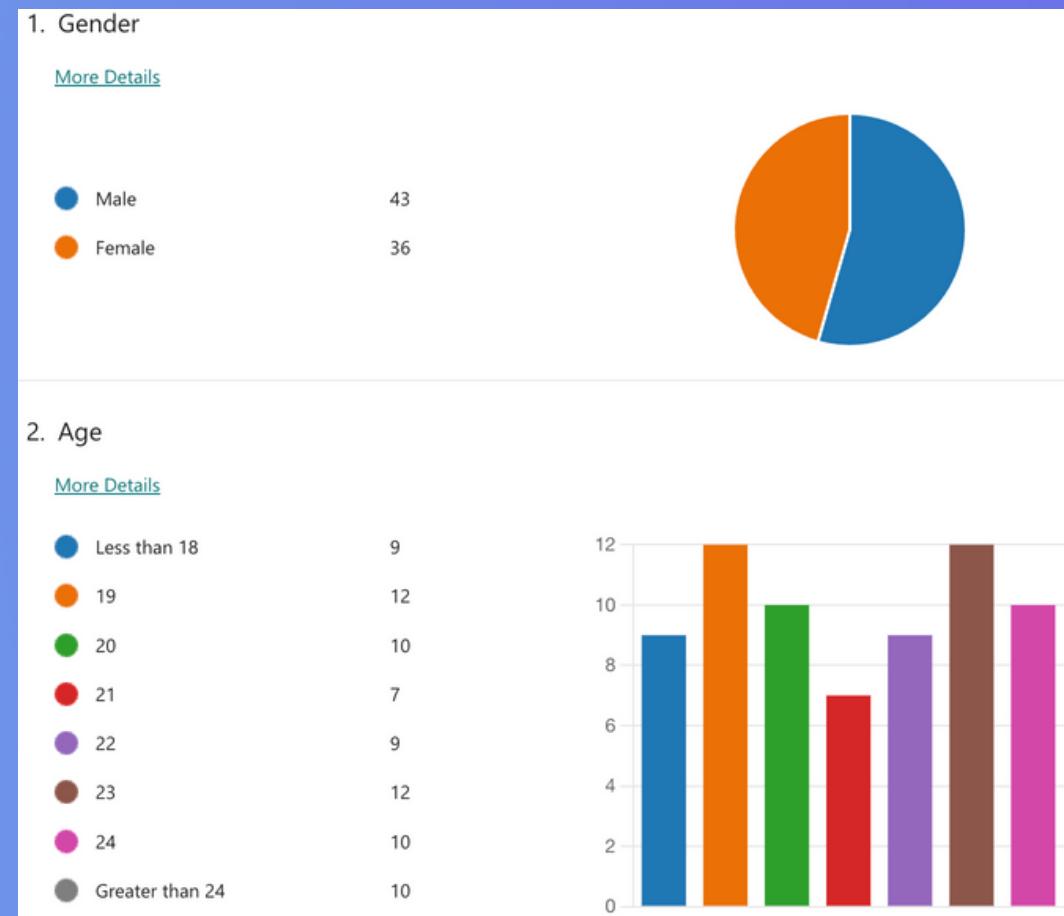


Fig: Survey 1

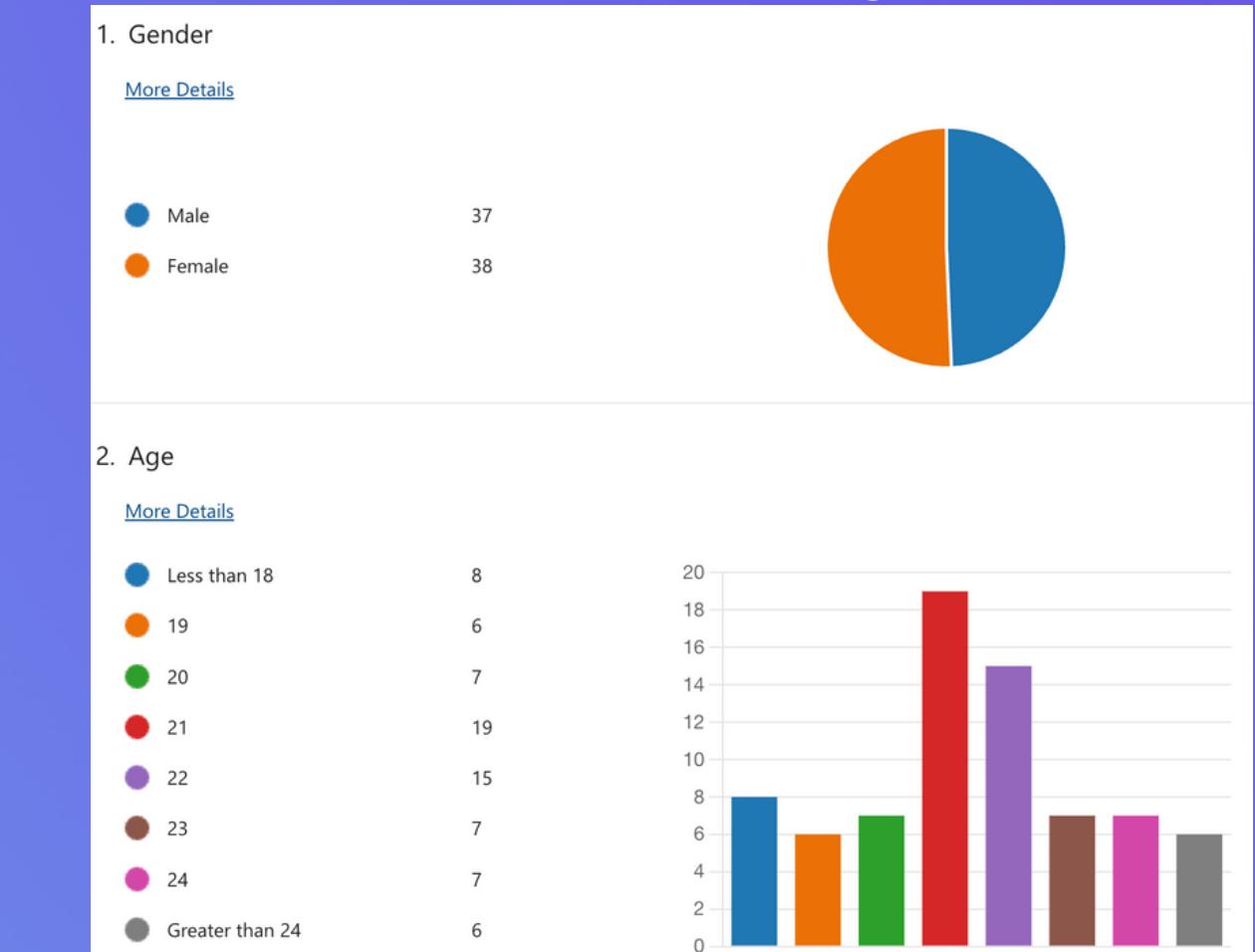


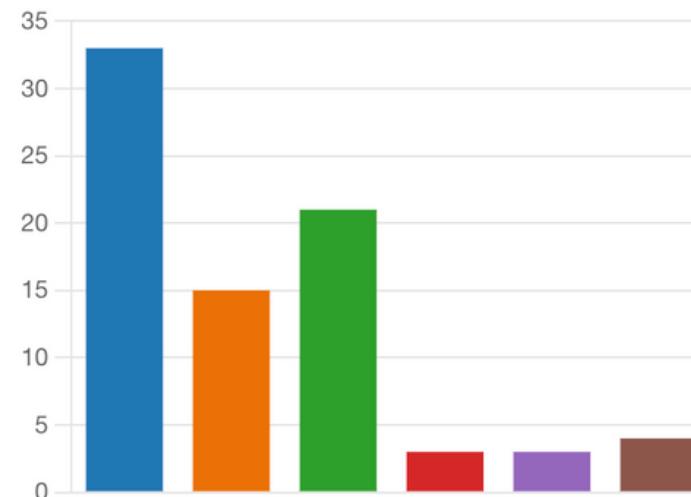
Fig: Survey 2

RESULTS

4. How much will you be willing to donate for case 1?

[More Details](#)

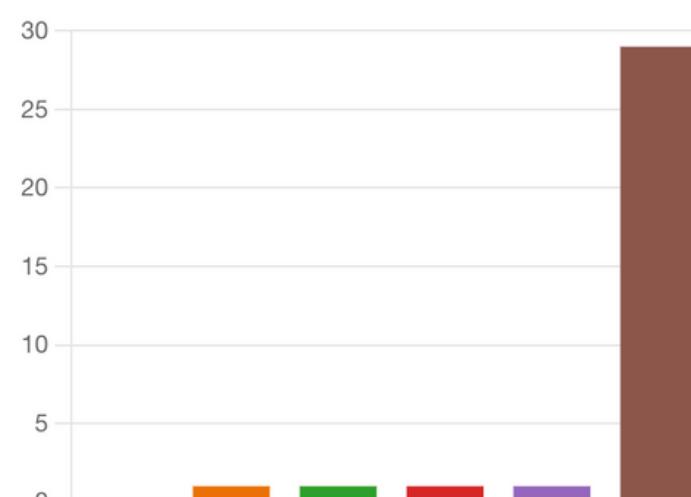
PKR 0	33
PKR 10,000	15
PKR 20,000	21
PKR 30,000	3
PKR 40,000	3
PKR 50,000	4



5. How much will you be willing to donate for case 2?

[More Details](#)

PKR 0	0
PKR 10,000	1
PKR 20,000	1
PKR 30,000	1
PKR 40,000	1
PKR 50,000	29



- As we hypothesised, the case that was positively framed received more donations than the other one
- in Survey one, case 2 received the most donations with the highest number being the whole 50,000 and then 20,000 and 30,000

Fig: Survey 1

RESULTS

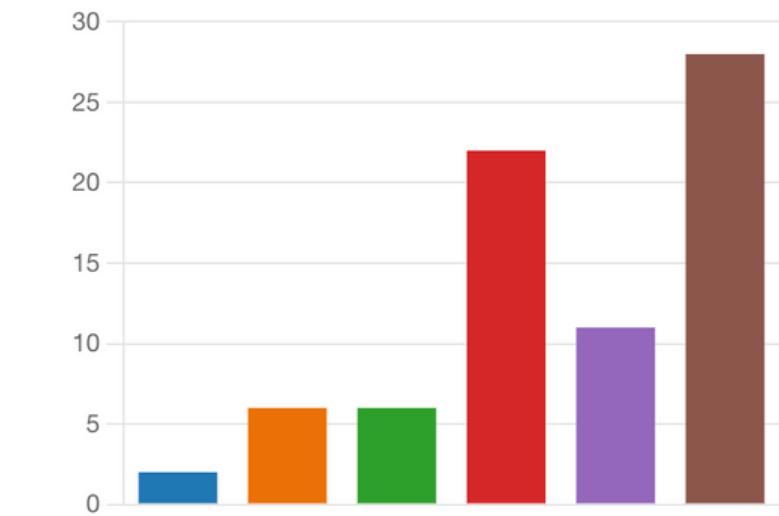
- Similar results were received in the second survey.
- In Survey two, case 1 received the most donations, with the highest number being the whole 50,000 and then 20,000 and 30,000 since it was more emotionally framed

Fig: Survey 2

4. How much will you be willing to donate for case 1?

[More Details](#)

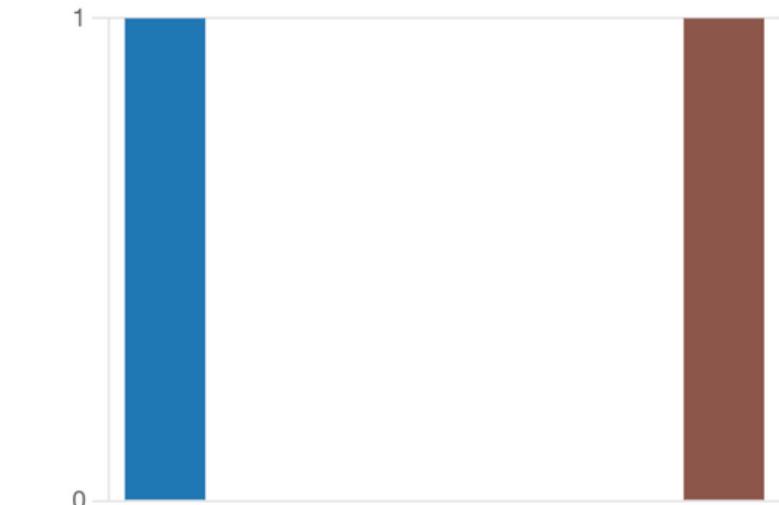
PKR 0	2
PKR 10,000	6
PKR 20,000	6
PKR 30,000	22
PKR 40,000	11
PKR 50,000	28



5. How much will you be willing to donate for case 2?

[More Details](#)

PKR 0	1
PKR 10,000	0
PKR 20,000	0
PKR 30,000	0
PKR 40,000	0
PKR 50,000	1



INTERESTING FINDING

- The most number of donations for both surveys was 50,000, which also points towards pseudo-certainty which will be explained shortly
- People preferred donating the whole amount, which fulfilled the students' requirement, instead of dividing the amount between the cases.

PSEUDOCERTAINTY EFFECT

- It refers to people's tendency to make risk-averse choices if the expected outcome is positive, but risk-seeking choices to avoid negative outcomes.
- Their choices can be affected by simply reframing the descriptions of the outcomes without changing the actual utility.
- Insurance policies, fixed-income securities and gambling are great examples of this effect in our day to day lives
- Overall, the pseudocertainty effect shows that people often prioritize certainty over potential gains, even if it means sacrificing a higher payoff.



SALARY - MAJOR CHANGE EXPERIMENT

- We designed a social experiment to test the pseudocertainty effect
- Participants were given two questions with some slight variations each time

Project Survey

* Required

Salary Scenario

Whatever your current major/field is **there is a 45% chance to get a very high starting salary in your current field**

4. However, new information has come to light. You can change your major, and your starting salary chance can increase from 45% to 70%. How many **more** years would you be willing to study? *

None

1

2

3

4

Project Survey

* Required

New Salary Scenario

Whatever your current major is **there is now a 70% chance that you will get a very high starting salary in your current field**

6. However, yet again new information has come to light. You can change your major, and your starting salary chance can increase from 70% to 95%. How many **more** years would you be willing to study? *

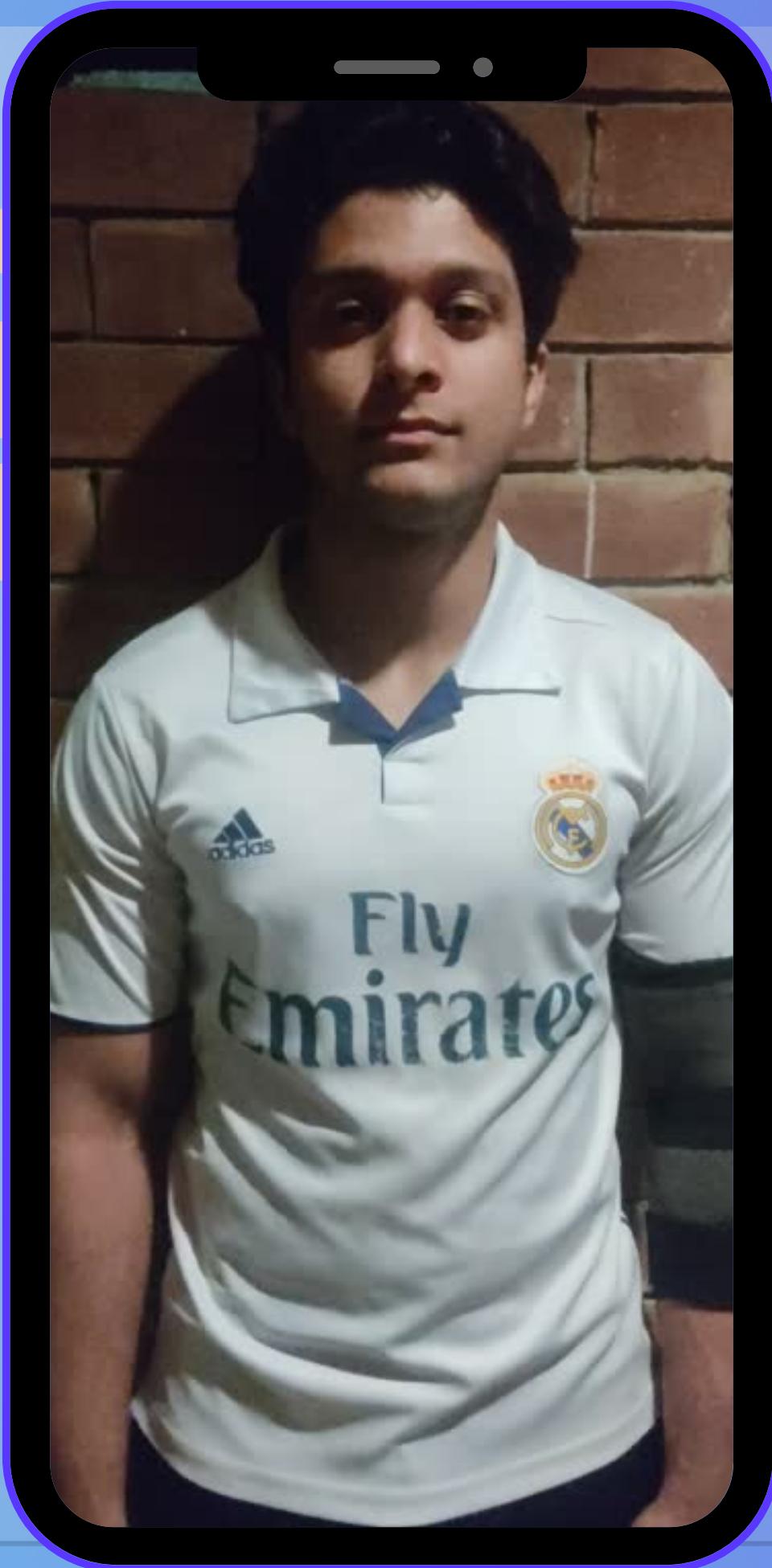
None

1

2

3

4

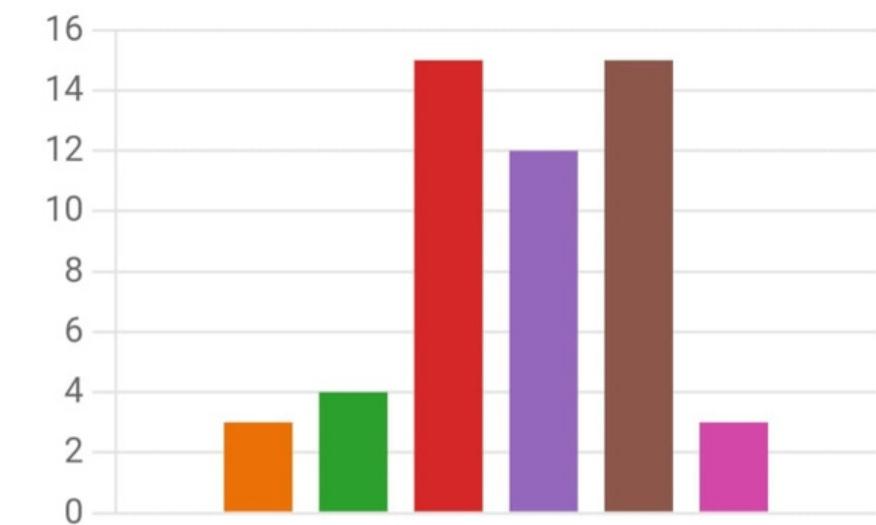


EXPERIMENT

2. Age

[More Details](#)

Less than 18	0
19	3
20	4
21	15
22	12
23	15
24	3
Greater than 24	0



RESULTS OF EXPERIMENT

- Just as we hypothesized, participants were willing to study for more number of years in scenario 1 as compared to the second one
- Even though the increase in the probability is the same in both cases, the higher starting probability of 70% may lead the participant to feel more certain of their success and less willing to take additional risks to increase their chances further.

4. However, new information has come to light. You can change your major, and your starting salary chance can increase from 45% to 70%. How many **more** years would you be willing to study?

[More Details](#) [Insights](#)

None	2
1	18
2	22
3	9
4	1



6. However, yet again new information has come to light. You can change your major, and your starting salary chance can increase from 70% to 95%. How many **more** years would you be willing to study?

[More Details](#) [Insights](#)

None	26
1	22
2	3
3	1
4	0



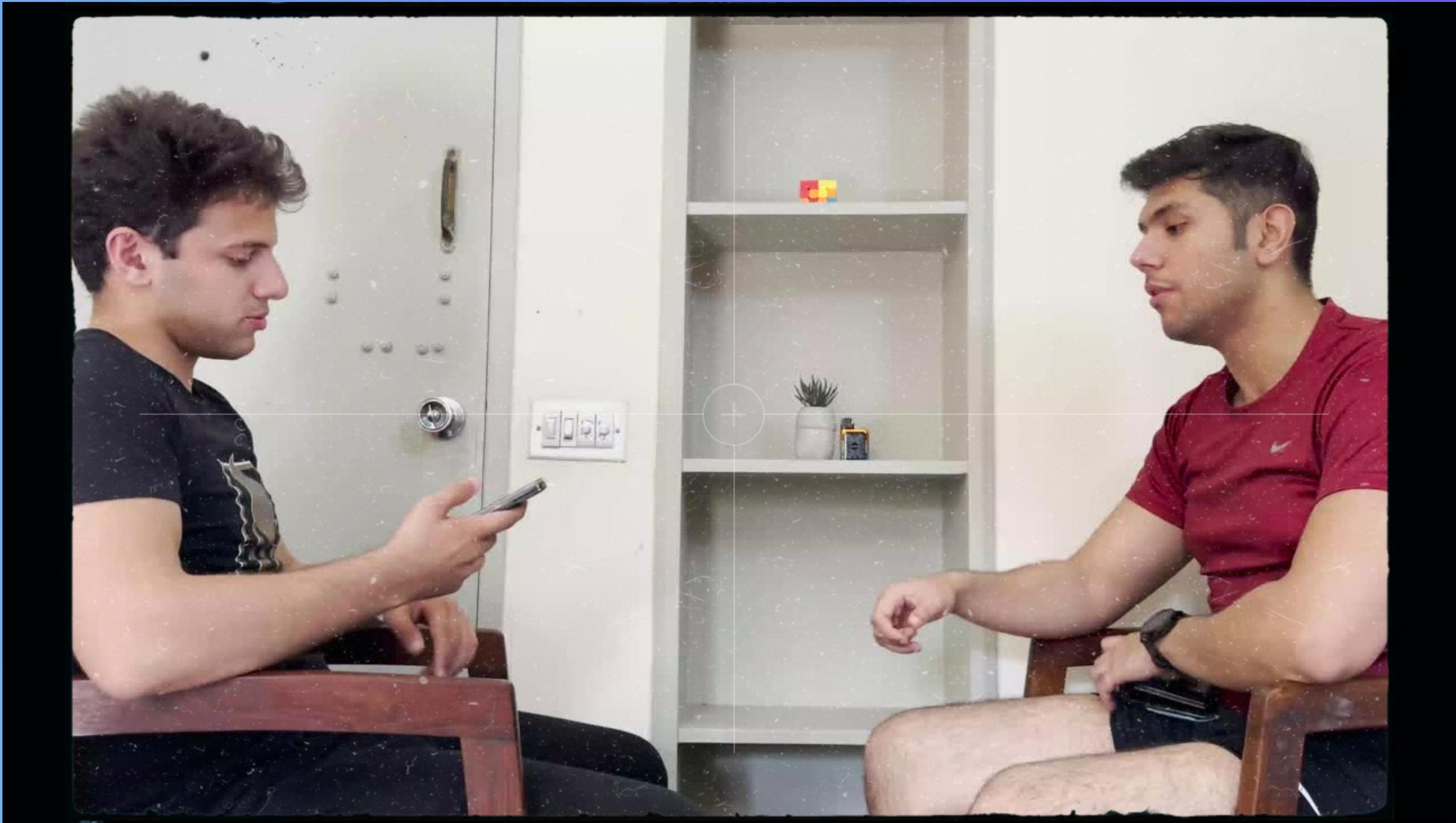
DECLINING MARGINAL UTILITY EXPERIMENT

- As an individual consumes more units of a product, the satisfaction or value they receive from each additional unit decreases.
- In the experiment we gave an item to people and asked them to rate their happiness.
- The same item was given multiple times and people were asked to rate their happiness.
- This step was repeated 5 times.
- This concept doesn't apply on cats.



Fig: Sir Chonks I

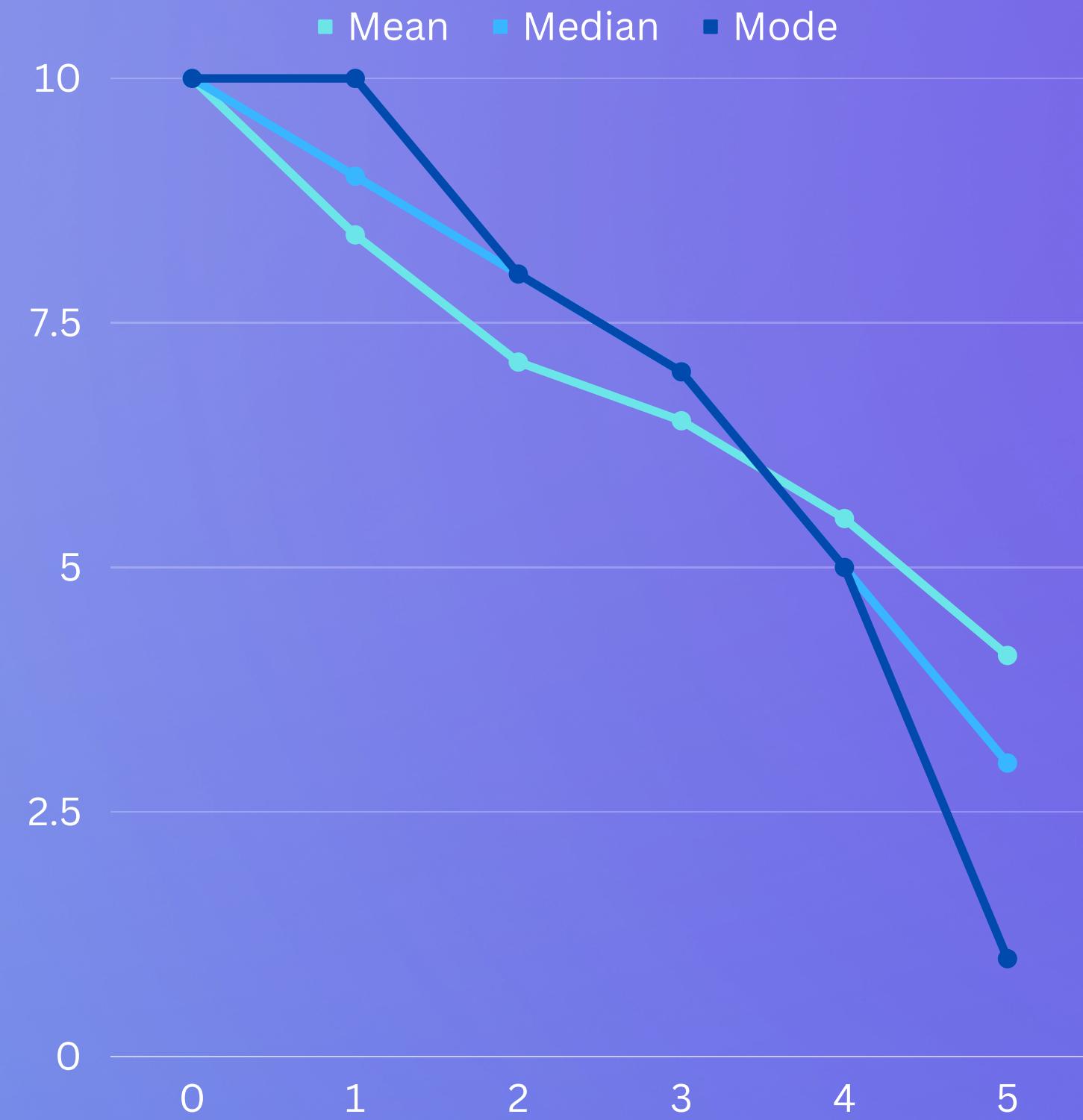
Declining Marginal Utility Experiment



INTERPRETING RESULTS

- We conducted the experiment with different items like mobile phones, money, cake and chocolates.
- For items like phones the utility stayed constantly high throughout the experiment
- For the edible items like chocolates, In the second iteration the utility seemed to have an equal chance of increasing, decreasing or staying constant.
- Utility started to drop in the 3rd and subsequent iterations.
- For 5 iterations of the experiment, utility only declines when the subjects consumed the product immediately.

Fig: Marginal utility over 5 iterations



LIMITATIONS

Convenience Sampling: Even though we distributed the survey to diverse segments, most of them belonged to LUMS.

Sample Size: Due to time and resource constraints our sample size ranged from 50-70

Interview bias: The people being recorded might have been unconsciously biased to give an answer which seemed favourable to the interviewer

Limited validity: Since the experiments were conducted in a controlled environment, the results may not generalizable to other contexts/populations

Limited information: Participants may have other important factors to consider, such as their interests, aptitudes, and career goals, that could influence their decision-making.

We cannot determine the effects on marginal utility beyond consuming an item 5 times.

THANK YOU

Pay 100Rs to get 3 tries at asking a question so just
applause will do!