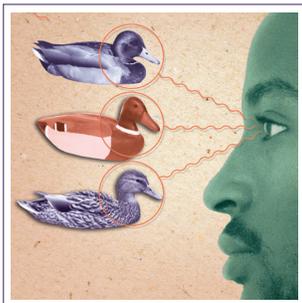




Improve Your Fundraising
with the Decoy Option

How did Williams Sonoma increase sales of its higher-priced bread makers?

MOST PEOPLE want to feel as if they are savvy shoppers, so they don't opt for the highest priced item. Williams Sonoma had two bread makers and the higher-priced one wasn't selling that well. Adding a third, even more expensive option, changed the perceived value of two other options and increased sales of what had been the highest-priced model. Given a choice between inexpensive, moderate, and expensive, more people bought the middle-priced option.



DECOY OPTIONS

What's Around a Number Affects Its Perception

Typically, people make decisions by comparing choices that are in front of them, rather than seeing those numbers in absolute terms. For example, most restaurants offer a range of dishes at different prices. Typically, there will be more expensive options, such as premium steaks, that make the other steaks and dishes appear more reasonable. Diners will compare the options in front of them — the \$35 steak versus the \$45 steak on the menu — and not with the \$25 steak at the restaurant next door. This is what's known as a decoy option — it's not meant to be selected, but can influence the perception of the other choices.

Increasing Magazine Subscriptions

Printed media have a tough time competing with digital offerings. To bring back print customers for **The Economist** magazine, behavioral economist Dan Ariely tested different subscription offers. In the first ad there were two offers, and most people selected the cheaper option. In the second ad, there were three options, and most people chose the higher priced one, increasing the magazine's total revenue. Why? A decoy selection was added to make the alternative, higher-priced option look like a better deal.

Increasing Museum Membership

Attracting a steady revenue stream is important for nonprofits. Membership is one way to do that. But, as an art museum discovered, the amount you get depends on how you ask. When the museum offered two membership levels, nearly five times as many people selected the lower level. In their second test, they introduced a third, lower-priced membership category as a decoy. In this test, the lower-priced club helped people consider (and select) the other options, which increased their total revenue.

The Economist Magazine Subscription Offers

TEST 1	SELECTED
Online subscription for \$59	68%
Online and print subscription for \$125	32%
Total revenue:	\$8,012

TEST 2	
Online subscription for \$59	16%
Print subscription for \$125	0
Online and print subscription for \$125	84%
Total revenue:	\$11,444

Art Museum Membership Levels

TEST 1	SELECTED
Picasso Club: \$2,500	8
Mondrian Club: \$1,000	42
Total revenue:	\$62,000

TEST 2	
Picasso Club: \$2,500	17
Mondrian Club: \$1,000	28
Magritte Club: \$750	6
Total revenue:	\$74,250

Apply the Decoy Affect to Your Fundraising

- Run a test with two offerings. It's likely the lower-priced one will prevail. Now introduce a third option to frame the other two as more worthwhile.
- The decoy effect can be used for events as well, for example, with high-priced decoys among your auction items, or offering tickets for a meal only, drinks only, and meals and drinks.



Red Rooster Group uses behavioral science to help nonprofits raise more money, create effective marketing, and improve their programs. Our Behavior Change Cycle and Fundraising Action Pack card deck help nonprofits put behavioral principles into practice. Contact us to tap into our insight.



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