

# Heuristics

*“A heuristic is a mental shortcut that allows people to solve problems and make judgments quickly and efficiently. These rule-of-thumb strategies shorten decision-making time and allow people to function without constantly stopping to think about their next course of action. Heuristics are helpful in many situations, but they can also lead to cognitive biases”*

*(from Kendra Cherry, [Heuristics and Cognitive Biases](#), March 17, 2019)*

## Representativeness

“When we make decisions based on representativeness, we may ... make more errors ... **Just because an event or object is representative does not mean its occurrence is more probable**” (from [VeryWellMind.com](#)).

### Non-Internet Examples

The more a generic product resembles a name-brand product, the more highly consumers rate it -- because of the generic product's representativeness (from [BehavioralEconomics.com](#)).

Investors are more likely to buy stocks that have only recently spiked in their value. Investors incorrectly assume that the stocks' recent spike in value is representative of the stocks' overall value, but it's not (from [BehavioralEconomics.com](#)).

### Internet Examples (lecture video)

“most Internet-shoppers are heavily biased by the strength of an item's positive rating (Flanagin et al., 2014). For example, they judge an item that's received an average rating of five stars as being a better purchase than a similar item that's received an average rating of only four stars. ... If the five-star rating is based on only two ratings, it's a much more biased source of information than a four-star rating based on 200 ratings.

Similarly, ... Internet-shoppers are heavily biased by one really positive review (Ziegel & Weber, 2015) rather than considering the base rate of multiple not-so-positive reviews.”

## Availability

“The availability heuristic allows people to assess how often an event occurs or how likely it will occur, based on **how easily that event can be brought to mind**” (from [ThoughtCo.com](#)).

“The availability heuristic describes our tendency to think that whatever is easiest for us to recall should provide the best context for future predictions” (from [TheDecisionLab.com](#)).

“Availability is a heuristic whereby people make judgments about the likelihood of an event **based on how easily an example, instance, or case comes to mind**” (from [BehavioralEconomics.com](#)).

### Non-Internet Examples

If a certain disease (e.g., heart disease) is common in your family, you might overestimate the number of people in the general public who have heart disease. Similarly, if a disease (e.g., diabetes) is less common in your family, you might underestimate the number of people in the general public who have diabetes (from [ThoughtCo.com](#)).

### Internet Examples (lecture video)

“if teenagers view a Facebook picture of their friends drinking alcohol, they overestimate the probability of other teens drinking alcohol.

Similarly, if people are shown a Facebook picture of their friends going on vacation, they overestimate the probability of other families going on vacation.”

## Anchoring and Adjustment

“The anchoring and adjustment heuristic allows people to estimate a number by starting at an initial value (the “anchor”) and adjusting that value up or down. However, **different initial values lead to different estimates, which are in turn influenced by the initial value**” (from [ThoughtCo.com](#)).

### Non-Internet Examples

“[P]articipants [were asked] to estimate the percentage of African countries in the UN. ... if participants were given an initial estimate as part of the question (for example, *is the real percentage higher or lower than 65%?*), their answers were close to the initial value, thus seeming to be ‘anchored’ to the first value they heard” (from [ThoughtCo.com](#)).

### Internet Example (lecture video)

If three plans are offered for an online product -- the Basic for \$59; the Premium for \$125; and the Premium Plus, which provides a few more benefits, but also costs \$125 -- most consumers choose the Premium Plus plan; none choose the same-priced Premium plan; and only a small fraction choose the Basic Plan.

However, if only two plans are offered -- Basic for \$59 and Premium Plus for \$125, -- most consumers choose the Basic plan. Why? When the middle plan is available, it serves as an anchor and makes the Premium Plus plan look like a great deal. Without the anchor, the Premium Plus plan lost its luster.