

Abstract

In this study we investigate how two types of information interventions, providing a benchmark and providing costly information on option ranking, can improve decision-making in complex choices. In our experiment subjects made a series of incentivized choices between four hypothetical financial products with multiple cost components. In the benchmark treatments one product was revealed as the average for all cost components, either in relative or absolute terms. In the costly information treatment subjects were given the option to pay a flat fee in order to have two products revealed as being suboptimal. Our results indicate that benchmarks affect decision quality, but only when presented in relative terms. In addition, we find that the effect of relative benchmarks on decision-quality increases as options become more dissimilar in terms of the number of optimal and suboptimal features. This result suggests that benchmarks make these differences between products more salient. Furthermore, we find that decision-quality is improved by providing costly information, specifically for more similar options. Finally, we find that absolute – but not relative – benchmarks increase demand for costly information. In sum, these results suggest that relative benchmarks can improve decision-making in complex choice environments.